



ABBE, INC. AND SUBSIDIARIES
Cedar Rapids, Iowa

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007



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Independent Auditor's Report

Board of Directors
Abbe, Inc. and subsidiaries
Cedar Rapids, Iowa

We have audited the accompanying consolidated statements of financial position of Abbe, Inc. and subsidiaries as of June 30, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of Abbe, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, Kingston Hill became an affiliate of the Organization, effective July 1, 2007. The Organization's financial statements as of and for the year ended June 30, 2007 do not include the accounts of Kingston Hill as required by accounting principles generally accepted in the United States of America for the presentation of comparative financial statements. The effects of this departure from generally accepted accounting principles on the financial position, changes in net assets and cash flows of Abbe, Inc. and subsidiaries as of and for the year ended June 30, 2007, are not reasonably determinable as the financial statements for Kingston Hill were last reviewed (not audited) by other independent accountants as of and for the year ended December 31, 2006.

In our opinion, except for the effects of not including the accounts of Kingston Hill in the accompanying consolidated financial statements as of and for the year ended June 30, 2007, as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abbe, Inc. and subsidiaries as of June 30, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of Abbe, Inc. and subsidiaries taken as a whole. The accompanying supplemental information, listed in the table of contents, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Clifton Henderson LLP

Cedar Rapids, Iowa
December 30, 2008

FINANCIAL STATEMENTS

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,302,686	\$ 693,233
Cash, restricted, resident trust accounts	75,536	77,539
Certificates of deposit	494,036	684,351
Receivables:		
Accounts receivable, less allowance for doubtful accounts of \$170,041 in 2008 and \$145,618 in 2007	2,734,681	2,684,366
Contributions receivable, less allowance for uncollectible contributions of \$0 in 2008 and \$7,820 in 2007	661,836	273,366
Insurance receivable	825,000	-
Prepaid expenses	<u>153,846</u>	<u>279,276</u>
Total current assets	<u>6,247,621</u>	<u>4,692,131</u>
 INVESTMENTS	 <u>3,500,308</u>	 <u>263,355</u>
 PROPERTY AND EQUIPMENT		
Land	598,948	588,948
Buildings and improvements	5,798,478	4,408,738
Leasehold improvements	316,546	161,768
Furniture and equipment	2,439,279	2,740,484
Vehicles	<u>302,167</u>	<u>344,268</u>
Total	9,455,418	8,244,206
Less accumulated depreciation	<u>3,884,827</u>	<u>3,180,485</u>
Net property and equipment	<u>5,570,591</u>	<u>5,063,721</u>
 OTHER ASSETS		
Beneficial interest in assets held by community foundation	27,192	28,925
Debt-issuance costs, less accumulated amortization of \$4,508 in 2008 and \$3,119 in 2007	<u>23,448</u>	<u>24,837</u>
Total other assets	<u>50,640</u>	<u>53,762</u>
 TOTAL ASSETS	 <u>\$ 15,369,160</u>	 <u>\$ 10,072,969</u>

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Accounts payable	\$ 850,760	\$ 373,335
Accrued expenses:		
Accrued vacations	838,520	801,496
Other accrued expenses	309,768	182,615
Due to government agencies, primarily to Linn County	-	16,099
Resident trust funds	75,536	77,539
Deferred income	18,341	19,200
Notes payable, current maturities	61,103	62,411
Current maturities of obligations under capital leases	<u>15,337</u>	<u>7,504</u>
Total current liabilities	<u>2,169,365</u>	<u>1,540,199</u>
 LONG-TERM LIABILITIES		
Due to Linn County	102,842	102,842
Obligations under capital leases, less current maturities above	27,521	28,386
Notes payable, less current maturities above	<u>1,261,302</u>	<u>1,321,946</u>
Total long-term liabilities	<u>1,391,665</u>	<u>1,453,174</u>
Total liabilities	<u>3,561,030</u>	<u>2,993,373</u>
 NET ASSETS		
Unrestricted	10,769,403	6,377,315
Temporarily restricted	1,021,138	684,692
Permanently restricted	<u>17,589</u>	<u>17,589</u>
Total net assets	<u>11,808,130</u>	<u>7,079,596</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 15,369,160</u>	 <u>\$ 10,072,969</u>

The accompanying notes are an integral part of the consolidated financial statements.

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2008 and 2007

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUE				
Client and resident fees	\$ 16,635,495	\$ -	\$ -	\$ 16,635,495
Administrative services	-	-	-	-
Grants	1,867,397	563,741	-	2,431,138
Auxiliary	151,941	-	-	151,941
Investment income (loss)	(20,980)	-	-	(20,980)
Rent	46,673	-	-	46,673
Contributions	206,107	-	-	206,107
Other	339,199	-	-	339,199
Net assets released from restrictions	273,410	(273,410)	-	-
Total public support and revenue	19,499,242	290,331	-	19,789,573
EXPENSES				
Program services:				
Mental health services	6,522,867	-	-	6,522,867
Care facilities	7,097,761	-	-	7,097,761
Services for the aging	4,400,251	-	-	4,400,251
Total program services	18,020,879	-	-	18,020,879
Supporting activities:				
Management and general	1,674,473	-	-	1,674,473
Fundraising	17,793	-	-	17,793
Total supporting activities	1,692,266	-	-	1,692,266
Total expenses	19,713,145	-	-	19,713,145
GAIN FROM FLOOD	(10,981)	-	-	(10,981)
Total expenses and gain	19,702,164	-	-	19,702,164
CHANGE IN NET ASSETS	(202,922)	290,331	-	87,409
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	10,972,325	730,807	17,589	11,720,721
NET ASSETS, END OF YEAR	\$ 10,769,403	\$ 1,021,138	\$ 17,589	\$ 11,808,130

