

ABBE, INC. AND SUBSIDIARIES
Cedar Rapids, Iowa

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

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Independent Auditors' Report

Board of Directors
Abbe, Inc.
Hiawatha, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Abbe, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abbe, Inc. and its subsidiaries as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information for Abbe, Inc. and subsidiaries and Chatham Oaks, Inc. and Affiliate is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in their net assets, and cash flows of the individual affiliates, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 7, 2014

FINANCIAL STATEMENTS

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,393,173	\$ 3,819,455
Restricted cash	108,718	127,171
Certificates of deposit	1,242,771	1,324,805
Receivables:		
Accounts receivable, less allowance for doubtful accounts of \$86,900 in 2014 and \$110,400 in 2013	1,924,741	3,057,277
Contributions receivable, current portion	818,539	711,206
Inventory	-	18,637
Prepaid expenses	<u>240,169</u>	<u>340,025</u>
Total current assets	<u>10,728,111</u>	<u>9,398,576</u>
 LONG-TERM ASSETS		
Investments	<u>2,425,877</u>	<u>2,514,875</u>
Total long-term assets	<u>2,425,877</u>	<u>2,514,875</u>
 PROPERTY AND EQUIPMENT		
Land	681,648	506,648
Buildings and improvements	9,191,440	8,298,541
Leasehold improvements	301,877	556,081
Furniture and equipment	2,392,315	4,116,481
Vehicles	<u>462,476</u>	<u>502,519</u>
Total	13,029,756	13,980,270
Less accumulated depreciation	<u>(5,170,319)</u>	<u>(6,318,862)</u>
Total property and equipment	<u>7,859,437</u>	<u>7,661,408</u>
 OTHER ASSETS		
Beneficial interest in assets held by community foundations	173,644	149,016
Debt-issuance costs and tax credit fees, less accumulated amortization of \$14,151 in 2014 and \$11,716 in 2013	<u>24,429</u>	<u>26,865</u>
Total other assets	<u>198,073</u>	<u>175,881</u>
 TOTAL ASSETS	 <u>\$ 21,211,498</u>	 <u>\$ 19,750,740</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 490,381	\$ 464,411
Accrued expenses:		
Accrued vacations	863,149	982,377
Other accrued expenses	723,768	608,856
Resident trust funds	28,824	91,593
Deferred income	310,977	344,101
Notes payable, current maturities	95,898	69,619
Due to Linn County	<u>102,842</u>	<u>102,842</u>
Total current liabilities	2,615,839	2,663,799
 LONG-TERM LIABILITIES		
Notes payable, less current maturities above	<u>2,760,526</u>	<u>2,171,946</u>
Total liabilities	<u>5,376,365</u>	<u>4,835,745</u>
 NET ASSETS		
Unrestricted	14,515,034	13,671,575
Temporarily restricted	1,302,510	1,225,831
Permanently restricted	<u>17,589</u>	<u>17,589</u>
Total net assets	<u>15,835,133</u>	<u>14,914,995</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 21,211,498</u>	 <u>\$ 19,750,740</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, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUE				
Client and resident fees	\$ 22,811,288	\$ -	\$ -	\$ 22,811,288
Other service fees	868,343	-	-	868,343
Grants	966,445	814,540	-	1,780,985
Auxiliary	113,916	-	-	113,916
Net investment income	407,908	3,798	-	411,706
Gain (loss) on disposal of property and equipment	(121,993)	-	-	(121,993)
Rent	54,160	-	-	54,160
Contributions	191,918	-	-	191,918
Other	79,812	-	-	79,812
Equity in net loss of investee	(816)	-	-	(816)
Net assets released from restrictions	741,659	(741,659)	-	-
Total public support and revenue	<u>26,112,640</u>	<u>76,679</u>	<u>-</u>	<u>26,189,319</u>
EXPENSES				
Program services:				
Mental health services	9,885,873	-	-	9,885,873
Care facilities	9,518,414	-	-	9,518,414
Services for the aging	4,135,988	-	-	4,135,988
Total program services	<u>23,540,275</u>	<u>-</u>	<u>-</u>	<u>23,540,275</u>
Supporting activities:				
Management and general	1,694,533	-	-	1,694,533
Fundraising	34,373	-	-	34,373
Total supporting activities	<u>1,728,906</u>	<u>-</u>	<u>-</u>	<u>1,728,906</u>
Total expenses	<u>25,269,181</u>	<u>-</u>	<u>-</u>	<u>25,269,181</u>
Change in net assets from operations	843,459	76,679	-	920,138
NON-OPERATING ACTIVITIES				
Excess assets over liabilities assumed from acquisition	-	-	-	-
CHANGE IN NET ASSETS	843,459	76,679	-	920,138
NET ASSETS, BEGINNING OF YEAR	<u>13,671,575</u>	<u>1,225,831</u>	<u>17,589</u>	<u>14,914,995</u>
NET ASSETS, END OF YEAR	<u>\$ 14,515,034</u>	<u>\$ 1,302,510</u>	<u>\$ 17,589</u>	<u>\$ 15,835,133</u>

