ABBE, INC. AND SUBSIDIARIES

Cedar Rapids, Iowa

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2011 and 2010, 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 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 audits provide a reasonable basis for our opinion.

In our opinion, 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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 22, 2011, on our consideration of the Organization'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.

Member of HLB International

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 and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal 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 consolidated financial statements. The accompanying consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets 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 Gunderson LLP

Cedar Rapids, Iowa
December 22, 2011

FINANCIAL STATEMENTS

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 2,509,498	$ 2,392,462
Cash, restricted, resident trust accounts	46,692	55,609
Certificates of deposit	977,956	799,041
Receivables:		
Accounts receivable, less allowance for doubtful accounts of $290,300 in 2011 and $284,900 in 2010	2,702,414	2,575,944
Contributions receivable, current portion	1,554,203	632,733
Prepaid expenses	235,314	336,547
Total current assets	8,026,077	6,792,336
LONG-TERM ASSETS		
Contributions receivable, less current portion above	66,664	31,776
Investments	3,157,813	2,903,554
Total long-term assets	3,224,477	2,935,330
PROPERTY AND EQUIPMENT		
Land	598,948	598,948
Buildings and improvements	7,056,081	7,010,053
Leasehold improvements	402,173	377,853
Furniture and equipment	3,995,865	2,865,049
Vehicles	364,743	325,096
Total	12,417,810	11,176,999
Less accumulated depreciation	5,374,682	4,795,233
Net property and equipment	7,043,128	6,381,766
OTHER ASSETS		
Beneficial interest in assets held by community foundations	34,322	27,707
Debt-issuance costs, less accumulated amortization of $8,664 in 2011 and $7,279 in 2010	19,292	20,678
Total other assets	53,614	48,385
TOTAL ASSETS	$ 18,347,296	$ 16,157,817

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable	$ 721,711	$ 688,735
Accrued expenses:		
Accrued vacations	983,789	936,079
Other accrued expenses	470,198	417,961
Resident trust funds	46,692	55,609
Deferred income	305,456	20,241
Notes payable, current maturities	98,408	85,900
Due to Linn County	102,842	-
Obligations under capital leases	-	8,875
Total current liabilities	2,729,096	2,213,400
LONG-TERM LIABILITIES		
Due to Linn County	-	102,842
Notes payable, less current maturities above	2,109,845	1,641,581
Total long-term liabilities	2,109,845	1,744,423
Total liabilities	4,838,941	3,957,823
NET ASSETS		
Unrestricted	12,086,943	11,018,412
Temporarily restricted	1,403,823	1,163,993
Permanently restricted	17,589	17,589
Total net assets	13,508,355	12,199,994
TOTAL LIABILITIES AND NET ASSETS	$ 18,347,296	$ 16,157,817

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

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2011 and 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Client and resident fees	$ 20,571,282	$ -	$ -	$ 20,571,282
Grants	2,545,583	648,311	-	3,193,894
Auxiliary	180,879	-	-	180,879
Net investment income	466,060	4,678	-	470,738
Rent	28,740	-	-	28,740
Contributions	431,237	248,708	-	679,945
Other	698,037	-	-	698,037
Equity in net loss of investee	(806)	-	-	(806)
Net assets released from restrictions	661,867	(661,867)	-	-
Total public support and revenue	25,582,879	239,830	-	25,822,709
EXPENSES				
Program services:				
Mental health services	10,412,039	-	-	10,412,039
Care facilities	7,606,407	-	-	7,606,407
Services for the aging	4,858,052	-	-	4,858,052
Total program services	22,876,498	-	-	22,876,498
Supporting activities:				
Management and general	1,568,331	-	-	1,568,331
Fundraising	69,519	-	-	69,519
Total supporting activities	1,637,850	-	-	1,637,850
Total expenses	24,514,348	-	-	24,514,348
CHANGE IN NET ASSETS	1,068,531	239,830	-	1,308,361
NET ASSETS, BEGINNING OF YEAR	11,018,412	1,163,993	17,589	12,199,994
NET ASSETS, END OF YEAR	$ 12,086,943	$ 1,403,823	$ 17,589	$ 13,508,355

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 18,793,066	$ -	$ -	$ 18,793,066
2,348,253	622,800	-	2,971,053
185,522	-	-	185,522
364,303	3,620	-	367,923
29,238	-	-	29,238
227,883	136,429	-	364,312
621,176	-	-	621,176
(1,881)	-	-	(1,881)
648,846	(648,846)	-	-
23,216,406	114,003	-	23,330,409
9,114,666	-	-	9,114,666
7,518,408	-	-	7,518,408
4,606,929	-	-	4,606,929
21,240,003	-	-	21,240,003
1,549,371	-	-	1,549,371
35,970	-	-	35,970
1,585,341	-	-	1,585,341
22,825,344	-	-	22,825,344
391,062	114,003	-	505,065
10,627,350	1,049,990	17,589	11,694,929
$ 11,018,412	$ 1,163,993	$ 17,589	$ 12,199,994