2007

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 15,376,537	\$ -	\$ -	\$ 15,376,537
44,000	-	-	44,000
1,662,445	244,586	-	1,907,031
134,158	-	-	134,158
67,409	-	-	67,409
35,888	-	-	35,888
213,559	4,000	-	217,559
325,178	-	-	325,178
<u>320,068</u>	<u>(320,068)</u>	<u>-</u>	<u>-</u>
<u>18,179,242</u>	<u>(71,482)</u>	<u>-</u>	<u>18,107,760</u>
6,013,611	-	-	6,013,611
6,620,321	-	-	6,620,321
<u>3,332,296</u>	<u>-</u>	<u>-</u>	<u>3,332,296</u>
<u>15,966,228</u>	<u>-</u>	<u>-</u>	<u>15,966,228</u>
1,581,679	-	-	1,581,679
<u>20,725</u>	<u>-</u>	<u>-</u>	<u>20,725</u>
<u>1,602,404</u>	<u>-</u>	<u>-</u>	<u>1,602,404</u>
17,568,632	-	-	17,568,632
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>17,568,632</u>	<u>-</u>	<u>-</u>	<u>17,568,632</u>
610,610	(71,482)	-	539,128
<u>5,766,705</u>	<u>756,174</u>	<u>17,589</u>	<u>6,540,468</u>
<u>\$ 6,377,315</u>	<u>\$ 684,692</u>	<u>\$ 17,589</u>	<u>\$ 7,079,596</u>

The accompanying notes are an integral part of the consolidated financial statements.

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 87,409	\$ 539,128
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest and dividends reinvested	(826)	(14,100)
Net realized and unrealized (gain) loss on investments	321,153	(9,988)
Provision for bad debts	152,170	109,022
Depreciation and amortization	445,355	388,029
Loss on disposal of property and equipment	607,118	17,802
Change in beneficial interest in assets held by community foundation	1,733	(644)
Contributions restricted for property and equipment	-	(39,504)
Amortization on below market interest rate loan	17,397	17,881
Effects of changes in operating assets and liabilities:		
Cash, restricted, resident trust accounts	2,003	(8,938)
Receivables	(1,415,955)	(799,131)
Prepaid expenses	125,430	(19,335)
Accounts payable and accrued expenses	625,503	(98,224)
Deferred income	(859)	(15,443)
Resident trust accounts	(2,003)	8,939
Reverse effects of non-cash operating accounts acquired in merger	<u>(14,560)</u>	<u>-</u>
Net cash provided by operating activities	<u>951,068</u>	<u>75,494</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in merger of Kingston Hill	70,261	-
Purchases of property and equipment	(654,470)	(333,647)
Proceeds from sales of investments	1,088,289	120,000
Transfer to community foundation	-	(28,281)
Purchases of investments and certificates of deposits	<u>(751,805)</u>	<u>(663,446)</u>
Net cash used in investing activities	<u>(247,725)</u>	<u>(905,374)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(79,349)	(82,331)
Payments on capital leases	(14,541)	(11,709)
Contributions restricted for property and equipment	<u>-</u>	<u>39,504</u>
Net cash used in financing activities	<u>(93,890)</u>	<u>(54,536)</u>

	<u>2008</u>	<u>2007</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	609,453	(884,416)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>693,233</u>	<u>1,577,649</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,302,686</u>	<u>\$ 693,233</u>
CASH PAID FOR INTEREST	<u>\$ 78,668</u>	<u>\$ 59,340</u>

The accompanying notes are an integral part of the consolidated financial statements.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbe, Inc. was incorporated on August 7, 1991 in the state of Iowa for the promotion of mental health care and the prevention of mental illness through community education. Abbe, Inc. is the sole voting member of the following entities:

The Abbe Center for Community Mental Health, Inc. (the Center) provides outpatient psychiatric services, psychotherapy and supportive treatment services for persons with mental health problems and psychiatric illnesses with the purpose of assisting those persons to prevent hospitalization and remain independently functioning in the community. These services are provided to residents of Linn, Jones and Benton counties and surrounding communities through service receipts from Linn, Jones and Benton counties.

The Abbe Center for Community Care, Inc. (the Care Facility) provides housing and care for mentally disabled in need of supervision or assistance in their daily living. These services are provided to residents of Linn County and surrounding communities through per diem rates from Linn County, state and federal programs, and charges to residents.

The Penn Center, Inc. provides housing and care for mentally disabled in need of supervision or assistance in their daily living. These services are provided to residents of Delaware County and surrounding communities through per diem rates from Delaware County, state and federal programs, and charges to residents.

Aging Services, Inc. provides assistance to the elderly in the Linn County area through adult day care services and home-based support services. These services are provided through cost-sharing between the individuals and funding sources.

Pentacrest, Inc. provides assistance to the elderly in the Johnson County area through adult day care services and home-based support services. These services are provided through cost-sharing between the individuals and funding sources.

Abbe Management Corporation was established for the purpose of managing and providing behavioral health care services in Linn County, Iowa and surrounding counties. These services are provided to the managed practices under a management fee arrangement.

Witwer Center, Inc. provides a place where the elderly can meet, receive services, and take part in activities which enhance their dignity and preserve their independence. The center is a Title VII nutrition site serving Cedar Rapids and surrounding communities with on site meals. Home delivered meals are provided for those unable to make it to the congregate meal sites.

Kingston Hill operates independent housing with non-health related services for older adults. They do not provide nursing care. Residents requiring nursing care are required to relocate and make arrangements to receive nursing care in another facility. Residents pay a monthly fee based on their ability to pay when the resident entered the facility.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization's fiscal year ends on June 30. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of all entities described on the previous page. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations which generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount. Account balances with invoices over ninety days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, to the earliest unpaid invoices. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual accounts receivable balances that exceed ninety days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. In addition, a general valuation allowance is established based principally on historical experience.

Investments

Investments are carried at fair value, determined by quoted market prices, and the net appreciation or depreciation in fair value of investments is reported as an increase or decrease in unrestricted net assets. Interest and dividends are recorded as income when earned. Investment income is also reported in the statement of activities as unrestricted revenue.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment are recorded at cost while contributed property and equipment are recorded at estimated fair value at the date of gift. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets. Items with a cost over \$1,000 and an expected useful life of more than one year are capitalized, as well as computer equipment even if less than \$1,000.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Beneficial Interest in Assets Held by Community Foundation

Certain funds are held by The Greater Cedar Rapids Community Foundation (Foundation), in a permanent designated agency endowment fund, for the benefit of the Organization. The transactions with the Foundation are deemed to be reciprocal and, therefore, the value of the fund held by the Foundation is recognized as an asset (beneficial interest in assets held by community foundation) by the Organization.