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 20,225,699	\$ -	\$ -	\$ 20,225,699
787,376			787,376
1,225,705	781,125	-	2,006,830
150,509	-	-	150,509
282,076	3,670	-	285,746
578	-	-	578
29,015	-	-	29,015
172,141	-	-	172,141
97,030	-	-	97,030
(1,661)	-	-	(1,661)
<u>753,378</u>	<u>(753,378)</u>	<u>-</u>	<u>-</u>
<u>23,721,846</u>	<u>31,417</u>	<u>-</u>	<u>23,753,263</u>
9,893,868	-	-	9,893,868
8,272,699	-	-	8,272,699
<u>4,116,687</u>	<u>-</u>	<u>-</u>	<u>4,116,687</u>
<u>22,283,254</u>	<u>-</u>	<u>-</u>	<u>22,283,254</u>
1,814,022	-	-	1,814,022
29,825	-	-	29,825
<u>1,843,847</u>	<u>-</u>	<u>-</u>	<u>1,843,847</u>
<u>24,127,101</u>	<u>-</u>	<u>-</u>	<u>24,127,101</u>
(405,255)	31,417	-	(373,838)
<u>1,330,078</u>	<u>-</u>	<u>-</u>	<u>1,330,078</u>
924,823	31,417	-	956,240
<u>12,746,752</u>	<u>1,194,414</u>	<u>17,589</u>	<u>13,958,755</u>
<u>\$ 13,671,575</u>	<u>\$ 1,225,831</u>	<u>\$ 17,589</u>	<u>\$ 14,914,995</u>

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

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2014 and 2013

	2014		
	Program	Supporting	Total
	Services	Activities	
Personnel:			
Wages and salaries	\$ 13,434,589	\$ 622,912	\$ 14,057,501
Employee benefits	2,867,185	166,147	3,033,332
Payroll taxes	957,338	46,831	1,004,169
	<u>17,259,112</u>	<u>835,890</u>	<u>18,095,002</u>
Resident services			
Food	447,820	-	447,820
Pharmacy and medical supplies	57,118	-	57,118
Other services	132,513	-	132,513
	<u>637,451</u>	<u>-</u>	<u>637,451</u>
Donations	200	-	200
Professional fees	114,520	112,434	226,954
Consulting fees	887,041	20,465	907,506
Advertising	108,495	865	109,360
Supplies	457,891	46,308	504,199
Telephone services	192,792	32,789	225,581
Computer services	395,460	77,709	473,169
Occupancy	1,341,153	97,646	1,438,799
Travel	388,633	24,109	412,742
Interest	-	91,975	91,975
Depreciation and amortization	798,802	57,543	856,345
Insurance	256,993	4,617	261,610
Repairs	549,910	50,237	600,147
Staff development	24,669	11,949	36,618
Dues and subscriptions	23,242	2,036	25,278
Provision for doubtful accounts	-	182,118	182,118
Fundraising supplies	-	34,373	34,373
Other	103,911	45,843	149,754
	<u>5,643,712</u>	<u>893,016</u>	<u>6,536,728</u>
Total expenses	<u>\$ 23,540,275</u>	<u>\$ 1,728,906</u>	<u>\$ 25,269,181</u>

2013		
Program Services	Supporting Activities	Total
\$ 12,527,656	\$ 604,627	\$ 13,132,283
3,077,191	176,361	3,253,552
892,202	42,883	935,085
<u>16,497,049</u>	<u>823,871</u>	<u>17,320,920</u>
370,411	-	370,411
109,683	-	109,683
166,166	-	166,166
<u>646,260</u>	<u>-</u>	<u>646,260</u>
-	-	-
65,326	125,232	190,558
942,734	46,215	988,949
85,508	2,518	88,026
510,809	35,787	546,596
180,338	21,652	201,990
206,863	70,970	277,833
1,282,874	32,792	1,315,666
369,904	20,947	390,851
-	73,230	73,230
724,861	60,199	785,060
234,671	13,321	247,992
300,477	27,732	328,209
24,533	8,470	33,003
26,913	140	27,053
-	445,086	445,086
-	29,825	29,825
184,134	5,860	189,994
<u>5,139,945</u>	<u>1,019,976</u>	<u>6,159,921</u>
<u>\$ 22,283,254</u>	<u>\$ 1,843,847</u>	<u>\$ 24,127,101</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 920,138	\$ 956,240
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest and dividends reinvested	(68,267)	(61,936)
Net realized and unrealized gain on investments	(317,198)	(213,477)
Provision for bad debts	182,118	445,086
Depreciation and amortization	856,345	785,060
Contributed assets from acquisition	-	(946,851)
Loss on disposal of property and equipment	121,993	222
Change in beneficial interest in assets held by community foundations	(25,244)	(3,673)
Amortization of below market interest rate loan	24,159	25,351
Contributions restricted for long-term purposes	(29,874)	(40,640)
(Increase) decrease in restricted cash deposits	(44,316)	23,475
Effects of changes in operating assets and liabilities:		
Receivables	843,085	213,198
Inventory	18,637	-
Prepaid expenses	99,856	82,339
Accounts payable, accrued expenses and due to Linn County	55,161	218,456
Deferred income	(33,124)	(43,026)
	<u>2,603,469</u>	<u>1,439,824</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,285,125)	(460,942)
Proceeds from sales of property and equipment	77,689	800
Transfer from community foundation	616	-
Proceeds from sales of investments	1,457,516	653,986
Purchases of investments and certificates of deposits	(901,021)	(484,603)
	<u>(650,325)</u>	<u>(290,759)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	29,874	40,640
Proceeds from note payable	690,000	-
Payments on notes payable	(99,300)	(85,261)
	<u>620,574</u>	<u>(44,621)</u>
Net cash provided by (used in) financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,573,718	1,104,444
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,819,455</u>	<u>2,715,011</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,393,173</u>	<u>\$ 3,819,455</u>

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

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbe, Inc. (the Organization) 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. The Organization 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, Delaware, Buchanan, and Fayette counties and surrounding communities through service receipts from these counties as well as charges to patients and state and federal programs.

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, other counties of residence, state and federal programs, and charges to residents. The Care Facility ceased operations during fiscal year 2014.

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, other counties of residence, state and federal programs, and charges to residents.