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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,308,361	$ 505,065
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Interest and dividends reinvested	(82,763)	(15,225)
Net realized and unrealized gain on investments	(369,127)	(243,084)
Provision for bad debts	72,926	58,062
Depreciation and amortization	589,822	517,479
Loss on disposal of property and equipment	1,159	5,125
Change in beneficial interest in assets held by community foundations	(6,615)	(3,620)
(Discount)/amortization on below market interest rate loan	26,510	(116,750)
Contributions restricted for long-term purposes	(145,882)	(85,008)
Effects of changes in operating assets and liabilities:		
Receivables	(1,155,754)	(617,898)
Prepaid expenses	101,233	(19,324)
Accounts payable, accrued expenses and due to government agencies	95,903	(20,371)
Deferred income	285,215	(101,589)
Net cash provided by (used in) operating activities	720,988	(137,138)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(645,437)	(675,549)
Proceeds from sales of property and equipment	1,500	-
Proceeds from sales of investments	2,786,489	868,608
Purchases of investments and certificates of deposits	(2,767,773)	(932,224)
Net cash used in investing activities	(625,221)	(739,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	145,882	85,008
Proceeds from long-term debt	-	665,000
Payments on long-term debt	(115,738)	(84,820)
Payments on capital leases	(8,875)	(17,867)
Net cash provided by financing activities	21,269	647,321

	2011	2010
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	117,036	(228,982)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,392,462	2,621,444
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,509,498	$ 2,392,462

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

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.

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

The Organization holds a noncontrolling interest in a limited liability partnership. The partnership is accounted for using the equity method wherein the Organization's investment is increased or decreased by the Organization's share of earnings or losses, less distributions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

All other investments are carried at fair value and the investment income and net appreciation or depreciation in fair value of investments is reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets, based upon donor-imposed restrictions. Interest and dividends are recorded as income when earned.

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 Foundations

Certain funds are held by various community foundations, in designated agency endowment funds, for the benefit of the Organization. The transactions with the foundations are deemed to be reciprocal and, therefore, the value of the funds held by the foundations are recognized as an asset (beneficial interest in assets held by community foundations) by the Organization.

Other designated funds held by The Greater Cedar Rapids Community Foundation (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 on a straight-line basis over the 20 year term of the loan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. For donor-restricted endowment funds, the Organization classifies the portion of the fund in excess of the permanently restricted amount as temporarily restricted until appropriated for expenditure by the Organization.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (continued)

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.

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.

Advertising

The Organization expenses advertising costs as incurred.

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 Kingston Hill, are not classified as a private foundation. Kingston Hill qualifies as an exempt private operating foundation.

All entities file information returns in the U.S. federal jurisdiction. The Organization has adopted the Financial Accounting Standards Board's requirements for accounting for uncertain tax positions. The Organization determined that it was not required to record a liability related to uncertain tax positions as a result of implementing the new requirements. The federal information returns of all entities for the year ended June 30, 2008 and thereafter are subject to examination by the IRS, generally for three years after they were filed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

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 recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. 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 - UNCONDITIONAL PROMISES TO GIVE

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

	2011	2010
United Way	$ 648,311	$ 620,947
Other grants and pledges	708,534	31,502
Building campaign pledges	264,022	12,060
Total unconditional promises to give	$ 1,620,867	$ 664,509

	2011	2010
Amounts due in:		
Less than one year	$ 1,554,203	$ 632,733
One to five years	42,216	7,328
More than five years	24,448	24,448
Total	$ 1,620,867	$ 664,509

NOTE 3 - CONDITIONAL PROMISE TO GIVE

The following conditional promise to give was not recognized as an asset in the statement of financial position as of June 30, 2011:

Witwer Center, Inc. - HUD grant, conditional upon incurrence of qualified reimbursable project costs	$ 190,794

NOTE 4 - INVESTMENTS

Investments consist of the following:

	2011	2010
Long-term certificates of deposit	$ 425,116	$ 269,452
Money market funds	35,983	-
Fixed income mutual funds	1,223,206	1,213,258
Equity mutual funds	1,470,375	1,417,456
Private equity - limited liability corporation	3,133	3,388
Total investments	$ 3,157,813	$ 2,903,554

NOTE 5 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

Certificates of deposit: Valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type.

Mutual funds and marketable equity securities: Valued at last sales price, if listed on a national market or exchange, or if there is no sale and the market is still considered active, at the last transaction price before year-end. In less active markets or if prices are not current, the valuation is based on quoted prices for identical or similar assets.

Beneficial interest in assets held by community foundations: Valued at the pro-rata share of the community foundations' investment pool.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 409,132	$ 993,940	$ -	$ 1,403,072
Mutual funds:				
Value funds	361,060	-	-	361,060
Index funds	345,911	-	-	345,911
Growth funds	426,389	-	-	426,389
International funds	273,432	-	-	273,432
Emerging markets	20,351	-	-	20,351
Commodity	24,657	-	-	24,657
Real estate	18,575	-	-	18,575
Bond funds	1,223,206	-	-	1,223,206
Money market funds	-	35,983	-	35,983
Beneficial interest in assets held by community foundations	-	-	34,322	34,322
Total assets at fair value	$ 3,102,713	$ 1,029,923	$ 34,322	$ 4,166,958

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2011:

Balance July 1, 2010	$ 27,707
Change in beneficial interest in assets held by community foundations	6,615
Balance, June 30, 2011	$ 34,322

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 403,050	$ 665,443	$ -	$ 1,068,493
Mutual funds:				
Equity income funds	248,172	-	-	248,172
Value funds	133,821	-	-	133,821
Index funds	282,689	-	-	282,689
Growth funds	430,610	-	-	430,610
Select funds	56,779	-	-	56,779
International funds	265,385	-	-	265,385
Bond funds	1,213,258	-	-	1,213,258
Beneficial interest in assets held by community foundations	-	-	27,707	27,707
Total assets at fair value	$ 3,033,764	$ 665,443	$ 27,707	$ 3,726,914

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2010:

Balance July 1, 2009	$ 24,087
Change in beneficial interest in assets held by community foundations	3,620
Balance, June 30, 2010	$ 27,707

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS

The Organization has contributed funds to various community foundations in order to establish permanent designated agency endowment funds. These funds are administered by the foundations for the benefit of Witwer Center, Inc. and Pentacrest, Inc. Control over the investment or reinvestment of these funds is exercised exclusively by the foundations. A portion of the funds' earnings are made available for distribution to Witwer Center, Inc. and Pentacrest, Inc. periodically. The balance of the funds at June 30, 2011 and 2010 was $34,322 and $27,707, respectively. During the years ended June 30, 2011 and 2010, the Organization did not receive any distributions from these funds.