Other designated funds held by The Greater Cedar Rapids Community Foundation for the benefit of the Organization have been established by separate donors who explicitly granted variance power to the Foundation in a nonreciprocal transfer. As such, these funds are not recognized as an asset by the Organization. The distributions received from the Foundation from these funds are recognized as grant revenue by the Organization upon receipt.

Debt Issuance Costs

Debt-issuance costs are being amortized over the 20 year term of the loan.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

Temporarily restricted net assets includes contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently restricted net assets includes contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Support and Revenue

Client and resident fee revenue is recognized, at estimated collectable amounts, in the period the services are performed, net of third-party contractual adjustments and foregone charges for services and supplies furnished to clients who cannot pay. Fees received in advance of services performed are recorded as deferred income.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as receivables and as support when received. Conditional contributions are not recorded until all conditions have been satisfied, at which time they are recognized as support. Advances received on conditional contributions are recorded as refundable advances until all conditions have been satisfied.

Bequests are recorded when the probate court declares the will valid and the amount is determinable.

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed property and equipment are recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Income Taxes

All entities described earlier, with the exception of Abbe Management Corporation, are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. In addition, all entities, with the exception of Abbe Management Corporation and Kingston Hill, are not classified as a private foundation. Kingston Hill qualifies as an exempt private operating foundation.

For Abbe Management Corporation, deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

NOTE 2 - RESTATEMENT OF 2008 BEGINNING NET ASSETS

Kingston Hill became an affiliate of the Organization effective July 1, 2007. Kingston Hill's net assets at the time of affiliation were \$4,641,125, which consisted of \$4,595,010 of unrestricted and \$46,115 of temporarily restricted net assets. The 2008 beginning net assets have been restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, June 30, 2007, as previously stated	\$ 6,377,315	\$ 684,692	\$ 17,589	\$ 7,079,596
Kingston Hill net assets, at time of affiliation	<u>4,595,010</u>	<u>46,115</u>	<u>-</u>	<u>4,641,125</u>
Net assets, July 1, 2007, as restated	<u>\$ 10,972,325</u>	<u>\$ 730,807</u>	<u>\$ 17,589</u>	<u>\$ 11,720,721</u>

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Included in contributions receivable are the following unconditional promises to give:

	<u>2008</u>	<u>2007</u>
United Way	\$ 563,741	\$ 244,856
Other grants and pledges	94,945	-
Building campaign pledges	<u>3,150</u>	<u>36,330</u>
Gross unconditional promises to give	661,836	281,186
Less: Allowance for uncollectible contributions	<u>-</u>	<u>(7,820)</u>
Total unconditional promises to give	<u>\$ 661,836</u>	<u>\$ 273,366</u>
Amounts due in:		
Less than one year	\$ 661,836	\$ 281,186
One to five years	<u>-</u>	<u>-</u>
Total	<u>\$ 661,836</u>	<u>\$ 281,186</u>

NOTE 4 - CONDITIONAL PROMISE TO GIVE

The following conditional promise to give was not recognized as an asset in the statement of financial position:

Conditional promise to give toward the Witwer Center, Inc. facility expansion and renovation upon incurrence of qualified reimbursable expenses	<u>\$ 272,925</u>
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NOTE 5 - INVESTMENTS

Investments consist of the following:

	<u>Market Value</u>	
	<u>2008</u>	<u>2007</u>
Fixed income mutual funds	\$ 1,709,585	\$ -
Long-term certificates of deposit	199,525	222,124
Marketable equity securities	<u>1,591,198</u>	<u>41,231</u>
	<u>\$ 3,500,308</u>	<u>\$ 263,355</u>

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has contributed funds to The Greater Cedar Rapids Community Foundation in order to establish a permanent designated agency endowment fund. This fund is administered by the Foundation for the benefit of Witwer Center, Inc. Control over the investment or reinvestment of these funds is exercised exclusively by the Foundation. A portion of the fund's earnings is made available for distribution to Witwer Center, Inc. periodically. The fund balance at June 30, 2008 and 2007 was \$27,192 and \$28,925, respectively. During the years ended June 30, 2008 and 2007, the Organization did not receive any distributions from this fund.

In addition, designated funds for the benefit of Aging Services, Inc., Abbe Center for Community Mental Health, Inc. and Witwer Center, Inc. have been established by donors with The Greater Cedar Rapids Community Foundation. In establishing a designated fund, the donor selects a specific nonprofit institution as the recipient, and grants are made to it annually as long as the named institution remains in existence and continues to fulfill its intended purpose. The balance of the funds were \$91,381 and \$67,243 at June 30, 2008 and 2007, respectively. During the years ended June 30, 2008 and 2007, the Organization received \$3,675 and \$2,131, respectively, from these funds. Only the distributions received by the Organization from these designated funds at The Greater Cedar Rapids Community Foundation are included in the accompanying financial statements.

NOTE 7 - DEBT

Lines of credit

The Organization has a line of credit agreement with a bank under which it can borrow up to \$400,000 in current notes payable. Borrowings under this agreement are unsecured and bear interest at the bank's prime rate. There are no borrowings outstanding under this agreement at June 30, 2008 and the agreement expires in November 2008. As part of the agreement with the bank, there are certain covenants that the Organization must comply with.

Long-term debt

Obligation due to Linn County for the Center's initial reserve fund allocation. This obligation is due upon the Organization terminating certain services. The Center's contract with Linn County expires June 30, 2009, at which time the obligation will become due, unless the contract is renewed.

	<u>2008</u>	<u>2007</u>
	\$ 102,842	\$ 102,842

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 7 - DEBT (CONTINUED)

Notes payable consist of the following:

Note payable to the Iowa Finance Authority with a maximum face value of \$800,000, of which \$704,125 had been drawn at June 30, 2008. Interest accrues at 1% per annum. The note requires monthly installments of \$3,594. Final payment is due in April 2025 and the note is secured by land and building. The note is recorded net of imputed interest calculated using an interest rate of 5.25%. At June 30, 2008, the principal balance of this note, net of imputed interest, was \$496,102. The discount for imputed interest is being amortized based on the maturity date of the note in 2025. The unamortized discount totals \$171,773 at June 30, 2008.

