PARK CENTER

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

June 30, 2009

PARK CENTER

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Park Center
Nashville, Tennessee

We have audited the accompanying statement of financial position of Park Center (a nonprofit organization) as of June 30, 2009, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements do not include the accounts and balances related to Haley's Park, Inc. ("Haley's Park") and Park Center Housing Development Corporation ("Park Center Housing"). Haley's Park and Park Center Housing are affiliated by common control. In our opinion, accounting principles generally accepted in the United States of America require Haley's Park and Park Center Housing to be consolidated with the Organization. Consolidation of Haley's Park and Park Center Housing would increase assets and liabilities by approximately $1,647,000 as of June 30, 2009. There would be approximately $(72,000) impact on the change in net assets for the year ended June 30, 2009.

In our opinion, except for the effects of not consolidating Haley's Park and Park Center Housing, the financial statements referred to above present fairly, in all material respects, the financial position of Park Center as of June 30, 2009, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2009 on our consideration of Park Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Park Center taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

November 6, 2009

PARK CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2009

Assets

Current assets:	
Cash and cash equivalents	$ 1,542,300
Investments	319,759
Accounts receivable, net	784,296
Prepaid expenses	4,132
Total current assets	2,650,487
Property and equipment, net	4,338,165
Total assets	$ 6,988,652

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	$ 303,984
Deferred revenues	225,000
Current portion of long-term debt	197,024
Total current liabilities	726,008
Long-term debt, less current portion	183,288
Total liabilities	909,296
Net assets:	
Unrestricted:	
Undesignated	4,945,365
Board designated	707,338
Total unrestricted	5,652,703
Temporarily restricted	426,653
Total net assets	6,079,356
Total liabilities and net assets	$ 6,988,652

See accompanying notes.

PARK CENTER
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
Public support and revenues:			
Public support:			
Grants and contracts	$ 4,878,813	$ -	$ 4,878,813
Contributions	194,099	75,000	269,099
Total public support	5,072,912	75,000	5,147,912
Revenues:			
Rental income	396,047	-	396,047
Food service fees	14,798	-	14,798
Other	8,995	-	8,995
Investment and interest income (loss)	(30,194)	-	(30,194)
Net assets released from restrictions	16,030	(16,030)	-
Total revenues	405,676	(16,030)	389,646
Total public support and revenues	5,478,588	58,970	5,537,558
Expenses:			
Program services	4,488,947	-	4,488,947
Supporting services:			
Management and general	807,808	-	807,808
Fundraising	108,595	-	108,595
Total supporting services	916,403	-	916,403
Total expenses	5,405,350	-	5,405,350
Change in net assets	73,238	58,970	132,208
Net assets - beginning of year	5,579,465	367,683	5,947,148
Net assets - end of year	$ 5,652,703	$ 426,653	$ 6,079,356

See accompanying notes.

PARK CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2009

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Personnel services	$ 2,462,811	$ 495,080	$ 47,750	$ 3,005,641
Fringe benefits	280,678	43,746	4,739	329,163
Payroll taxes	184,437	33,221	3,362	221,020
Total personnel costs	2,927,926	572,047	55,851	3,555,824
Contract services	166,342	104,833	6,021	277,196
Utilities	185,835	13,995	-	199,830
Rent	185,345	-	764	186,109
Rental and maintenance	176,211	4,758	3,300	184,269
Food and beverage	144,716	1,375	5,778	151,869
Telephone	75,555	2,701	3,795	82,051
Insurance	48,418	32,088	-	80,506
Travel	60,907	1,415	4,366	66,688
Professional fees	24,572	39,046	775	64,393
Program services	60,346	-	250	60,596
Office supplies	43,412	9,316	6,221	58,949
Member expenses	38,304	246	7,903	46,453
Taxes and licenses	39,663	104	320	40,087
Janitorial supplies	39,259	-	-	39,259
Certifications and accreditations	21,327	6,100	1,156	28,583
Conferences and meetings	19,550	6,676	187	26,413
Vehicle expense	19,866	40	-	19,906
Interest	19,840	-	-	19,840
Printing and publications	4,650	4,369	8,433	17,452
Fundraising - special events	6,079	5,991	260	12,330
Small equipment purchases	9,077	668	-	9,745
Postage and shipping	917	1,780	1,698	4,395
Medical supplies	3,732	-	-	3,732
Miscellaneous	1,163	260	1,380	2,803
Total expense before depreciation	4,323,012	807,808	108,458	5,239,278
Depreciation	165,935	-	137	166,072
Total expenses	$ 4,488,947	$ 807,808	$ 108,595	$ 5,405,350

See accompanying notes.