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. During the years ended June 30, 2011 and 2010, the Organization received $3,390 and $3,784, 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

Line of credit

The Organization has two lines of credit agreements with a bank under which it can borrow up to $500,000 in current notes payable under each agreement. Borrowings under these agreements, which expire in January 2012, are unsecured and bear interest at the bank's prime rate. There are no borrowings outstanding under this agreement at June 30, 2011.

NOTE 7 - DEBT (CONTINUED)

Long-term debt

	2011	2010
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, 2012, at which time the obligation will become due, unless the contract is renewed.	$ 102,842	$ 102,842

Notes payable consists of the following:

	2011	2010
Note payable to the Iowa Finance Authority with a maximum face value of $800,000, of which $556,926 had been drawn at June 30, 2011. 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, 2011, the principal balance of this note, net of imputed interest, was $434,025. The discount for imputed interest is being amortized based on the maturity date of the note in 2025. The unamortized discount totals $122,901 at June 30, 2011. As part of the agreement, there are certain covenants that the Organization must comply with.	$ 434,025	$ 455,685
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. As part of the agreement, there are certain covenants that the Organization must comply with.	694,457	740,224

NOTE 7 - DEBT (CONTINUED)

	2011	2010
Note payable to the Iowa Finance Authority with a maximum face value of $665,000, of which $633,511 had been drawn at June 30, 2011. Interest accrues at 1% per annum. The note requires monthly installments of $3,166. Final payment is due in October 2029 and the note is secured by land and building. The note is recorded net of imputed interest calculated using an interest rate of 3.50%. At June 30, 2011, the principal balance of this note, net of imputed interest, was $510,900. The discount for imputed interest is being amortized based on the maturity date of the note in 2029. The unamortized discount totals $122,611 at June 30, 2011. As part of the agreement, there are certain covenants that the Organization must comply with.	510,900	531,572
Office facility purchased at 1510 Boyson Road with payable due to Boyson, LLC on behalf of PBE Investment Group, LLC. The bond requires monthly installments of $4,335, including interest at 6.75%. Final balloon payment is due in June 2018, secured by land and building. As part of the agreement, there are certain covenants that the Organization must comply with.	568,871	-
Total	2,208,253	1,727,481
Less current portion of notes payable	98,408	85,900
Long-term portion of notes payable	$ 2,109,845	$ 1,641,581

Future maturities of notes payable are as follows:

2012	$ 98,408
2013	111,631
2014	117,607
2015	123,978
2016	130,682
Later years	1,625,947
Total	$ 2,208,253

NOTE 8 - NATURE AND AMOUNT OF PERMANENT AND TEMPORARY RESTRICTIONS

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Subsequent year's operations	$ 1,200,597	$ 951,090
Subsequent year's facility usage	203,226	212,903
Total temporarily restricted net assets	$ 1,403,823	$ 1,163,993

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 - ENDOWMENTS

The Organization's endowments consist of various funds established to support the general operating needs of the Organization. Its endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Organization has interpreted the Iowa Uniform Act - Institutional Funds Management Act (IUA-IFMA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board. In accordance with IUA-IFMA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

NOTE 9 - ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide current income to fund the operations of the Organization as well as to enhance the future resources available to the Organization through long-term appreciation of assets. The endowment assets are invested in a manner that is intended to provide growth of principal and income. The permanently restricted portion of the endowment assets are being held and managed by The Greater Cedar Rapids Community Foundation.

Spending Policy

Distributions, if any, are determined annually by committee and director review and approvals.

In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gifts.

Strategies Employed for Achieving Objectives

The Organization primarily follows the investment strategy of The Greater Cedar Rapids Community Foundation for the permanently restricted portion which relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). This strategy targets a diversified asset allocation that emphasizes growth instruments and equity securities to achieve its long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 9,796	$ 17,589	$ 27,385
Board-designated endowment funds	6,937	-	-	6,937
Total funds	$ 6,937	$ 9,796	$ 17,589	$ 34,322

NOTE 9 - ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 5,000	$ 5,118	$ 17,589	$ 27,707
Change in beneficial interest	1,937	4,678	-	6,615
Net assets, end of year	$ 6,937	$ 9,796	$ 17,589	$ 34,322

Endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 5,118	$ 17,589	$ 22,707
Board-designated endowment funds	5,000	-	-	5,000
Total funds	$ 5,000	$ 5,118	$ 17,589	$ 27,707

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 5,000	$ 1,498	$ 17,589	$ 24,087
Change in beneficial interest	-	3,620	-	-
Net assets, end of year	$ 5,000	$ 5,118	$ 17,589	$ 27,707

NOTE 10 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Organization has certain concentrations of support and revenue. For the years ended June 30, 2011 and 2010, the source and amount of the funds and the approximate percentage of total support and revenue from these sources are as follows:

	2011		2010	
Source	Amount	Percentage	Amount	Percentage
Medicaid	$ 7,369,216	29%	$ 7,128,817	31%
Linn County	4,415,818	17%	4,309,703	18%

Accounts receivable as of June 30, 2011 includes $761,102 and $283,779, respectively from Medicaid and Linn County.