Chatham Oaks, Inc. and its affiliate (Chatham) provide housing and care for mentally disabled in need of supervision or assistance in their daily living. These services are provided to residents of Johnson County and surrounding communities through per diem rates from Johnson County, other counties of residence, state and federal programs, and charges to residents. On April 1, 2013, the Organization acquired Chatham as part of its mission to promote mental health care (See Note 17). Chatham's affiliate is a partnership that is engaged in renting 18 low-income housing apartment units located in Iowa City. The rentals are subject to the requirements of the United State Department of Housing and Urban Development's Home Investment Partnership Program (HOME). Under the terms of the agreement, Chatham is the general manager and receives 0.01% of the net profits, net losses and tax credits.

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, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Witwer Center, Inc. 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. Witwer Center was contributed to Aging Services, Inc. on July 1, 2013. Witwer Center discontinued its Home Delivered Meal Program prior to its contribution to Aging Services, Inc.

Kingston Hill operates independent housing with non-health related services for older adults. Nursing care is not provided. 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. Kingston Hill was contributed to Aging Services, Inc. on June 30, 2014.

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 aforementioned entities. 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.

Restricted Cash

Restricted cash consists of funds that are held in trust for certain clients that participate in various programs of the Organization and the Organization's dental and health self-insurance plans.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certificates of Deposit

Certificates of deposit consist of brokered and non-brokered certificates with original maturities of more than three months.

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.

Inventory

Inventories are stated at the lower of cost or market with cost determined on a first-in, first-out (FIFO) basis.

Investments

Investments are generally 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.

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.

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 \$2,500 and an expected useful life of more than one year are capitalized.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Tax Credit Fees

Debt-issuance costs are being amortized on a straight-line basis over the 20 year term of the loan. Tax credit fees are being amortized on a straight-line basis over the remainder of a 15 year tax compliance period.

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.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

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, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Operating Activities

The Organization recognizes the dissolution and addition of affiliates as non-operating activities.

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

With the exception of Abbe Management Corporation, all entities 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 returns in the U.S. federal jurisdiction. The Organization follows 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. The federal returns of all entities for the year ended June 30, 2011 and thereafter are subject to examination by the IRS, generally for three years after they were filed.

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.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

Chatham's affiliate is taxed as a partnership in which all income and deductions are included in the tax returns of the general and limited partners. Therefore, no income tax provision is recorded by the partnership.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give as of June 30:

	<u>2014</u>	<u>2013</u>
United Way	\$ 814,539	\$ 651,857
Other grants and pledges	-	25,491
Building campaign pledges	<u>4,000</u>	<u>33,858</u>
Total contributions receivable	<u>\$ 818,539</u>	<u>\$ 711,206</u>

	<u>2014</u>	<u>2013</u>
Amounts due in:		
Less than one year	<u>\$ 818,539</u>	<u>\$ 711,206</u>

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Long-term certificates of deposit	\$ -	\$ 182,704
Money market funds	54,007	57,176
Equity mutual funds	1,326,290	1,243,350
Fixed income mutual funds	1,043,215	1,029,024
Other, carried at equity	<u>2,365</u>	<u>2,621</u>
Total investments	<u>\$ 2,425,877</u>	<u>\$ 2,514,875</u>

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 4 - 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.

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.

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, 2014 and 2013.

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.

Money market funds are valued at the net asset value of shares held at year-end.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial interest in assets held by community foundations: Valued at the pro-rata share of the community foundations' investment pool. The unobservable inputs are the underlying assets at the community foundations and follow their investment policies.

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 75,179	\$ 1,167,592	\$ -	\$ 1,242,771
Mutual funds:				
Value funds	526,829	-	-	526,829
Index funds	184,966	-	-	184,966
Growth funds	341,009	-	-	341,009
International funds	192,398	-	-	192,398
Emerging markets	22,824	-	-	22,824
Commodity	19,538	-	-	19,538
Real estate	38,726	-	-	38,726
Total equity funds	1,326,290	-	-	1,326,290
Fixed income funds	1,043,215	-	-	1,043,215
Money market funds	-	54,007	-	54,007
Beneficial interest in assets held by community foundations	-	-	173,644	173,644
Total assets at fair value	<u>\$ 2,444,684</u>	<u>\$ 1,221,599</u>	<u>\$ 173,644</u>	<u>\$ 3,839,927</u>

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, 2014:

Balance, July 1, 2013	\$ 149,016
Distributions	(616)
Change in beneficial interest in assets held by community foundations	<u>25,244</u>
Balance, June 30, 2014	<u>\$ 173,644</u>

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 4 - 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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 195,758	\$ 1,311,751	\$ -	\$ 1,507,509
Mutual funds:				
Value funds	353,207	-	-	353,207
Index funds	319,176	-	-	319,176
Growth funds	439,471	-	-	439,471
International funds	71,545	-	-	71,545
Emerging markets	18,725	-	-	18,725
Commodity	16,642	-	-	16,642
Real estate	24,584	-	-	24,584
Total equity funds	1,243,350	-	-	1,243,350
Fixed income funds	1,029,024	-	-	1,029,024
Money market funds	-	57,176	-	57,176
Beneficial interest in assets held by community foundations	-	-	149,016	149,016
Total assets at fair value	<u>\$ 2,468,132</u>	<u>\$ 1,368,927</u>	<u>\$ 149,016</u>	<u>\$ 3,986,075</u>

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, 2013:

Balance, July 1, 2012	\$ 32,637
Contributed asset	112,706
Change in beneficial interest in assets held by community foundations	<u>3,673</u>
Balance, June 30, 2013	<u>\$ 149,016</u>

NOTE 5 - 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 Aging Services, Inc. (formerly Witwer Center, Inc.), Pentacrest, Inc., and Chatham Oaks, 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 periodically. The balance of the funds at June 30, 2014 and 2013 was \$173,644 and \$149,016, respectively. During the years ended June 30, 2014 and 2013, the Organization received \$616 and \$0, respectively, from these funds.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 - DEBT

Line of credit

The Organization has a line of credit agreement with a bank under which it can borrow up to \$1,000,000. Borrowings under this agreement, which expires in February 2015, are unsecured and bear interest at the bank's prime rate. There are no borrowings outstanding under this agreement at June 30, 2014 and 2013.