PARK CENTER
STATEMENT OF CASH FLOWS
For the year ended June 30, 2009

Cash flows from operating activities:	
Change in net assets	$ 132,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	166,072
Realized and unrealized loss on investment	35,280
Changes in operating assets and liabilities:	
Accounts receivable	474,966
Prepaid expenses	(4,132)
Accounts payable and accrued expenses	92,598
Net cash provided by operating activities	896,992
Cash flows from investing activities:	
Purchase of investments	(261,058)
Sale of investments	261,058
Purchase of property and equipment	(206,134)
Net cash used in investing activities	(206,134)
Cash flows from financing activities:	
Payments on long-term debt	(30,712)
Net used in financing activities	(30,712)
Net increase in cash and cash equivalents	660,146
Cash and cash equivalents - beginning of year	882,154
Cash and cash equivalents - end of year	$ 1,542,300
Supplemental disclosure:	
Interest paid	$ 19,840

See accompanying notes.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General

Park Center (the "Center") is a not-for-profit organization that provides psychosocial and vocational rehabilitation services and housing to emotionally and mentally ill individuals in Davidson County, Tennessee. The Center offers food service, clerical, environmental, and vocational rehabilitation and operates a continuous mental health facility. Additionally, the Center offers housing and housing support programs at several locations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets

Undesignated – net assets that are not subject to donor-imposed stipulations.

Designated – net assets designated by the Center's Board of Directors for particular purposes, presently designated by the Board for long term investment and the benefits of certain programs.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Client service revenue is reported at the estimated net realizable value from third-party payors in the period services are rendered. Management provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the collectability of accounts receivable. An allowance for doubtful accounts of $225,000 is included in accounts receivable at June 30, 2009.

Investments

In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities as unrestricted revenues or expenses, unless specified by the donor.

Fair Values

The Organization has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Donated Services

Amounts are reported in the financial statements for voluntary donations of services only when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills which would typically be purchased if not provided by donation. Volunteers donate significant amounts of their time in the Center's program services and its fund-raising efforts that have not been reported in the accompanying financial statements because the services do not create or enhance non-financial assets and no objective basis is available to measure the value of such donations.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Center.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income tax has been made.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

During 2008, the Staff of the Financial Accounting Standards Board ("FASB") issued Proposed FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP 117-1"). The FSP clarifies that a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. FSP 117-1 also required additional disclosures applicable to all nonprofit organizations. Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds. The Organization has implemented this pronouncement and is now providing the expanded disclosures as of June 30, 2009.

NOTE 2 – INVESTMENTS

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30:

Short-term investments	$ 95,861
Marketable equity securities	6,512
Mutual funds	217,386
	$ 319,759

The following schedule summarizes the investment income in the statement of activities for the year ended June 30:

Interest and dividend income (including interest on cash and cash equivalents)	$ 5,086
Net unrealized and realized loss on investments	(35,280)
	$ (30,194)

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of purchase or fair market value at date of gift. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets (ranging from three to thirty years) on a straight-line basis. The Center generally capitalizes an asset if its life is estimated to be one year or greater and the cost is $1,000 or greater.

The balances of the major classes of property and equipment are as follows at June 30:

Land and land improvements	$ 593,360
Buildings and building improvements	4,958,330
Equipment and furniture	78,771
Vehicles	55,192
Land and land improvements restricted for housing program	22,000
	5,707,653
Less: accumulated depreciation	(1,369,488)
	$ 4,338,165

In January 1989, the Center entered into an agreement with the Metropolitan Development and Housing Agency, the Tennessee Department of Mental Health and Developmental Disabilities, the Tennessee Department of Human Services, and the U.S. Department of Housing and Urban Development, whereby funds were made available to the Center by those governmental agencies to purchase and renovate four houses to be used by the Center to provide housing for the homeless mentally ill. Under the agreement, the Center is committed to operate the housing program for twenty to thirty years or be liable for repaying the prorated amounts of the original funds to the governmental agencies which provided them. Management currently plans to operate the program for the specified terms of the agreement. The net book value of the houses and land in the amount of $325,791 at June 30, 2009, is included as temporarily restricted net assets.

NOTE 4 – ACCRUED EXPENSES

Employees of the Center are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, but not for accumulated sick leave. Accordingly, vacation pay is accrued and recognized as an expense in the period earned by employees. Accrued vacation pay included in accrued expenses was $125,104 at June 30, 2009.