The care facility contract with Linn County expires June 30, 2012. The mental health center contract with Linn County expires June 30, 2012.

The Organization maintains deposits in certain bank accounts in excess of the federally insured amount. The total amount on deposit at these banks was $2,528,768 at June 30, 2011. $1,992.746 of this consists 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.

NOTE 11 - CASH FLOW DISCLOSURES

Cash paid for interest was $84,470 and $68,468 for the years ended June 30, 2011 and 2010, respectively. Non-cash investing and financing transactions during the years ended June 30, 2011 and 2010 included the purchase of $37,020 and $131,714 of property and equipment that was accrued in accounts payable at June 30, 2011 and 2010, respectively. Also, during the year ended June 30, 2011, property of $570,000 was purchased that was seller-financed.

NOTE 12 - OBLIGATIONS UNDER OPERATING LEASES

The Care Facility leases facilities and equipment from Linn County. The annual rental for the year ended June 30, 2011 was $284,000. The lease expires in June 2012 but can be terminated by either party upon 90 days prior notice in writing. The Mental Health Center leases administrative and office space under a lease expiring in June 2012. The lease requires monthly payments of $8,333. The Center leases additional facility space under a lease expiring in December 2015. The lease requires monthly payments of $5,604. Aging Services, Inc. leases facility space under a lease expiring in December 2015. The lease requires monthly payments of $4,413.

NOTE 12 - OBLIGATIONS UNDER OPERATING LEASES (CONTINUED)

The Organization is leasing various equipment under operating leases expiring between December 2012 and June 2016. The leases require monthly payments totaling $10,826.

Lease expense for the years ended June 30, 2011 and 2010 was $771,551 and $583,458, respectively.

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

2012	$ 318,947
2013	182,076
2014	145,151
2015	122,344
2016	61,532
Total	$ 830,050

NOTE 13 - RETIREMENT PLANS

The entities have a defined contribution retirement plan covering substantially all nonunion employees. Contributions to the plan are 6% of each covered employee's compensation and totaled $459,997 and $443,930 for the years ended June 30, 2011 and 2010, respectively. These contributions consist of a 3% employer discretionary contribution and a 3% safe harbor contribution of each covered employee's compensation, with the medical doctor class limited to $70,000 of maximum eligible compensation.

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 $141,418 and $142,943 for the years ended June 30, 2011 and 2010, respectively.

NOTE 14 - INCOME TAXES

Deferred tax assets consist of the following:

	2011	2010
Tax benefit of net operating loss carryforwards	$ 33,000	$ 34,000
Valuation allowance	(33,000)	(34,000)
Net deferred tax asset	$ -	$ -

NOTE 14 - INCOME TAXES (CONTINUED)

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 $165,000 available in net operating loss carryforwards which can be offset against future taxable income of the subsidiary. The carryforwards expire in various amounts from 2012 to 2027.

NOTE 15 - 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, 2011 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, 2011. 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.

NOTE 16 - 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 17 - COLLECTIVE BARGAINING AGREEMENT

Substantially all of the Care Facility's nonmanagement employees are covered by a collective bargaining agreement. Subsequent to June 30, 2011 the agreement was extended through August 2012.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to June 30, 2011, Abbe, Inc. sold their former office building for $1,385,000 and paid off their related office facility revenue bond which had a June 30, 2011 balance of $694,457. Additionally, subsequent to June 30, 2011, Abbe, Inc. entered into a construction contract in the amount of $633,598 for the expansion of the Marion Milestones building. It is the intent of the Organization to pay for the total expansion through a capital campaign.

Management evaluated subsequent events through December 22, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to December 22, 2011 that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2011.

SUPPLEMENTAL INFORMATION

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2011

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 2,193,526	$ 6,983	$ 138,109	$ 47,928
Cash, restricted, resident trust accounts	-	-	-	23,460
Certificates of deposit	372,058	-	257,036	25,059
Accounts receivable, less allowance	4,694	7,396	1,742,930	235,315
Contributions receivable, current portion	681,764	-	37,000	-
Due from affiliates	264,469	174,723	2,927	730,358
Prepaid expenses	13,258	4,365	63,998	74,044
Total current assets	3,529,769	193,467	2,242,000	1,136,164
LONG-TERM ASSETS				
Contributions receivable, less current portion above, less allowance	-	-	-	-
Investments	47,455	-	3,133	-
Total long-term assets	47,455	-	3,133	-
PROPERTY AND EQUIPMENT				
Land	249,725	-	-	-
Buildings and improvements	1,383,101	-	-	-
Leasehold improvements	-	4,666	55,434	269,392
Furniture and equipment	1,039,009	63,869	1,253,650	382,356
Vehicles	-	-	81,276	112,089
Total	2,671,835	68,535	1,390,360	763,837
Less accumulated depreciation	749,241	64,978	893,490	569,521
Net property and equipment	1,922,594	3,557	496,870	194,316
OTHER ASSETS				
Beneficial interest in assets held by community foundations	-	-	-	-
Debt-issuance costs, less accumulated amortization of $8,664	-	-	-	-
Total other assets	-	-	-	-
TOTAL ASSETS	$ 5,499,818	$ 197,024	$ 2,742,003	$ 1,330,480