Due to Linn County

	<u>2014</u>	<u>2013</u>
<p>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, 2016, at which time the obligation will become due, unless the contract is renewed.</p>	<p>\$ 102,842</p>	<p>\$ 102,842</p>

Notes payable

	<u>2014</u>	<u>2013</u>
<p>Note payable to the Iowa Finance Authority with a maximum face value of \$800,000, of which \$442,500 had been drawn at June 30, 2014. 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, 2014, the principal balance of this note, net of imputed interest, was \$362,610. The discount for imputed interest is being amortized based on the maturity date of the note in 2025. The unamortized discount totals \$79,990 at June 30, 2014. As part of the agreement, there are certain covenants that the Organization must comply with.</p>	<p>\$ 362,610</p>	<p>\$ 387,543</p>

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 - DEBT (CONTINUED)

Notes payable (continued)

	<u>2014</u>	<u>2013</u>
<p>Note payable to the Iowa Finance Authority with a maximum face value of \$665,000, of which \$537,153 had been drawn at June 30, 2014. 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, 2014, the principal balance of this note, net of imputed interest, was \$447,606. The discount for imputed interest is being amortized based on the maturity date of the note in 2029. The unamortized discount totals \$89,547 at June 30, 2014. As part of the agreement, there are certain covenants that the Organization must comply with.</p>	447,606	469,451
<p>Office facility purchased at 1510 Boyson Road with payable due to Boyson, 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.</p>	523,717	539,792
<p>First mortgage payable, Iowa Department of Economic Development, HOME loan, due in annual installments of \$6,500, including interest at 1%, with the unpaid balance due November 2026.</p>	595,605	596,143
<p>Second mortgage payable, City of Iowa City, HOME loan, due in monthly installments of \$1,197, including interest at 3.25%, with the unpaid balance due December 2038.</p>	242,350	248,636
<p>Office facility purchased at 740 N. 15th Avenue, Hiawatha, Iowa with payable due to Cedar Rapids Bank & Trust. The loan initially requires 60 monthly installments of \$4,316, including interest at 4.30%, then 59 monthly payments of \$4,406, including interest at 4.610%. Final balloon payment is due in March 2024, secured by land and building. As part of the agreement, there are certain covenants that the Organization must comply with.</p>	684,536	-
Total	2,856,424	2,241,565
Less current portion of notes payable	(95,898)	(69,619)
Long-term portion of notes payable	\$ 2,760,526	\$ 2,171,946

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 - DEBT (CONTINUED)

Future maturities of notes payable are as follows for the years ended June 30:

2015	\$ 95,898
2016	100,207
2017	104,924
2018	557,629
2019	92,992
Later years	<u>1,904,774</u>
Total	<u>\$ 2,856,424</u>

NOTE 7 - NATURE AND AMOUNT OF PERMANENT AND TEMPORARY RESTRICTIONS

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2014</u>	<u>2013</u>
Subsequent year's operations	\$ 1,128,317	\$ 1,041,960
Subsequent year's facility usage	<u>174,193</u>	<u>183,871</u>
Total temporarily restricted net assets	<u>\$ 1,302,510</u>	<u>\$ 1,225,831</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 8 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Organization has certain concentrations of support and revenue. For the years ended June 30, 2014 and 2013, 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>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Medicaid	\$ 13,467,859	51%	\$ 9,818,039	38%

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 8 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS (CONTINUED)

Accounts receivable as of June 30, 2014 and 2013 includes \$962,821 and \$797,641, respectively, from Medicaid.

The Care Facility contract with Linn County expired December 31, 2013. The contract was not be renewed.

The Organization maintains deposits in three banks in excess of the federally insured amount. The total amount on deposit at these banks was \$6,495,662 at June 30, 2014. This consist of \$5,524,401 in 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 9 - CASH FLOW DISCLOSURES

Cash paid for interest was \$91,975 and \$73,230 for the years ended June 30, 2014 and 2013, respectively. Non-cash investing and financing transactions during the years ended June 30, 2014 and 2013 included the purchase of \$6,050 and \$39,566 of property and equipment that was accrued in accounts payable at June 30, 2014 and 2013, respectively. The Organization received non-cash contributions and debt as of the year ended June 30, 2013 totaling \$1,791,631 and \$844,780, respectively from the acquisition of Chatham.

NOTE 10 - OBLIGATIONS UNDER OPERATING LEASES

The Mental Health Center leases administrative and office space under a lease expiring in June 2015. The lease requires monthly payments of \$8,333. The Center leases additional facility space under a lease expiring in December 2016. The lease requires monthly payments of \$5,604. Aging Services, Inc. leases facility space under a lease expiring in December 2016. The lease requires monthly payments of \$4,612.

The Organization is leasing various equipment under operating leases expiring between July 2014 and August 2018. The leases require monthly payments totaling \$10,560.