PARK CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009

NOTE 5 – LINE OF CREDIT

During fiscal 2009, the Center maintained a revolving line of credit in the amount of $475,000 from a financial institution. Amounts drawn on the line of credit are due on demand and bear interest at the prime rate. This arrangement is secured by the Center's deposits with the financial institution, accounts receivable, property and equipment. There were no outstanding borrowings at June 30, 2009.

NOTE 6 – LONG-TERM DEBT

Long-term debt is as follows as of June 30:

Mortgage note payable to an organization in monthly principal and interest installments of $1,960, secured by land, interest at 4.0%, maturing April 2010.	$ 190,473
Mortgage note payable to an organization in monthly principal and interest installments of $1,320, secured by land, interest at 5.0%, maturing September 2012.	189,839
	380,312
Less amount shown as current	(197,024)
Long-term debt, non-current	$ 183,288

Annual principal maturities of the above obligations are as follows:

Year Ending June 30,	
2010	$ 197,024
2011	6,882
2012	7,234
2013	7,604
2014	7,993
Thereafter	153,575
	$ 380,312

NOTE 7 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30:

Property for housing program	$ 325,791
Contributions restricted for center renovation	100,054
First-time homebuyer's counseling and outreach grant	808
	$ 426,653

Designated net assets of the Center are available for the following purposes at June 30:

Clubhouse	$ 155,213
Housing	232,366
Board designated endowment	319,759
	$ 707,338

NOTE 8 – ENDOWMENT FUND

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The UPMIFA was enacted in Tennessee effective July 1, 2007. The Board of Directors has interpreted the UPMIFA as requiring that the Center classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 8 – ENDOWMENT FUND (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 319,759	$ -	$ -	$ 319,759

Changes in Endowment Net Assets for the fiscal year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 355,039	$ -	$ -	$ 355,039
Investment return:				
Net depreciation (realized and unrealized)	(35,280)	-	-	(35,280)
Endowment net assets, end of year	$ 319,759	$ -	$ -	$ 319,759

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Any expenditures from board designated endowment assets will require board approval.

NOTE 9 – IN-KIND CONTRIBUTIONS

The Center received in-kind contributions in the amount of $10,790 for fundraising events during the year ended June 30, 2009.

NOTE 10 – PENSION PLAN

The Center has a non-contributory pension and retirement plan covering substantially all of its employees. The plan is a tax-deferred annuity plan with its participants owning all amounts held in their individual accounts. Pension expense for the year ended June 30, 2009 was $98,433.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Center receives a substantial amount of its support from government grants and contracts. In the event of a significant reduction in the level of this support, the Center's programs and activities could be adversely affected.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

During the fiscal year, the Center's cash and cash equivalent balances exceeded federally insured limits.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Center's board of directors maintains the ability to approve the directors of two related organizations, Haley's Park, Inc. and Park Center Housing Development Corporation. The Center has chosen not to consolidate such entities in its financial statements in order to present the entities as separate organizations. Such organizations are ordinarily included in the financial statements of the controlling organization under accounting principles generally accepted in the United States of America. Although the board of directors of the Center may approve the boards of the two related entities, the Center has no responsibility for the liabilities incurred by either entity.

The Center sponsored the establishment of Haley's Park, Inc., a separate not-for-profit corporation, that was established in order to construct a facility to provide chronically mentally ill persons with housing and other services under guidelines of the U.S. Department of Housing and Urban Development, Section 811. The facility was completed in 2008 and includes 14 one-bedroom units, one two-bedroom unit for a resident counselor as well as office space.

SUPPLEMENTAL INFORMATION

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2009

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2008	Cash Receipts	Expenditures	Balance Receivable June 30, 2009
Federal Awards:						
U.S. Department of Human Services, State of Tennessee						
Evaluation, Work Adjustment Program	84.126	GR-05-16631-03	$ -	$ 25,600	$ 25,600	$ -
Tennessee Housing Development Agency						
Emergency Shelter Program	14.239	ESG-08-18	-	14,286	14,286	-
U.S. Department of Human Services						
Integrated ACT Services	93.243	N/A	113,187	113,187	-	-
Integrated ACT Services	93.243	N/A	-	471,721	525,793	54,072
Total Program 92.243			113,187	584,908	525,793	54,072
U.S. Department of Mental Health and Developmental Disabilities, State of Tennessee						
Consumer Housing Specialist	93.958	GR-09-25137-01	-	-	2,094	2,094
Assisted Living Program	93.958	GR-08-21754-01	5,261	5,261	-	-
Assisted Living Program	93.958	GR-09-25133-01	-	28,631	35,000	6,369
Total Program 93.958			5,261	33,892	37,094	8,463
Data Infrastructure Grant	93.243	Z-07-033431-00	301	301	-	-
Data Infrastructure Grant	93.243	Z-07-033431-01 (DG-07-02015-00)	-	3,001	3,600	599
Total Program 93.243			301	3,302	3,600	599
U.S Federal Emergency Management Agency						
FEMA	97.024	N/A	-	3,000	6,000	3,000