Penn Center, Inc.	Aging Services, Inc.	Pentacrest, Inc.	Witwer Center, Inc.	Kingston Hill	Total	Eliminations	Consolidated
$ 22,306	$ 18,658	$ 19,953	$ 38,263	$ 23,772	$ 2,509,498	$ -	$ 2,509,498
21,662	-	1,570	-	-	46,692	-	46,692
-	227,495	10,354	85,954	-	977,956	-	977,956
155,738	383,312	51,503	111,305	10,221	2,702,414	-	2,702,414
-	694,831	39,786	100,000	822	1,554,203	-	1,554,203
357,300	756,364	-	423	-	2,286,564	(2,286,564)	-
38,420	31,284	3,649	3,108	3,188	235,314	-	235,314
595,426	2,111,944	126,815	339,053	38,003	10,312,641	(2,286,564)	8,026,077
-	40,716	-	-	25,948	66,664	-	66,664
-	-	-	333,637	2,821,043	3,205,268	(47,455)	3,157,813
-	40,716	-	333,637	2,846,991	3,271,932	(47,455)	3,224,477
-	189,223	150,000	-	10,000	598,948	-	598,948
-	2,410,123	1,404,198	-	1,858,659	7,056,081	-	7,056,081
33,090	-	-	39,591	-	402,173	-	402,173
133,370	512,530	98,442	286,111	226,528	3,995,865	-	3,995,865
92,056	61,646	-	-	17,676	364,743	-	364,743
258,516	3,173,522	1,652,640	325,702	2,112,863	12,417,810	-	12,417,810
155,927	1,088,467	375,183	143,014	1,334,861	5,374,682	-	5,374,682
102,589	2,085,055	1,277,457	182,688	778,002	7,043,128	-	7,043,128
-	-	6,937	27,385	-	34,322	-	34,322
-	19,292	-	-	-	19,292	-	19,292
					-		
-	19,292	6,937	27,385	-	53,614	-	53,614
					-		
$ 698,015	$ 4,257,007	$ 1,411,209	$ 882,763	$ 3,662,996	$ 20,681,315	$ (2,334,019)	$ 18,347,296

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2011

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 43,602	$ 149,569	$ 270,748	$ 75,614
Accrued expenses:				
Accrued vacations	193,662	-	411,799	221,450
Other accrued expenses	21,007	-	151,332	125,115
Due to affiliates	2,022,096	-	24,402	-
Resident trust funds	-	-	-	23,460
Deferred income	-	-	303,331	-
Notes payable, current maturities	58,002	-	-	-
Due to Linn County	-	-	102,842	-
Total current liabilities	2,338,369	149,569	1,264,454	445,639
LONG-TERM LIABILITIES				
Notes payable, less current maturities above	1,205,326	-	-	-
Total liabilities	3,543,695	149,569	1,264,454	445,639
NET ASSETS				
Unrestricted	1,956,123	(258,287)	1,440,549	884,841
Temporarily restricted	-	-	37,000	-
Common stock	-	40,000	-	-
Additional paid-in capital	-	265,742	-	-
Permanently restricted	-	-	-	-
Total net assets	1,956,123	47,455	1,477,549	884,841
TOTAL LIABILITIES AND NET ASSETS	$ 5,499,818	$ 197,024	$ 2,742,003	$ 1,330,480

Penn Center, Inc.	Aging Services, Inc.	Pentacrest, Inc.	Witwer Center, Inc.	Kingston Hill	Total	Eliminations	Consolidated
$ 32,675	$ 69,789	$ 10,703	$ 55,383	$ 13,628	$ 721,711	$ -	$ 721,711
60,284	57,184	6,615	30,062	2,733	983,789	-	983,789
41,863	83,779	18,954	17,012	11,136	470,198	-	470,198
-	-	38,452	158,971	42,643	2,286,564	(2,286,564)	-
21,662	-	1,570	-	-	46,692	-	46,692
-	-	-	-	2,125	305,456	-	305,456
-	22,696	17,710	-	-	98,408	-	98,408
-	-	-	-	-	102,842	-	102,842
156,484	233,448	94,004	261,428	72,265	5,015,660	(2,286,564)	2,729,096
-	411,329	493,190	-	-	2,109,845	-	2,109,845
156,484	644,777	587,194	261,428	72,265	7,125,505	(2,286,564)	4,838,941
541,531	2,751,081	476,406	472,450	3,563,962	11,828,656	258,287	12,086,943
-	861,149	347,609	131,296	26,769	1,403,823	-	1,403,823
-	-	-	-	-	40,000	(40,000)	-
-	-	-	-	-	265,742	(265,742)	-
-	-	-	17,589	-	17,589	-	17,589
541,531	3,612,230	824,015	621,335	3,590,731	13,555,810	(47,455)	13,508,355
$ 698,015	$ 4,257,007	$ 1,411,209	$ 882,763	$ 3,662,996	$ 20,681,315	$ (2,334,019)	$ 18,347,296