Lease expense for the years ended June 30, 2014 and 2013 was \$634,200 and \$617,828, respectively.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 10 - OBLIGATIONS UNDER OPERATING LEASES (CONTINUED)

Future minimum lease payments for operating leases that have initial noncancelable lease terms in excess of one year are as follows for the years ended June 30:

2015	\$ 553,361
2016	280,939
2017	104,596
2018	55,712
2019	<u>53,570</u>
Total	\$ <u>1,048,178</u>

NOTE 11 - RETIREMENT PLANS

The Organization has a defined contribution retirement plan covering substantially all nonunion employees. Effective January 1, 2013, the Organization reduced their contributions to the plan from 6% to 4% for each covered employee's compensation. The Organization's contributions totaled \$349,909 and \$396,508 for the years ended June 30, 2014 and 2013, respectively. These contributions consist of a 1% and 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 \$37,733 and \$100,226 for the years ended June 30, 2014 and 2013, respectively.

Chatham sponsors a 401(k) plan which is available to employees who have completed at least three months of continuous service and are nineteen years of age or older. Eligible employees may contribute a portion of their eligible salary. Chatham may elect to match a portion of employee contributions, at the discretion of the Board of Directors. Chatham elected to make a matching contribution of 25% of employee contributions during the year ended June 30, 2014 and the three months ended June 30, 2013. Total expense for the year ended June 30, 2014 and the three months ended June 30, 2013, were \$32,131 and \$9,024, respectively.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 12 - INCOME TAXES

Deferred tax assets consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Tax benefit of net operating loss carryforwards	\$ 19,000	\$ 21,000
Valuation allowance	<u>(19,000)</u>	<u>(21,000)</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 \$91,199 available in net operating loss carryforwards which can be offset against future taxable income of the subsidiary. The carryforwards expire in various amounts from 2014 to 2032.

NOTE 13 - SELF-INSURED DENTAL PLAN INFORMATION

Dental Plan

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, 2014 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, 2014. 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 14 - 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.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 15 - COLLECTIVE BARGAINING AGREEMENT

Substantially all of the Care Facility's nonmanagement employees are covered by a collective bargaining agreement. Subsequent to June 30, 2013 the agreement remained in full force except as modified by the terms of a shutdown agreement beginning on September 1, 2013.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Organization obtained professional services from a law firm that had representatives on the Board of Directors. Total expenses paid to this firm for the years ended June 30, 2014 and 2013 was \$40,395 and \$41,039, respectively.

Payments of these amounts were approved by Management and the Board of Directors.

NOTE 17 - ACQUISITION OF CHATHAM OAKS, INC. AND AFFILIATE

Beginning on April 1, 2013, Chatham entered into an affiliate agreement with the Organization. The operations of Chatham are expected to be predominantly supported by per diem rates. The Organization has recognized the excess of the consideration transferred over the net assets acquired as a separate item in its 2013 consolidated statement of activities. The net identifiable assets of Chatham consisted of certificates of deposit, inventory, property and equipment, beneficial interest in assets held by community foundation, and tax credit fees totaling \$946,851.

NOTE 18 - CHANGES IN CHATHAM OAKS, INC. AND AFFILIATE'S UNRESTRICTED NET ASSETS

Changes in consolidated unrestricted net assets are as follows for the years ended June 30, 2014 and 2013:

	<u>Total</u>	<u>Undesignated and Controlling Interest</u>	<u>Non - controlling Interest</u>
Balance, April 1, 2013	\$ 1,260,062	\$ 809,716	\$ 450,346
Change in net assets	<u>(39,360)</u>	<u>(21,620)</u>	<u>(17,740)</u>
Balance, June 30, 2013	1,220,702	788,096	432,606
Change in net assets	<u>(46,075)</u>	<u>3,288</u>	<u>(49,363)</u>
Balance, June 30, 2014	<u>\$ 1,174,627</u>	<u>\$ 791,384</u>	<u>\$ 383,243</u>

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Healthcare Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization may become subject to similar regulatory review, management believes that the outcome of such regulatory review will not have a material adverse effect on the Organization's financial statements.

Management believes that the Organization is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretations, as well as regulator actions unknown or unasserted at this time.

NOTE 20 - RECLASSIFICATION OF AMOUNTS

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year format. Total assets, net assets and change in net assets were unchanged due to these reclassifications.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 21 - SUBSEQUENT EVENTS

Subsequent to June 30, 2014, the Organization paid off their loan on the Hiawatha office facility totaling \$682,781.

Management evaluated subsequent events through November 7, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to November 7, 2014 that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014 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, 2014.