\$ 496,102	\$ 514,955
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Office facility revenue bond issued by Linn County, Iowa, payable to bank. The bond requires monthly installments of \$7,323, including interest at 5.76% until February 2012 when the rate will be adjusted for the next ten years. Final balloon payment is due in January 2022, secured by land and building.

826,303	864,922
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Note payable to GMAC Financial Services requiring monthly installments of \$447, including interest at 0%. Final payment is due in December 2007, and the note is secured by a vehicle.

-	2,681
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Note payable to GMAC Financial Services requiring monthly installments of \$360, including interest at 0%. Final payment is due in December 2007, and the note is secured by a vehicle.

<u>-</u>	<u>1,799</u>
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Total
Less current portion of notes payable

1,322,405	1,384,357
<u>61,103</u>	<u>62,411</u>

Long-term portion of notes payable

<u>\$ 1,261,302</u>	<u>\$ 1,321,946</u>
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ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 7 - DEBT (CONTINUED)

Future maturities of long-term debt are as follows:

Year Ending June 30,	
2009	\$ 61,103
2010	64,485
2011	68,060
2012	71,840
2013	75,836
Thereafter	<u>981,081</u>
Total	<u>\$ 1,322,405</u>

Obligations under capital leases

The Organization is leasing equipment under capitalized leases, expiring between June 2010 and April 2011. The cost of the equipment, which is included in furniture and equipment, is \$58,699, and the accumulated depreciation is \$8,902 at June 30, 2008.

Future minimum lease payments under these leases are as follows:

Year Ending June 30,	
2009	\$ 19,678
2010	19,678
2011	<u>11,090</u>
Total minimum lease payments	50,446
Less amount representing interest	<u>7,588</u>
Present value of minimum lease payments	<u>\$ 42,858</u>

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 8 - NATURE AND AMOUNT OF PERMANENT AND TEMPORARY RESTRICTIONS

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Subsequent year's operations	\$ 788,880	\$ 442,756
Subsequent year's facility usage	<u>232,258</u>	<u>241,936</u>
Total temporarily restricted net assets	<u>\$ 1,021,138</u>	<u>\$ 684,692</u>

Permanently restricted net assets include endowments totaling \$17,589, which must be invested in perpetuity, the income from which is expendable on the Organization's operations.

NOTE 9 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Organization has certain concentrations of support and revenue. For the years ended June 30, 2008 and 2007, the source and amount of the funds and the approximate percentage of total support and revenue from these sources are as follows:

<u>Source</u>	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Medicaid	\$ 5,877,413	30%	\$ 6,126,774	34%
Linn County	3,997,082	20%	3,505,105	19%

The care facility contract with Linn County expires June 30, 2009. The mental health center contract with Linn County expires June 30, 2009.

The Organization also maintains deposits in banks in excess of the \$100,000 (\$250,000 as of October 3, 2008) federally insured amount. The maximum loss that could have resulted from that risk totaled \$955,076 at June 30, 2008 for the excess of the deposit liabilities reported by the banks over the amount that would have been covered by federal insurance. These uninsured balances included \$938,050 of repurchase agreements that are not insured by the FDIC, but are secured by the bank's bond portfolio. Management considers this to be adequate protection and has decided that earning additional interest was preferable to investing in the CDARS program to maximize FDIC coverage.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 10 - CHANGE IN UNITED WAY GRANT METHODOLOGY

Effective with the 2008 Community Impact allocations, the United Way of East Central Iowa (United Way) changed their methodology of awarding allocations to agencies. Under the new allocation methodology, grants are awarded for a twelve month period, versus the prior methodology of awarding grants in six month intervals. This change resulted in the Organization recording an additional \$303,270 of temporarily restricted support from the United Way during the year ended June 30, 2008.

NOTE 11 - GAIN FROM FLOOD

During June 2008, certain facilities, equipment, and operations of the Organization sustained significant damage as a result of the flooding that occurred in Iowa. Certain facilities owned or leased by the Organization's entities were lost or damaged, certain equipment was damaged or destroyed and substantial costs were incurred to remove water and sediment and restore working operations. The Organization has filed insurance claims related to such damages and has concluded that as of the financial statement date, it is probable it will recover a portion of the carrying value of the equipment and facilities. The following is the detail of the amounts aggregated in the line item entitled "gain from flood" in the consolidated statement of activities:

Insurance recovery recognized	\$ 825,000
Building and equipment write-off	(447,059)
Cleanup costs	<u>(366,960)</u>
Gain from flood	<u>\$ 10,981</u>

Subsequent to June 30, 2008, additional cleanup costs of approximately \$245,000 were incurred. Such amounts will be presented on the same line-item in the subsequent year's consolidated statement of activities as is used to report the "gain from flood" in the current period consolidated statement of activities. In addition to those previously mentioned, costs after June 30, 2008 to relocate, repair, renovate, and replace lost assets from the flood are expected to range between \$800,000 - \$900,000. Management is exploring loan options, as well as working with local benefactors and foundations to identify available resources to pay for the remaining costs.

NOTE 12 - CASH FLOW DISCLOSURES

Cash paid for interest was \$78,668 and \$59,340 for the years ended June 30, 2008 and 2007, respectively. Non-cash investing and financing transactions during the year ended June 30, 2008 included the purchase of \$21,509 of equipment that was seller-financed. Also, investments with a book value of \$3,703,449 and property and equipment with a net book value of \$881,975 were acquired in the merger of Kingston Hill.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 13 - OBLIGATIONS UNDER OPERATING LEASES

The Care Facility leases facilities and equipment from Linn County under a lease expiring June 2009, but is cancellable by either party upon ninety days' notice. The annual rental totals \$175,000 and the Care Facility pays for certain maintenance, utilities and insurance costs.

Abbe Management Corporation and the Mental Health Center lease administrative and office space and other buildings under various leases expiring in October 2009. The leases require monthly payments totaling \$7,336.

The Center leases other facilities on a month-to-month basis, which includes the facilities of the Center.

The Organization is leasing various equipment under operating leases expiring between September 2008 and June 2012. The leases require monthly payments totaling \$8,478.

Lease expense for the years ended June 30, 2008 and 2007 was \$521,272 and \$536,711, respectively.