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
PUBLIC SUPPORT AND REVENUE				
Client and resident fees	$ -	$ -	$ 9,434,255	$ 6,040,662
Administrative services	1,444,100	-	-	-
Grants	685,824	-	675,268	-
Auxiliary	-	-	-	119,553
Net investment income	2,031	1,008	4,899	4,694
Rent	40,640	-	-	-
Contributions	6,500	-	5,666	25,500
Other	3,822	486,528	152,546	38,715
Equity in net income (loss) of investee	4,343	-	(806)	-
Total public support and revenue	2,187,260	487,536	10,271,828	6,229,124
EXPENSES				
Program services:				
Mental health services	-	456,393	9,955,646	-
Care facilities	-	-	-	5,482,342
Services for the aging	-	-	-	-
Total program services	-	456,393	9,955,646	5,482,342
Supporting activities:				
Management and general	1,480,015	26,800	523,868	642,327
Fundraising	-	-	-	-
Total supporting activities	1,480,015	26,800	523,868	642,327
Total expenses	1,480,015	483,193	10,479,514	6,124,669
CHANGE IN NET ASSETS	707,245	4,343	(207,686)	104,455
NET ASSETS, BEGINNING OF YEAR	1,248,878	43,112	1,685,235	780,386
NET ASSETS, END OF YEAR	$ 1,956,123	$ 47,455	$ 1,477,549	$ 884,841

Penn Center, Inc.	Aging Services, Inc.	Pentacrest, Inc.	Witwer Center, Inc.	Kingston Hill	Total	Eliminations	Consolidated
$ 2,200,163	$ 1,851,182	$ 441,340	$ 323,911	$ 279,769	$ 20,571,282	$ -	$ 20,571,282
-	-	-	-	-	1,444,100	(1,444,100)	-
-	1,013,047	88,214	688,041	43,500	3,193,894	-	3,193,894
61,326	-	-	-	-	180,879	-	180,879
2,272	6,749	2,012	20,857	426,216	470,738	-	470,738
-	-	19,200	-	-	59,840	(31,100)	28,740
18,643	467,097	103,054	49,177	28,418	704,055	(24,110)	679,945
7,902	676	1,011	30,742	9,358	731,300	(33,263)	698,037
-	-	-	-	-	3,537	(4,343)	(806)
2,290,306	3,338,751	654,831	1,112,728	787,261	27,359,625	(1,536,916)	25,822,709
-	-	-	-	-	10,412,039	-	10,412,039
2,124,065	-	-	-	-	7,606,407	-	7,606,407
-	2,599,988	571,160	1,129,342	621,559	4,922,049	(63,997)	4,858,052
2,124,065	2,599,988	571,160	1,129,342	621,559	22,940,495	(63,997)	22,876,498
125,911	141,735	46,438	24,100	25,000	3,036,194	(1,467,863)	1,568,331
-	29,644	19,682	12,729	8,177	70,232	(713)	69,519
125,911	171,379	66,120	36,829	33,177	3,106,426	(1,468,576)	1,637,850
2,249,976	2,771,367	637,280	1,166,171	654,736	26,046,921	(1,532,573)	24,514,348
40,330	567,384	17,551	(53,443)	132,525	1,312,704	(4,343)	1,308,361
501,201	3,044,846	806,464	674,778	3,458,206	12,243,106	(43,112)	12,199,994
$ 541,531	$ 3,612,230	$ 824,015	$ 621,335	$ 3,590,731	$ 13,555,810	$ (47,455)	$ 13,508,355

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services	Supporting Activities	Total
Personnel:			
Wages and salaries	$ 12,454,201	$ 666,002	$ 13,120,203
Employee benefits	3,011,929	196,558	3,208,487
Payroll taxes	883,181	47,473	930,654
	16,349,311	910,033	17,259,344
Resident services:			
Food	747,647	-	747,647
Pharmacy and medical supplies	85,613	-	85,613
Other services	203,261	-	203,261
	1,036,521	-	1,036,521
Consulting fees	1,176,206	12,000	1,188,206
Staff development	44,057	11,781	55,838
Computer services	316,966	55,354	372,320
Telephone services	197,858	19,489	217,347
Professional fees	71,897	107,360	179,257
Insurance	214,129	18,288	232,417
Advertising	75,047	(160)	74,887
Dues and subscriptions	24,298	515	24,813
Other	853,610	50,878	904,488
Occupancy	1,226,949	44,285	1,271,234
Supplies	591,742	44,179	635,921
Repairs	234,849	10,170	245,019
Provision for doubtful accounts	-	72,925	72,925
Depreciation and amortization	463,058	126,764	589,822
Interest	-	84,470	84,470
Fundraising supplies	-	69,519	69,519
	5,490,666	727,817	6,218,483
Total expenses	$ 22,876,498	$ 1,637,850	$ 24,514,348

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
Year Ended June 30, 2011

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
Personnel:				
Wages and salaries	$ -	218,466	$ 6,001,858	$ 2,859,357
Employee benefits	-	41,617	1,010,189	1,019,795
Payroll taxes	-	14,201	400,587	212,927
	-	274,284	7,412,634	4,092,079
Resident services				
Food	-	-	-	250,608
Pharmacy and medical supplies	-	-	-	60,953
Other services	-	-	-	133,866
	-	-	-	445,427
Consulting fees	-	39,858	1,048,047	11,733
Staff development	-	26	7,782	29,308
Computer services	-	28,853	258,308	6,945
Telephone services	-	14,640	100,169	25,515
Professional fees	-	1,363	11,097	28,575
Insurance	-	1,340	78,871	53,982
Advertising	-	15,071	32,381	4,733
Dues and subscriptions	-	-	16,314	232
Other	-	11,571	309,975	67,695
Occupancy	-	51,500	479,152	442,494
Supplies	-	15,312	115,940	115,964
Repairs	-	379	8,524	98,161
Depreciation and amortization	-	2,196	76,452	59,499
	-	182,109	2,543,012	944,836
Total program services	$ -	$ 456,393	$ 9,955,646	$ 5,482,342