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

SUPPLEMENTARY INFORMATION

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	<u>Abbe, Inc.</u>	<u>Abbe Management Corporation</u>	<u>Abbe Center For Community Mental Health</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,627,823	\$ 12,028	\$ 19,840
Restricted cash	20,426	-	-
Certificates of deposit	389,793	-	-
Accounts receivable, less allowance of \$86,900	3,274	-	784,224
Contributions receivable, current portion	-	-	200,000
Due from affiliates	11,972	251,299	1,907,724
Prepaid expenses	15,237	64	60,100
	<u>6,068,525</u>	<u>263,391</u>	<u>2,971,888</u>
Total current assets			
LONG-TERM ASSETS			
Investments	<u>78,183</u>	<u>-</u>	<u>2,365</u>
	<u>78,183</u>	<u>-</u>	<u>2,365</u>
Total long-term assets			
PROPERTY AND EQUIPMENT			
Land	332,425	-	-
Buildings and improvements	1,693,877	-	-
Leasehold improvements	-	3,121	19,364
Furniture and equipment	282,136	13,296	894,716
Vehicles	-	-	70,196
	<u>2,308,438</u>	<u>16,417</u>	<u>984,276</u>
Less accumulated depreciation	<u>(318,917)</u>	<u>(12,972)</u>	<u>(787,437)</u>
	<u>1,989,521</u>	<u>3,445</u>	<u>196,839</u>
Total property and equipment			
OTHER ASSETS			
Beneficial interest in assets held by community foundations	-	-	-
Debt-issuance costs and tax credit fees, less accumulated amortization of \$14,151	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets			
TOTAL ASSETS	<u>\$ 8,136,229</u>	<u>\$ 266,836</u>	<u>\$ 3,171,092</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Chatham Oaks, Inc. & Affiliate</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 7,895	\$ 221,489	\$ 23,002	\$ 481,096	\$ 6,393,173	\$ -	\$ 6,393,173
33,491	-	1,586	53,215	108,718	-	108,718
-	533,139	10,884	308,955	1,242,771	-	1,242,771
555,640	321,396	57,835	202,372	1,924,741	-	1,924,741
-	593,539	25,000	-	818,539	-	818,539
518,896	1,236,704	184,656	-	4,111,251	(4,111,251)	-
111,380	33,575	572	19,241	240,169	-	240,169
<u>1,227,302</u>	<u>2,939,842</u>	<u>303,535</u>	<u>1,064,879</u>	<u>14,839,362</u>	<u>(4,111,251)</u>	<u>10,728,111</u>
-	2,423,513	-	-	2,504,061	(78,184)	2,425,877
-	2,423,513	-	-	2,504,061	(78,184)	2,425,877
-	199,223	150,000	-	681,648	-	681,648
-	5,078,365	1,404,198	1,015,000	9,191,440	-	9,191,440
55,617	39,591	-	184,184	301,877	-	301,877
141,108	920,534	81,355	87,150	2,420,295	(27,980)	2,392,315
183,619	147,470	-	88,660	489,945	(27,469)	462,476
380,344	6,385,183	1,635,553	1,374,994	13,085,205	(55,449)	13,029,756
(230,474)	(3,043,699)	(591,770)	(185,050)	(5,170,319)	-	(5,170,319)
<u>149,870</u>	<u>3,341,484</u>	<u>1,043,783</u>	<u>1,189,944</u>	<u>7,914,886</u>	<u>(55,449)</u>	<u>7,859,437</u>
-	32,492	9,634	131,518	173,644	-	173,644
-	15,133	-	9,296	24,429	-	24,429
-	47,625	9,634	140,814	198,073	-	198,073
<u>\$ 1,377,172</u>	<u>\$ 8,752,464</u>	<u>\$ 1,356,952</u>	<u>\$ 2,395,637</u>	<u>\$ 25,456,382</u>	<u>\$ (4,244,884)</u>	<u>\$ 21,211,498</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	<u>Abbe, Inc.</u>	<u>Abbe Management Corporation</u>	<u>Abbe Center For Community Mental Health</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 22,169	\$ 188,652	\$ 74,459
Accrued expenses:			
Accrued vacations	201,259	-	402,565
Other accrued expenses	89,587	-	173,515
Due to affiliates	4,099,280	-	-
Resident trust funds	-	-	-
Deferred income	-	-	302,977
Notes payable, current maturities	40,065	-	-
Due to Linn County	-	-	102,842
	<hr/>	<hr/>	<hr/>
Total current liabilities	4,452,360	188,652	1,056,358
LONG-TERM LIABILITIES			
Notes payable, less current maturities above	1,168,187	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	5,620,547	188,652	1,056,358
NET ASSETS			
Unrestricted	2,515,682	(227,558)	1,914,734
Temporarily restricted	-	-	200,000
Common stock	-	40,000	-
Additional paid-in capital	-	265,742	-
Permanently restricted	-	-	-
	<hr/>	<hr/>	<hr/>
Total net assets	2,515,682	78,184	2,114,734
TOTAL LIABILITIES AND NET ASSETS			
	<u>\$ 8,136,229</u>	<u>\$ 266,836</u>	<u>\$ 3,171,092</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Chatham Oaks, Inc. & Affiliate</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 48,088	\$ 52,149	\$ 14,141	\$ 90,723	\$ 490,381	\$ -	\$ 490,381
143,904	65,624	1,656	48,141	863,149	-	863,149
203,346	100,278	21,736	135,306	723,768	-	723,768
-	7,126	-	4,845	4,111,251	(4,111,251)	-
26,377	-	1,570	877	28,824	-	28,824
-	8,000	-	-	310,977	-	310,977
-	26,141	22,595	7,097	95,898	-	95,898
-	-	-	-	102,842	-	102,842
421,715	259,318	61,698	286,989	6,727,090	(4,111,251)	2,615,839
-	336,469	425,011	830,859	2,760,526	-	2,760,526
421,715	595,787	486,709	1,117,848	9,487,616	(4,111,251)	5,376,365
955,457	7,428,480	581,503	1,174,627	14,342,925	172,109	14,515,034
-	710,608	288,740	103,162	1,302,510	-	1,302,510
-	-	-	-	40,000	(40,000)	-
-	-	-	-	265,742	(265,742)	-
-	17,589	-	-	17,589	-	17,589
955,457	8,156,677	870,243	1,277,789	15,968,766	(133,633)	15,835,133
\$ 1,377,172	\$ 8,752,464	\$ 1,356,952	\$ 2,395,637	\$ 25,456,382	\$ (4,244,884)	\$ 21,211,498