Future minimum lease payments for operating leases that have initial noncancelable lease terms in excess of one year are as follows:

Year Ending
June 30,

2009	\$ 178,146
2010	96,488
2011	35,737
2012	<u>8,717</u>
Total	<u>\$ 319,088</u>

NOTE 14 - RETIREMENT PLANS

The entities have a defined contribution retirement plan covering substantially all nonunion employees. Contributions, which are 6% of each covered employee's compensation up to \$70,000, totaled \$502,151 and \$496,967 for the years ended June 30, 2008 and 2007, respectively.

The Care Facility also sponsors a retirement plan in accordance with a negotiated labor contract. The retirement plan covers all of their union employees. Contributions, which are based on varying rates for the hours worked by the employee, totaled \$120,412 and \$108,073 for the years ended June 30, 2008 and 2007, respectively.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 15 - DONATED FACILITIES

The annual use of Witwer Center, Inc.'s facilities is donated by Linn County, Iowa. At June 30, 2008 and 2007, the estimated rental values of these facilities, \$53,000 and \$50,259, respectively, have been reflected in the accompanying financial statements as support with a like amount included in occupancy expense.

NOTE 16 - INCOME TAXES

Deferred tax assets consist of the following:

	<u>2008</u>	<u>2007</u>
Tax benefit of net operating loss carryforwards	\$ 35,000	\$ 41,000
Valuation allowance	<u>(35,000)</u>	<u>(41,000)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

A valuation allowance has been recorded on the deferred tax asset to reduce the total to an amount that management believes will ultimately be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that the carryforwards are available to reduce taxable income.

Abbe Management Corporation has approximately \$170,000 available in net operating loss carryforwards which can be offset against future taxable income of the subsidiary. The carryforwards expire in various amounts from 2009 to 2025.

NOTE 17 - SELF-INSURED DENTAL PLAN INFORMATION

Dental claims of participants and dependents are processed by Employee Benefit Systems. The plan is responsible for paying dental benefits up to a pre-established maximum amount for any one participant or dependent. Claims in excess of this maximum are covered by a policy with an insurance company.

Plan obligations at June 30, 2008 for dental claims incurred by active participants but not reported at that date are calculated based on claims submitted subsequent to year end and an estimate based on plan history for unremitted claims. There were no accrued plan obligations at June 30, 2008. Management believes this accrual is adequate based on information currently known. However, claim payments based on actual claims ultimately filed could differ materially from this estimate.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 18 - PROPERTY LIEN

In consideration of a contribution received from the City of Iowa City for the purchase and establishment of a facility to provide dependent care services to low-income persons who are elderly or disabled, a lien in the amount of \$300,000 has been established in favor of the City as lien holder upon the Pentacrest property. Repayment of the \$300,000 is required if the Organization does not continue to provide these services for a period of thirty years. The lien will expire in June 2032.

NOTE 19 - COLLECTIVE BARGAINING AGREEMENT

Substantially all of the Care Facility's nonmanagement employees are covered by a collective bargaining agreement. The agreement is scheduled to expire September 30, 2009. The collective bargaining agreement contains a no strike clause.

NOTE 20 - SUBSEQUENT EVENT

During 2008, financial markets as a whole have incurred significant declines in values. As of the independent auditor's report date, the Organization's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of losses that the investment portfolio will recognize in its future financial statements, if any, cannot be determined.

This information is an integral part of the accompanying consolidated financial statements.

SUPPLEMENTAL INFORMATION

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2008

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 996,949	\$ 38,487	\$ 22,200	\$ 22,725
Cash, restricted, resident trust accounts	-	-	-	45,467
Certificates of deposit	255,821	-	-	-
Accounts receivable, less allowance	4,460	11,874	1,407,445	563,024
Contributions receivable, less allowance for uncollectible contributions	-	-	27,750	-
Insurance receivable	800,000	-	-	-
Due from affiliates	690,175	50,151	588,904	43,943
Notes receivable, current portion	17,679	-	-	-
Prepaid expenses	13,470	4,028	53,403	8,589
	<u>2,778,554</u>	<u>104,540</u>	<u>2,099,702</u>	<u>683,748</u>
Total current assets				
INVESTMENTS AND LONG-TERM RECEIVABLES				
Investments	52,011	-	-	-
Notes receivable, less current portion above	289,402	-	-	-
	<u>341,413</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments and long-term receivables				
PROPERTY AND EQUIPMENT				
Land	249,725	-	-	-
Buildings and improvements	830,039	-	-	-
Leasehold improvements	-	4,666	36,070	260,234
Furniture and equipment	388,006	63,869	774,621	349,111
Vehicles	10,555	-	90,656	108,428
	<u>1,478,325</u>	<u>68,535</u>	<u>901,347</u>	<u>717,773</u>
Less accumulated depreciation	394,807	58,265	725,406	405,443
	<u>1,083,518</u>	<u>10,270</u>	<u>175,941</u>	<u>312,330</u>
Net property and equipment				
OTHER ASSETS				
Beneficial interest in assets held by community foundation	-	-	-	-
Debt-issuance costs, less accumulated amortization of \$4,508	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets				
TOTAL ASSETS	<u>\$ 4,203,485</u>	<u>\$ 114,810</u>	<u>\$ 2,275,643</u>	<u>\$ 996,078</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Witwer Center, Inc.</u>	<u>Kingston Hill</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 7,663	\$ 14,752	\$ 25,658	\$ 124,257	\$ 49,995	\$ 1,302,686	\$ -	\$ 1,302,686
28,499	-	1,570	-	-	75,536	-	75,536
-	104,651	16,524	117,040	-	494,036	-	494,036
222,717	399,295	62,195	62,646	1,025	2,734,681	-	2,734,681
-	422,039	19,519	122,888	69,640	661,836	-	661,836
-	-	-	25,000	-	825,000	-	825,000
334,459	197,535	47,111	51,218	-	2,003,496	(2,003,496)	-
-	-	-	-	-	17,679	(17,679)	-
3,793	56,182	4,522	2,310	7,549	153,846	-	153,846
<u>597,131</u>	<u>1,194,454</u>	<u>177,099</u>	<u>505,359</u>	<u>128,209</u>	<u>8,268,796</u>	<u>(2,021,175)</u>	<u>6,247,621</u>
-	-	-	235,395	3,264,913	3,552,319	(52,011)	3,500,308
-	-	-	-	-	289,402	(289,402)	-
-	-	-	235,395	3,264,913	3,841,721	(341,413)	3,500,308
-	189,223	150,000	-	10,000	598,948	-	598,948
-	2,364,668	735,112	-	1,868,659	5,798,478	-	5,798,478
14,355	-	-	1,221	-	316,546	-	316,546
93,473	456,905	67,798	56,458	189,038	2,439,279	-	2,439,279
58,909	15,943	-	-	17,676	302,167	-	302,167
166,737	3,026,739	952,910	57,679	2,085,373	9,455,418	-	9,455,418
94,099	732,924	224,390	19,357	1,230,136	3,884,827	-	3,884,827
<u>72,638</u>	<u>2,293,815</u>	<u>728,520</u>	<u>38,322</u>	<u>855,237</u>	<u>5,570,591</u>	<u>-</u>	<u>5,570,591</u>
-	-	-	27,192	-	27,192	-	27,192
-	23,448	-	-	-	23,448	-	23,448
-	23,448	-	27,192	-	50,640	-	50,640
<u>\$ 669,769</u>	<u>\$ 3,511,717</u>	<u>\$ 905,619</u>	<u>\$ 806,268</u>	<u>\$ 4,248,359</u>	<u>\$ 17,731,748</u>	<u>\$ (2,362,588)</u>	<u>\$ 15,369,160</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2008