Penn Center, Inc.	Aging Services, Inc.	Pentacrest, Inc.	Witwer Center, Inc.	Kingston Hill	Total	Eliminations	Consolidated
$ 1,107,871	$ 1,318,661	$ 264,450	$ 412,682	$ 270,856	$ 12,454,201	$ -	$ 12,454,201
458,002	299,062	62,947	57,555	62,762	3,011,929	-	3,011,929
79,930	99,160	20,424	35,416	20,536	883,181	-	883,181
1,645,803	1,716,883	347,821	505,653	354,154	16,349,311	-	16,349,311
137,958	-	-	359,081	-	747,647	-	747,647
24,660	-	-	-	-	85,613	-	85,613
49,576	-	19,819	-	-	203,261	-	203,261
212,194	-	19,819	359,081	-	1,036,521	-	1,036,521
-	52,674	6,285	5,178	12,831	1,176,606	(400)	1,176,206
2,828	2,819	649	565	80	44,057	-	44,057
2,278	14,591	990	3,827	1,174	316,966	-	316,966
14,911	24,976	3,027	11,232	3,388	197,858	-	197,858
10,355	9,117	53	291	11,046	71,897	-	71,897
23,937	23,685	10,318	8,302	13,694	214,129	-	214,129
2,070	6,435	1,980	3,720	8,657	75,047	-	75,047
2,060	4,470	1,135	-	87	24,298	-	24,298
47,666	317,369	7,163	81,706	10,465	853,610	-	853,610
58,951	102,041	34,334	24,990	65,217	1,258,679	(31,730)	1,226,949
46,379	168,174	44,810	59,171	57,859	623,609	(31,867)	591,742
31,289	30,827	10,928	7,295	47,446	234,849	-	234,849
23,344	125,927	81,848	58,331	35,461	463,058	-	463,058
266,068	883,105	203,520	264,608	267,405	5,554,663	(63,997)	5,490,666
$ 2,124,065	$ 2,599,988	$ 571,160	$ 1,129,342	$ 621,559	$ 22,940,495	$ (63,997)	$ 22,876,498

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
Year Ended June 30, 2011

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
Personnel:				
Wages and salaries	$ 666,002	$ -	$ -	$ -
Employee benefits	196,558	-	-	-
Payroll taxes	47,473	-	-	-
	910,033	-	-	-
Resident services				
Food	-	-	-	-
Pharmacy and medical supplies	-	-	-	-
Other services	-	-	-	-
	-	-	-	-
Administrative fees	-	26,800	456,100	640,600
Consulting fees	12,000	-	-	-
Staff development	11,781	-	-	-
Computer services	55,354	-	-	-
Telephone services	19,489	-	-	-
Professional fees	107,360	-	-	-
Insurance	18,288	-	-	-
Advertising	340	-	-	-
Dues and subscriptions	515	-	-	-
Other	74,141	-	-	-
Occupancy	44,285	-	-	-
Supplies	44,179	-	-	-
Repairs	10,170	-	-	-
Provision for doubtful accounts	-	-	67,401	1,727
Depreciation and amortization	126,764	-	-	-
Interest	45,316	-	367	-
Fundraising supplies	-	-	-	-
	569,982	26,800	523,868	642,327
Total supporting services	$ 1,480,015	$ 26,800	$ 523,868	$ 642,327

Penn Center, Inc.	Aging Services, Inc.	Pentacrest, Inc.	Witwer Center, Inc.	Kingston Hill	Total	Eliminations	Consolidated
$ -	$ -	$ -	$ -	$ -	$ 666,002	$ -	$ 666,002
-	-	-	-	-	196,558	-	196,558
-	-	-	-	-	47,473	-	47,473
-	-	-	-	-	910,033	-	910,033
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
125,900	116,600	29,000	24,100	25,000	1,444,100	(1,444,100)	-
-	-	-	-	-	12,000	-	12,000
-	-	-	-	-	11,781	-	11,781
-	-	-	-	-	55,354	-	55,354
-	-	-	-	-	19,489	-	19,489
-	-	-	-	-	107,360	-	107,360
-	-	-	-	-	18,288	-	18,288
-	-	-	-	-	340	(500)	(160)
-	-	-	-	-	515	-	515
-	-	-	-	-	74,141	(23,263)	50,878
-	-	-	-	-	44,285	-	44,285
-	-	-	-	-	44,179	-	44,179
-	-	-	-	-	10,170	-	10,170
11	3,670	116	-	-	72,925	-	72,925
-	-	-	-	-	126,764	-	126,764
-	21,465	17,322	-	-	84,470	-	84,470
-	29,644	19,682	12,729	8,177	70,232	(713)	69,519
125,911	171,379	66,120	36,829	33,177	2,196,393	(1,468,576)	727,817
$ 125,911	$ 171,379	$ 66,120	$ 36,829	$ 33,177	$ 3,106,426	$ (1,468,576)	$ 1,637,850