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Abbe, Inc.	Abbe Management Corporation	Abbe Center For Community Mental Health	Abbe Center For Community Care
PUBLIC SUPPORT AND REVENUE				
Client and resident fees	\$ -	\$ -	\$ 9,668,256	\$ 1,032,278
Administrative services	1,326,750	-	-	-
Other service fees	-	624,495	243,848	-
Grants	150,000	-	712,862	-
Auxiliary	-	-	-	17,588
Net investment income	7,312	464	2,002	81
Gain (loss) on disposal of fixed assets	-	-	-	(53,337)
Rent	118,360	-	-	495
Contributions	3,750	-	6,993	187,510
Other	21,687	-	19,535	8,871
Equity in net income (loss) of investee	23,348	-	(816)	-
	<u>1,651,207</u>	<u>624,959</u>	<u>10,652,680</u>	<u>1,193,486</u>
Total public support and revenue				
EXPENSES				
Program services:				
Mental health services	188,710	564,611	9,394,737	-
Care facilities	-	-	-	1,082,670
Services for the aging	-	-	-	-
	<u>188,710</u>	<u>564,611</u>	<u>9,394,737</u>	<u>1,082,670</u>
Total program services				
Supporting activities:				
Management and general	1,463,864	37,000	653,061	88,258
Fundraising	-	-	-	-
	<u>1,463,864</u>	<u>37,000</u>	<u>653,061</u>	<u>88,258</u>
Total supporting activities				
Total expenses	<u>1,652,574</u>	<u>601,611</u>	<u>10,047,798</u>	<u>1,170,928</u>
Change in net assets from operations	(1,367)	23,348	604,882	22,558
NON-OPERATING ACTIVITIES				
Transfer	-	-	-	-
Change in non-operating activities	-	-	-	-
CHANGE IN NET ASSETS	(1,367)	23,348	604,882	22,558
NET ASSETS, BEGINNING OF YEAR	<u>2,517,049</u>	<u>54,836</u>	<u>1,509,852</u>	<u>(22,558)</u>
NET ASSETS, END OF YEAR	<u>\$ 2,515,682</u>	<u>\$ 78,184</u>	<u>\$ 2,114,734</u>	<u>\$ -</u>

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Pentacrest, Inc.</u>	<u>Kingston Hill</u>	<u>Chatham Oaks, Inc. & Affiliate</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 6,230,792	\$ 2,239,677	\$ 527,843	\$ 202,376	\$ 2,910,066	\$ 22,811,288	\$ -	\$ 22,811,288
-	-	-	-	-	1,326,750	(1,326,750)	-
-	-	-	-	-	868,343	-	868,343
-	887,423	29,210	1,490	-	1,780,985	-	1,780,985
59,561	-	-	-	36,767	113,916	-	113,916
563	9,259	2,222	367,952	21,851	411,706	-	411,706
-	-	-	(19)	-	(53,356)	(68,637)	(121,993)
-	-	19,440	16,580	-	154,875	(100,715)	54,160
3,913	73,924	77,654	26,286	1,348	381,378	(189,460)	191,918
3,226	23,509	4,753	7,807	8,254	97,642	(17,830)	79,812
-	-	-	-	-	22,532	(23,348)	(816)
<u>6,298,055</u>	<u>3,233,792</u>	<u>661,122</u>	<u>622,472</u>	<u>2,978,286</u>	<u>27,916,059</u>	<u>(1,726,740)</u>	<u>26,189,319</u>
-	-	-	-	-	10,148,058	(262,185)	9,885,873
5,615,049	-	-	-	2,873,878	9,571,597	(53,183)	9,518,414
-	2,980,726	524,063	637,024	-	4,141,813	(5,825)	4,135,988
<u>5,615,049</u>	<u>2,980,726</u>	<u>524,063</u>	<u>637,024</u>	<u>2,873,878</u>	<u>23,861,468</u>	<u>(321,193)</u>	<u>23,540,275</u>
315,341	205,940	62,720	44,000	151,099	3,021,283	(1,326,750)	1,694,533
-	20,183	9,111	5,079	-	34,373	-	34,373
<u>315,341</u>	<u>226,123</u>	<u>71,831</u>	<u>49,079</u>	<u>151,099</u>	<u>3,055,656</u>	<u>(1,326,750)</u>	<u>1,728,906</u>
<u>5,930,390</u>	<u>3,206,849</u>	<u>595,894</u>	<u>686,103</u>	<u>3,024,977</u>	<u>26,917,124</u>	<u>(1,647,943)</u>	<u>25,269,181</u>
367,665	26,943	65,228	(63,631)	(46,691)	998,935	(78,797)	920,138
-	3,150,541	-	(3,150,541)	-	-	-	-
-	3,150,541	-	(3,150,541)	-	-	-	-
367,665	3,177,484	65,228	(3,214,172)	(46,691)	998,935	(78,797)	920,138
587,792	4,979,193	805,015	3,214,172	1,324,480	14,969,831	(54,836)	14,914,995
<u>\$ 955,457</u>	<u>\$ 8,156,677</u>	<u>\$ 870,243</u>	<u>\$ -</u>	<u>\$ 1,277,789</u>	<u>\$ 15,968,766</u>	<u>\$ (133,633)</u>	<u>\$ 15,835,133</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
Year Ended June 30, 2014