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 466,157	\$ 62,772	\$ 39,521	\$ 67,758
Accrued expenses:				
Accrued vacations	157,680	-	291,715	246,409
Other accrued expenses	17,696	-	34,310	91,277
Due to affiliates	1,312,821	27	-	419,114
Resident trust funds	-	-	-	45,467
Deferred income	-	-	18,341	-
Notes payable, current maturities	41,362	-	-	-
Current maturities of obligations under capital leases	-	-	15,337	-
	<u>1,995,716</u>	<u>62,799</u>	<u>399,224</u>	<u>870,025</u>
Total current liabilities				
LONG-TERM LIABILITIES				
Due to Linn County	-	-	102,842	-
Obligations under capital leases, less current maturities above	-	-	27,521	-
Notes payable, less current maturities above	784,941	-	-	-
	<u>784,941</u>	<u>-</u>	<u>130,363</u>	<u>-</u>
Total long-term liabilities				
	<u>2,780,657</u>	<u>62,799</u>	<u>529,587</u>	<u>870,025</u>
NET ASSETS				
Unrestricted	1,422,828	(253,731)	1,718,306	126,053
Temporarily restricted	-	-	27,750	-
Common stock	-	40,000	-	-
Additional paid-in capital	-	265,742	-	-
Permanently restricted	-	-	-	-
	<u>1,422,828</u>	<u>52,011</u>	<u>1,746,056</u>	<u>126,053</u>
Total net assets				
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,203,485</u>	<u>\$ 114,810</u>	<u>\$ 2,275,643</u>	<u>\$ 996,078</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Witwer Center, Inc.</u>	<u>Kingston Hill</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 58,012	\$ 80,168	\$ 5,372	\$ 27,830	\$ 43,170	\$ 850,760	\$ -	\$ 850,760
54,594	36,567	11,837	30,462	9,256	838,520	-	838,520
37,545	34,007	21,834	63,102	9,997	309,768	-	309,768
328	104,651	-	117,422	49,133	2,003,496	(2,003,496)	-
28,499	-	1,570	-	-	75,536	-	75,536
-	-	-	-	-	18,341	-	18,341
-	19,741	17,679	-	-	78,782	(17,679)	61,103
-	-	-	-	-	15,337	-	15,337
<u>178,978</u>	<u>275,134</u>	<u>58,292</u>	<u>238,816</u>	<u>111,556</u>	<u>4,190,540</u>	<u>(2,021,175)</u>	<u>2,169,365</u>
-	-	-	-	-	102,842	-	102,842
-	-	-	-	-	27,521	-	27,521
-	476,361	289,402	-	-	1,550,704	(289,402)	1,261,302
-	476,361	289,402	-	-	1,681,067	(289,402)	1,391,665
<u>178,978</u>	<u>751,495</u>	<u>347,694</u>	<u>238,816</u>	<u>111,556</u>	<u>5,871,607</u>	<u>(2,310,577)</u>	<u>3,561,030</u>
490,791	2,169,560	306,148	443,280	4,092,437	10,515,672	253,731	10,769,403
-	590,662	251,777	106,583	44,366	1,021,138	-	1,021,138
-	-	-	-	-	40,000	(40,000)	-
-	-	-	-	-	265,742	(265,742)	-
-	-	-	17,589	-	17,589	-	17,589
<u>490,791</u>	<u>2,760,222</u>	<u>557,925</u>	<u>567,452</u>	<u>4,136,803</u>	<u>11,860,141</u>	<u>(52,011)</u>	<u>11,808,130</u>
<u>\$ 669,769</u>	<u>\$ 3,511,717</u>	<u>\$ 905,619</u>	<u>\$ 806,268</u>	<u>\$ 4,248,359</u>	<u>\$ 17,731,748</u>	<u>\$ (2,362,588)</u>	<u>\$ 15,369,160</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
PUBLIC SUPPORT AND REVENUE				
Client and resident fees	\$ -	\$ -	\$ 6,586,397	\$ 5,906,840
Administrative services	1,378,400	-	-	-
Grants	-	-	287,166	-
Auxiliary	-	-	-	106,132
Investment income	30,533	3,945	22,262	108
Rent	53,153	-	-	-
Contributions	1,774	-	9,151	255
Other	168	64,594	166,248	15,288
Equity in net profit (loss) of affiliates	5,891	-	-	-
Total public support and revenue	<u>1,469,919</u>	<u>68,539</u>	<u>7,071,224</u>	<u>6,028,623</u>
EXPENSES				
Program services:				
Mental health services	-	-	6,522,867	-
Care facilities	-	-	-	5,186,924
Services for the aging	-	-	-	-
Total program services	<u>-</u>	<u>-</u>	<u>6,522,867</u>	<u>5,186,924</u>
Supporting activities:				
Management and general	1,457,333	62,648	484,511	689,252
Fundraising	-	-	-	-
Total supporting activities	<u>1,457,333</u>	<u>62,648</u>	<u>484,511</u>	<u>689,252</u>
Total expenses	<u>1,457,333</u>	<u>62,648</u>	<u>7,007,378</u>	<u>5,876,176</u>
(GAIN) LOSS FROM FLOOD	<u>(42,632)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and (gain) loss	<u>1,414,701</u>	<u>62,648</u>	<u>7,007,378</u>	<u>5,876,176</u>
CHANGE IN NET ASSETS	55,218	5,891	63,846	152,447
NET ASSETS, BEGINNING OF YEAR	<u>1,367,610</u>	<u>46,120</u>	<u>1,682,210</u>	<u>(26,394)</u>
NET ASSETS, END OF YEAR	<u>\$ 1,422,828</u>	<u>\$ 52,011</u>	<u>\$ 1,746,056</u>	<u>\$ 126,053</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Witwer Center, Inc.</u>	<u>Kingston Hill</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 1,961,933	\$ 1,462,154	\$ 465,118	\$ -	\$ 253,053	\$ 16,635,495	\$ -	\$ 16,635,495
-	-	-	-	-	1,378,400	(1,378,400)	-
-	1,106,694	59,471	951,199	26,608	2,431,138	-	2,431,138
45,809	-	-	-	-	151,941	-	151,941
9,108	7,548	2,378	13,789	(97,997)	(8,326)	(12,654)	(20,980)
-	1,200	18,960	-	-	73,313	(26,640)	46,673
10,397	62,979	50,574	67,438	6,627	209,195	(3,088)	206,107
1,878	44,877	-	34,236	11,910	339,199	-	339,199
-	-	-	-	-	5,891	(5,891)	-
<u>2,029,125</u>	<u>2,685,452</u>	<u>596,501</u>	<u>1,066,662</u>	<u>200,201</u>	<u>21,216,246</u>	<u>(1,426,673)</u>	<u>19,789,573</u>
-	-	-	-	-	6,522,867	-	6,522,867
1,910,837	-	-	-	-	7,097,761	-	7,097,761
-	2,268,522	496,289	987,120	674,960	4,426,891	(26,640)	4,400,251
<u>1,910,837</u>	<u>2,268,522</u>	<u>496,289</u>	<u>987,120</u>	<u>674,960</u>	<u>18,047,519</u>	<u>(26,640)</u>	<u>18,020,879</u>
116,000	172,094	39,654	23,123	24,000	3,068,615	(1,394,142)	1,674,473
-	6,608	3,731	1,891	5,563	17,793	-	17,793
<u>116,000</u>	<u>178,702</u>	<u>43,385</u>	<u>25,014</u>	<u>29,563</u>	<u>3,086,408</u>	<u>(1,394,142)</u>	<u>1,692,266</u>
2,026,837	2,447,224	539,674	1,012,134	704,523	21,133,927	(1,420,782)	19,713,145
-	17,855	-	13,796	-	(10,981)	-	(10,981)
<u>2,026,837</u>	<u>2,465,079</u>	<u>539,674</u>	<u>1,025,930</u>	<u>704,523</u>	<u>21,122,946</u>	<u>(1,420,782)</u>	<u>19,702,164</u>
2,288	220,373	56,827	40,732	(504,322)	93,300	(5,891)	87,409
<u>488,503</u>	<u>2,539,849</u>	<u>501,098</u>	<u>526,720</u>	<u>4,641,125</u>	<u>11,766,841</u>	<u>(46,120)</u>	<u>11,720,721</u>
<u>\$ 490,791</u>	<u>\$ 2,760,222</u>	<u>\$ 557,925</u>	<u>\$ 567,452</u>	<u>\$ 4,136,803</u>	<u>\$ 11,860,141</u>	<u>\$ (52,011)</u>	<u>\$ 11,808,130</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008