ABBE, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed Through City of Cedar Rapids:			
Community Development Block Grants/State's (Abbe, Inc.)	14.228	08-DRBRAP-4	$ 681,764
Passed Through State of Iowa, Department of Economic Development:			
Community Development Block Grants/State's (Abbe, Inc.)	14.228	421373123/3253	4,060
Community Development Block Grants/State's (Aging Services, Inc.)	14.228	237085316/3288	26,472
Community Development Block Grants/State's (ACCMH)	14.228	421045257/8854	33,624
Community Development Block Grants/State's (Abbe Oaks)	14.228	263229677/8824	21,564
Total CFDA Number 14.228			767,484 *
Passed Through City of Cedar Rapids:			
Community Development Block Grants (Aging Services, Inc.)	14.221	FY09 grant	4,363
Community Development Block Grants (Aging Services, Inc.)	14.221	FY10 grant	7,895
Community Development Block Grants (Aging Services, Inc.)	14.221	FY11 grant	15,000
Total CFDA Number 14.221			27,258
Economic Development Initiative-Special Project (Witwer Center, Inc.)	14.251	B045PIA0265	1,033
Total U.S. Department of Housing and Urban Development			795,775
U.S. Department of Health and Human Services:			
Passed Through Heritage Area Agency on Aging:			
Special Programs for the Aging, Title III, Part C, Nutrition Services (Witwer)	93.045	-	4,800
Passed Through Four Oaks of Iowa:			
Social Services Block Grant (Aging Services)	93.667	-	12,882
Passed Through State of Iowa Department of Human Services, Division of Behavioral, Developmental and Protective Services:			
Projects for Assistance in Transition from Homelessness (PATH) (ACCMH)	93.150	MHDS 11-038	50,552
Project Hope (ACCMH)	93.150	-	4,105
Total CFDA Number 93.150			54,657
Block Grants for Community Mental Health - Child Services (ACCMH)	93.958	MHDS 11-052	83,332
Block Grants for Community Mental Health - Child Services (ACCMH)	93.958	-	64,986
Block Grants for Community Mental Health - Adult Services (ACCMH)	93.958	MHDS 11-052	83,332
Block Grants for Community Mental Health - Adult Services (ACCMH)	93.958	-	49,316
Total CFDA Number 93.958			280,966
Total U.S. Department of Health and Human Services			353,305

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed Through State of Iowa Department of Education, Bureau of Food and Nutrition:			
Child and Adult Care Food Program (Aging Services, Inc.-Milestones)	10.558	-	58,192
Child and Adult Care Food Program (Aging Services, Inc.-Marion)	10.558	-	35,795
Child and Adult Care Food Program (Pentacrest, Inc.)	10.558	CC52950	23,315
Total U.S. Department of Agriculture			117,302
U.S. Department of Homeland Security:			
Passed Through Iowa Department of Public Defense:			
Disaster Grants-Public Assistance-Presidentially Declared Disasters (Witwer Center, Inc.)	97.036	113-02A12-00	94,841
Total Federal Expenditures			$ 1,361,223

* This program was tested as a major program

This schedule should be read only in connection with the accompanying notes to the schedule of expenditures of federal awards.

ABBE, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Abbe, Inc. and subsidiaries and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizatio*ns. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the presentation of the financial statements.

NOTE 2 - SUB-RECIPIENT PAYMENTS, NON-CASH ASSISTANCE, INSURANCE, LOANS, OR LOAN GUARANTEES

There were no payments passed through to sub-recipient agencies during the year ended June 30, 2011. In addition, there was no non-cash assistance, insurance, loan or loan guarantees outstanding as of and for the year ended June 30, 2011.

NOTE 3 - COMMUNITY DEVELOPMENT BLOCK GRANT

Notification of the approval of federal funds for grant number 08-DRBRAP-4, with total expenditures of $681,764, was received in the current year ended June 30, 2011. These funds were expended during the year ended June 30, 2009.

NOTE 4 - FORGIVABLE LOANS

Community development block grant number 08-DRBRAP-4 includes a $681,764 forgiveable loan and community development block grant number 421373123/3253 includes a $4,060 forgiveable loan

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's 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*

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

We have audited the financial statements of the Abbe, Inc. and subsidiaries as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011. 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

Management of Abbe, Inc. and subsidiaries is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Abbe, Inc. and subsidiaries'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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Abbe, Inc. and subsidiaries'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*.

Member of HLB International

This report is intended solely for the information and use of management, the Board of Directors, 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
December 22, 2011

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Abbe, Inc. and subsidiaries with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2011. Abbe, Inc. and subsidiaries's major federal program is 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 its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on Abbe, Inc. and subsidiaries'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 Abbe, Inc. and subsidiaries'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 Abbe, Inc. and subsidiaries's compliance with those requirements.

In our opinion, Abbe, Inc. and subsidiaries complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Abbe, Inc. and subsidiaries 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 Abbe, Inc. and subsidiaries's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Abbe, Inc. and subsidiaries's internal control over compliance.

Member of HLB International

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
December 22, 2011

ABBE, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued — Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes __X__ No
- Deficiencies identified that are not considered to be material weaknesses? _____ Yes __X__ None Reported

Noncompliance material to financial statements noted? _____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes __X__ No
- Deficiencies identified that are not considered to be material weaknesses? _____ Yes __X__ None Reported

Type of auditor's report issued on compliance for major programs — Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? _____ Yes __X__ No

ABBE, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS

None.

ABBE, INC. AND SUBSIDIARIES
CORRECTIVE ACTION PLAN
Year Ended June 30, 2011

None necessary.

ABBE, INC. AND SUBSIDIARIES
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

This is the first year since the year ended June 30, 2006 that 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* have been required. As such, there are no prior audit findings to report on.