PARK CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the year ended June 30, 2009

Federal Awards (Continued):						
U.S. Department of Housing and Urban Development						
Supportive Housing Program	14.235	TN37B604008	2,257	2,257	-	-
Supportive Housing Program	14.235	TN37B704008	-	16,574	16,574	-
Supportive Housing Program	14.235	TN37B704008	-	124,080	124,080	-
Total Program 14.235			2,257	142,911	140,654	-
U.S. Department of Housing and Urban Development						
Emergency Shelter Program	14.231	N/A	-	-	4,115	4,115
Total Federal Awards			**121,006**	**807,899**	**757,142**	**70,249**
State Awards:						
U.S. Department of Mental Health and Developmental Disabilities, State of Tennessee						
Homes and Other Programs	N/A	GR-09-25133-00	-	372,977	468,575	95,598
Homes and Other Programs (Transitional Youth)	N/A	GR-08-21754-01	251,366	251,366	-	-
Homes and Other Programs (Transitional Youth)	N/A	GR-09-25758-00	-	414,789	576,457	161,668
Co-Occurrence Project	N/A	GR-08-21516-00	2,864	2,864	-	-
Co-Occurrence Project	N/A	GR-09-23975-00	-	30,967	36,000	5,033
Behavioral Safety Net Program	N/A	Z-07-033257-04 (DG-07-02011-00)	-	77,500	77,500	-
Consumer Housing Programs (Website)	N/A	GR-08-24367-00	49,300	49,300	-	-
Consumer Housing Programs (Website)	N/A	GR-09-25137-01	-	109,209	146,536	37,327
Total State Awards			**303,530**	**1,308,972**	**1,305,068**	**299,626**
Total Federal and State Awards			**$ 424,536**	**$ 2,116,871**	**$ 2,062,210**	**$ 369,875**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Note 1 - Basis of Accounting - The Supplemental Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis of accounting.

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CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors of
Park Center
Nashville, Tennessee

We have audited the financial statements of Park Center (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 6, 2009, which expresses a qualified opinion due the effects of not consolidating Haley's Park and Park Center Housing. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Park Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Park Center in a separate letter dated November 6, 2009.

Park Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Park Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dean & Howard PLLC

November 6, 2009

FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors of
Park Center
Nashville, Tennessee

Compliance

We have audited the compliance of Park Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Park Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Park Center's management. Our responsibility is to express an opinion on Park Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Park Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Park Center's compliance with those requirements.

In our opinion, Park Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Park Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Park Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Park Center's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-3 and 2009-4 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Park Center's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Park Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dean & Howard, PLLC

November 6, 2009

PARK CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Park Center.

2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The conditions are not considered to be material weaknesses.

3. No instances of noncompliance material to the financial statements of Park Center were disclosed during the audit.

4. Two significant deficiencies in internal control over major federal programs disclosed during the audit are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. The conditions are not considered to be material weaknesses.

5. The auditor's report on compliance for the major federal award programs for Park Center expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs included:

CFDA Number	Name of Federal Program or Cluster
93.243	Substance Abuse and Mental Health Services Administration

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Park Center was not determined to be a low-risk auditee.

PARK CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the year ended June 30, 2009

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2009-1 Financial Statement Reporting

Statement of Condition: The COSO (Committee of Sponsoring Organizations) framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Center's audited financial statements. The Center currently relies on its external audit process to interpret generally accepted accounting principles and identify risks of misstatement that might be relevant to the risks of preparation of reliable financial statements, including full disclosures in accordance with generally accepted accounting principles. Utilization of the audit process in this manner is by definition a significant deficiency in internal control.

Criteria: Financial statements and related footnotes are to be issued in accordance with GAAP.

Effect of Condition: The Center relies on its external audit to obtain year-end financial statements with required disclosures.

Cause of Condition: Management believes its external board of directors provides adequate control over financial statement reporting.

Auditor's Recommendation: Management and the board of directors should continue to evaluate the cost/benefit of engaging the resources on staff to interpret GAAP and prepare its financial statements and required disclosures.

2009-2 Financial Statement Reporting - Consolidation

Statement of Condition: The Center does not consolidate its financial statements with Haley's Park and Park Center Housing, two entities that are related via board control.

Criteria: Financial statements for commonly controlled not-for-profit organizations should be consolidated.

Effect of Condition: Financial statements could be issued that do not properly reflect the Center's financial condition and results of operations.