	<u>Program Services</u>	<u>Supporting Activities</u>	<u>Total</u>
Personnel:			
Wages and salaries	\$ 10,206,512	\$ 639,612	\$ 10,846,124
Employee benefits	2,302,802	219,231	2,522,033
Payroll taxes	726,736	46,827	773,563
	<u>13,236,050</u>	<u>905,670</u>	<u>14,141,720</u>
Resident services:			
Food	643,024	-	643,024
Pharmacy and medical supplies	73,595	-	73,595
Other services	178,953	-	178,953
	<u>895,572</u>	<u>-</u>	<u>895,572</u>
Consulting fees	266,535	60,210	326,745
Staff development	57,096	10,041	67,137
Computer services	208,722	45,612	254,334
Telephone services	139,028	23,261	162,289
Professional fees	43,908	67,426	111,334
Insurance	320,530	28,020	348,550
Advertising	78,210	1,226	79,436
Dues and subscriptions	22,928	1,088	24,016
Other	634,659	42,952	677,611
Occupancy	1,006,592	65,268	1,071,860
Supplies	512,188	65,315	577,503
Repairs	261,486	19,566	281,052
Provision for doubtful accounts	-	152,170	152,170
Depreciation and amortization	337,375	107,980	445,355
Interest	-	78,668	78,668
Fundraising supplies	-	17,793	17,793
	<u>3,889,257</u>	<u>786,596</u>	<u>4,675,853</u>
Total expenses	<u>\$ 18,020,879</u>	<u>\$ 1,692,266</u>	<u>\$ 19,713,145</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
Year Ended June 30, 2008

	<u>Abbe, Inc.</u>	<u>Abbe Management Corporation</u>	<u>Abbe Center For Community Mental Health</u>	<u>Abbe Center For Community Care</u>
Personnel:				
Wages and salaries	\$ -	\$ -	\$ 4,328,683	\$ 2,746,660
Employee benefits	-	-	614,218	917,199
Payroll taxes	-	-	286,137	207,176
	<u>-</u>	<u>-</u>	<u>5,229,038</u>	<u>3,871,035</u>
Resident services				
Food	-	-	-	227,112
Pharmacy and medical supplies	-	-	-	51,909
Other services	-	-	-	116,346
	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,367</u>
Consulting fees	-	-	182,547	1,118
Staff development	-	-	33,570	11,892
Computer services	-	-	182,703	8,551
Telephone services	-	-	58,836	27,230
Professional fees	-	-	1,565	17,722
Insurance	-	-	111,414	89,500
Advertising	-	-	22,415	5,059
Dues and subscriptions	-	-	15,844	1,324
Other	-	-	177,311	87,413
Occupancy	-	-	380,451	392,302
Supplies	-	-	78,004	119,159
Repairs	-	-	2,091	103,395
Depreciation and amortization	-	-	47,078	55,857
	<u>-</u>	<u>-</u>	<u>1,293,829</u>	<u>920,522</u>
Total program services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,522,867</u>	<u>\$ 5,186,924</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Witwer Center, Inc.</u>	<u>Kingston Hill</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 1,019,557	\$ 1,140,723	\$ 253,625	\$ 385,204	\$ 332,060	\$ 10,206,512	\$ -	\$ 10,206,512
381,822	238,059	48,069	49,296	54,139	2,302,802	-	2,302,802
74,537	86,478	19,268	29,061	24,079	726,736	-	726,736
<u>1,475,916</u>	<u>1,465,260</u>	<u>320,962</u>	<u>463,561</u>	<u>410,278</u>	<u>13,236,050</u>	<u>-</u>	<u>13,236,050</u>
118,942	-	-	296,970	-	643,024	-	643,024
21,686	-	-	-	-	73,595	-	73,595
45,351	-	17,256	-	-	178,953	-	178,953
<u>185,979</u>	<u>-</u>	<u>17,256</u>	<u>296,970</u>	<u>-</u>	<u>895,572</u>	<u>-</u>	<u>895,572</u>
-	70,999	6,820	3,066	1,985	266,535	-	266,535
5,441	3,948	1,307	599	339	57,096	-	57,096
2,287	12,285	973	-	1,923	208,722	-	208,722
11,288	29,949	2,973	5,831	2,921	139,028	-	139,028
-	1,425	2,619	376	20,201	43,908	-	43,908
39,791	41,355	13,292	13,049	12,129	320,530	-	320,530
5,219	21,047	4,061	1,934	18,475	78,210	-	78,210
2,005	2,749	645	-	361	22,928	-	22,928
31,729	250,042	6,180	72,570	9,414	634,659	-	634,659
61,008	73,335	29,019	53,000	44,117	1,033,232	(26,640)	1,006,592
37,882	137,098	39,625	46,028	54,392	512,188	-	512,188
27,692	44,515	15,340	8,062	60,391	261,486	-	261,486
24,600	114,515	35,217	22,074	38,034	337,375	-	337,375
<u>248,942</u>	<u>803,262</u>	<u>158,071</u>	<u>226,589</u>	<u>264,682</u>	<u>3,915,897</u>	<u>(26,640)</u>	<u>3,889,257</u>
<u>\$ 1,910,837</u>	<u>\$ 2,268,522</u>	<u>\$ 496,289</u>	<u>\$ 987,120</u>	<u>\$ 674,960</u>	<u>\$ 18,047,519</u>	<u>\$ (26,640)</u>	<u>\$ 18,020,879</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
Year Ended June 30, 2008

	<u>Abbe, Inc.</u>	<u>Abbe Management Corporation</u>	<u>Abbe Center For Community Mental Health</u>	<u>Abbe Center For Community Care</u>
Management and General				
Personnel:				
Wages and salaries	\$ 639,612	\$ -	\$ -	\$ -
Employee benefits	219,231	-	-	-
Payroll taxes	46,827	-	-	-
	<u>905,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resident services				
Food	-	-	-	-
Pharmacy and medical supplies	-	-	-	-
Other services				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administrative fees	-	24,000	419,000	637,000
Consulting fees	30,386	29,824	-	-
Staff development	10,041	-	-	-
Computer services	45,612	-	-	-
Telephone services	23,261	-	-	-
Professional fees	67,366	60	-	-
Insurance	28,020	-	-	-
Advertising	1,226	-	-	-
Dues and subscriptions	1,088	-	-	-
Other	44,427	1,613	-	-
Occupancy	65,268	-	-	-
Supplies	65,315	-	-	-
Repairs	19,566	-	-	-
Provision for doubtful accounts	-	-	60,374	52,252
Depreciation and amortization	100,829	7,151	-	-
Interest	49,258	-	5,137	-
	<u>551,663</u>	<u>62,648</u>	<u>484,511</u>	<u>689,252</u>
Fundraising				
Supplies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total supporting services	<u>\$ 1,457,333</u>	<u>\$ 62,648</u>	<u>\$ 484,511</u>	<u>\$ 689,252</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Witwer Center, Inc.</u>	<u>Kingston Hill</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,612	\$ -	\$ 639,612
-	-	-	-	-	219,231	-	219,231
-	-	-	-	-	46,827	-	46,827
-	-	-	-	-	905,670	-	905,670
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
116,000	109,000	27,000	22,400	24,000	1,378,400	(1,378,400)	-
-	-	-	-	-	60,210	-	60,210
-	-	-	-	-	10,041	-	10,041
-	-	-	-	-	45,612	-	45,612
-	-	-	-	-	23,261	-	23,261
-	-	-	-	-	67,426	-	67,426
-	-	-	-	-	28,020	-	28,020
-	-	-	-	-	1,226	-	1,226
-	-	-	-	-	1,088	-	1,088
-	-	-	-	-	46,040	(3,088)	42,952
-	-	-	-	-	65,268	-	65,268
-	-	-	-	-	65,315	-	65,315
-	-	-	-	-	19,566	-	19,566
-	38,821	-	723	-	152,170	-	152,170
-	-	-	-	-	107,980	-	107,980
-	24,273	12,654	-	-	91,322	(12,654)	78,668
116,000	172,094	39,654	23,123	24,000	2,162,945	(1,394,142)	768,803
-	6,608	3,731	1,891	5,563	17,793	-	17,793
\$ 116,000	\$ 178,702	\$ 43,385	\$ 25,014	\$ 29,563	\$ 3,086,408	\$ (1,394,142)	\$ 1,692,266