Cause of Condition: Management does not believe consolidation of these entities is useful to its financial statement readers.

Auditor's Recommendation: The Center should consider consolidating commonly controlled entities in conformity with generally accepted accounting principles.

Material Weakness - None

PARK CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the year ended June 30, 2009

FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Health and Human Services – CFDA No. 93.243
Grant No. 1H79TI018772-01 and 5H79TI018772-02, year ended June 30, 2009

		Questioned Costs
2009-3	**Reporting** **Statement of Condition:** The financial status report, SF-269, was not filed timely for the budget year ended September 30, 2008.	N/A
	Criteria: SF-269 is to be filed 90 days after the end of the grant budget period.	
	Cause: The Center was not aware of the requirement.	
	Effect of Condition: Failure to submit reports when due could be a violation of the terms and conditions of the grant.	
	Auditor's Recommendation: We recommend that all reports required by the grant be filed on a timely basis.	
2009-4	**Indirect Costs Charged to Grant** **Statement of Condition:** Indirect costs allocations charged to the grant were not included in the grant budget.	$76,182
	Criteria: Grant expenses are to comply with the grant budget justification narrative.	
	Effect of Condition: Amounts associated with indirect costs could be subject to disallowance.	
	Cause: The Center had not taken action to obtain approval of the indirect cost reimbursement from the grantor agency.	
	Auditor's Recommendation: We recommend that management obtain federal grantor approval for the indirect cost allocations to ensure that all costs charged to the grant comply with the amounts described in the budget justification narrative.	

PARK CENTER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 2009

2008-1 **Statement of Condition**: The Center currently relies on its external audit process to interpret generally accepted accounting principles and identify risks of misstatement that might be relevant to the risks of preparation of reliable financial statements, including full disclosures in accordance with generally accepted accounting principles.

Auditor's Recommendation: We recommend that the Board and management evaluate the cost/benefit of engaging the resources on staff to interpret GAAP and prepare its audited financial statements.

Current Status: The Center has a couple of CPAs on the board of directors who are always willing to assist in any questions that might arise. Also, the Treasurer of the Board is a CPA and reviews the financials bi-monthly.

2008-2 **Statement of Condition**: The Center has not established an efficient process for billing and recording revenues earned in providing case management services to consumers covered by insurance. As such, the accounts receivable process does not produce accurate information regarding amounts due to the Center at a specific point in time.

Auditor's Recommendation: We recommend that management establish detailed procedures for recording revenues and receivables at the time that services are provided to consumers to ensure amounts receivable for services provided are accurately reflected in the financial statements at any specific point in time.

Current Status: The Center has implemented the final modules of this software during 2009.

CORRECTIVE ACTION PLAN

December 9, 2009

U.S. Department of Health and Human
Services

Park Center respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent public
accounting firm:
Frasier, Dean & Howard, PLLC
3310 West End Avenue, Suite 550
Nashville, TN 37203

Audit period: July 01, 2008 – June 30, 2009

The findings from the June 30, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2009-1 Financial Statement Reporting

<u>**Auditor's Recommendation**</u>: The Center should consider having a certified public accountant oversee its financial reporting function to ensure conformity with generally accepted accounting principles.

<u>**Action Taken**</u>: The Center has CPAs on the board of directors who are always willing to assist in any questions that might arise. Also, the Treasurer of the board is a CPA and reviews the financial statements bi-monthly.

2009-2 Financial Statement Reporting - Consolidation

<u>**Auditor's Recommendation**</u>: The Center should consider consolidating commonly controlled entities in conformity with generally accepted accounting principles.

<u>**Action Taken**</u>: The Center is currently considering reducing the level of influence Park Center has over the boards of the commonly controlled entities. However, transactions between the entities are being recorded on accordance with generally accepted accounting principals.

CORRECTIVE ACTION PLAN (CONTINUED)

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

None

FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Health and Human Services

2009-3 **Reporting**

Auditor's Recommendation: We recommend that all reports required by the grant be filed on a timely basis.

Action Taken: The Center filed the SF-269 promptly upon notification by the grantor. Since that time, all other financial reports have been filed timely.

2009-4 **Indirect Costs Charged to Grant**

Auditor's Recommendation: We recommend that management obtain federal grantor approval for the indirect cost allocations to ensure that all costs charged to the grant comply with the amounts described in the budget justification narrative.

Action Taken: The Center has received an indirect cost rate agreement from the grantor, but is awaiting clarification before charging additional indirect costs to the grant.

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Barbara Quinn, CEO, at 615-242-3831.

Sincerely,

Barbara Quinn

Barbara Quinn