	<u>Abbe, Inc.</u>	<u>Abbe Management Corporation</u>	<u>Abbe Center For Community Mental Health</u>	<u>Abbe Center For Community Care</u>	<u>Penn Center, Inc.</u>
Personnel:					
Wages and salaries	\$ -	\$ 276,644	\$ 5,763,683	\$ 599,600	\$ 3,263,866
Employee benefits	-	37,868	946,636	209,852	947,213
Payroll taxes	-	22,916	386,136	56,658	231,027
	<u>-</u>	<u>337,428</u>	<u>7,096,455</u>	<u>866,110</u>	<u>4,442,106</u>
Resident services					
Food	-	-	-	29,127	155,336
Pharmacy and medical supplies	-	-	-	14,932	31,718
Other services	-	-	-	9,260	44,634
	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,319</u>	<u>231,688</u>
Donations	188,710	-	-	-	-
Administrative fees	-	-	-	-	-
Professional fees	-	515	33,665	24,873	426
Consulting fees	-	21,364	798,779	-	18,609
Advertising	-	18,786	28,101	-	11,862
Supplies	-	20,688	86,801	8,229	54,652
Telephone services	-	14,077	91,258	6,114	29,451
Computer services	-	49,520	143,633	4,876	95,488
Occupancy	-	87,909	530,706	67,116	368,878
Travel	-	20	159,853	5,473	101,416
Interest	-	-	-	-	-
Depreciation and amortization	-	914	189,763	11,168	42,802
Insurance	-	1,072	96,559	18,226	43,219
Repairs	-	10,772	55,804	15,277	165,014
Staff development	-	422	13,647	333	3,330
Dues and subscriptions	-	68	9,674	23	3,809
Provision for doubtful accounts	-	-	-	-	-
Fundraising supplies	-	-	-	-	-
Other	-	1,056	60,039	1,533	2,299
	<u>188,710</u>	<u>227,183</u>	<u>2,298,282</u>	<u>163,241</u>	<u>941,255</u>
Total program services	<u>\$ 188,710</u>	<u>\$ 564,611</u>	<u>\$ 9,394,737</u>	<u>\$ 1,082,670</u>	<u>\$ 5,615,049</u>

Aging Services, Inc.	Pentacrest, Inc.	Kingston Hill	Chatham Oaks, Inc. & Affiliate	Total	Eliminations	Consolidated
\$ 1,501,512	\$ 221,396	\$ 273,173	\$ 1,534,715	\$ 13,434,589	\$ -	\$ 13,434,589
321,917	48,017	58,043	297,639	2,867,185	-	2,867,185
112,553	16,865	20,387	110,796	957,338	-	957,338
<u>1,935,982</u>	<u>286,278</u>	<u>351,603</u>	<u>1,943,150</u>	<u>17,259,112</u>	<u>-</u>	<u>17,259,112</u>
-	35,428	44,145	183,784	447,820	-	447,820
-	-	-	10,468	57,118	-	57,118
-	21,212	553	56,854	132,513	-	132,513
<u>-</u>	<u>56,640</u>	<u>44,698</u>	<u>251,106</u>	<u>637,451</u>	<u>-</u>	<u>637,451</u>
-	-	-	-	188,710	(188,510)	200
-	-	-	-	-	-	-
4,775	124	28,306	21,836	114,520	-	114,520
14,786	16,589	277	34,261	904,665	(17,624)	887,041
5,567	2,758	8,436	33,735	109,245	(750)	108,495
172,824	10,382	21,468	83,997	459,041	(1,150)	457,891
21,382	3,074	5,695	21,741	192,792	-	192,792
58,936	5,330	2,334	35,343	395,460	-	395,460
138,950	33,489	64,165	149,905	1,441,118	(99,965)	1,341,153
104,218	635	2,040	15,084	388,739	(106)	388,633
-	-	-	-	-	-	-
270,673	80,189	47,335	155,958	798,802	-	798,802
30,418	9,828	15,390	42,281	256,993	-	256,993
183,410	16,007	40,277	75,662	562,223	(12,313)	549,910
1,387	55	250	5,245	24,669	-	24,669
4,703	2,242	275	2,448	23,242	-	23,242
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>32,715</u>	<u>443</u>	<u>4,475</u>	<u>2,126</u>	<u>104,686</u>	<u>(775)</u>	<u>103,911</u>
<u>1,044,744</u>	<u>181,145</u>	<u>240,723</u>	<u>679,622</u>	<u>5,964,905</u>	<u>(321,193)</u>	<u>5,643,712</u>
<u>\$ 2,980,726</u>	<u>\$ 524,063</u>	<u>\$ 637,024</u>	<u>\$ 2,873,878</u>	<u>\$ 23,861,468</u>	<u>\$ (321,193)</u>	<u>\$ 23,540,275</u>

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
Year Ended June 30, 2014

	<u>Abbe, Inc.</u>	<u>Abbe Management Corporation</u>	<u>Abbe Center For Community Mental Health</u>	<u>Abbe Center For Community Care</u>	<u>Penn Center, Inc.</u>
Personnel:					
Wages and salaries	\$ 622,912	\$ -	\$ -	\$ -	\$ -
Employee benefits	166,147	-	-	-	-
Payroll taxes	46,831	-	-	-	-
	<u>835,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resident services					
Food	-	-	-	-	-
Pharmacy and medical supplies	-	-	-	-	-
Other services	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Donations	-	-	-	-	-
Administrative fees	-	37,000	488,000	93,750	314,000
Professional fees	112,434	-	-	-	-
Consulting fees	20,465	-	-	-	-
Advertising	865	-	-	-	-
Supplies	46,308	-	-	-	-
Telephone services	32,789	-	-	-	-
Computer services	77,709	-	-	-	-
Occupancy	97,646	-	-	-	-
Travel	24,109	-	-	-	-
Interest	43,424	-	-	-	-
Depreciation and amortization	57,543	-	-	-	-
Insurance	4,617	-	-	-	-
Repairs	50,237	-	-	-	-
Staff development	11,949	-	-	-	-
Dues and subscriptions	2,036	-	-	-	-
Provision for doubtful accounts	-	-	165,061	(5,492)	1,341
Fundraising supplies	-	-	-	-	-
Other	45,843	-	-	-	-
	<u>627,974</u>	<u>37,000</u>	<u>653,061</u>	<u>88,258</u>	<u>315,341</u>
Total supporting activities	<u>\$ 1,463,864</u>	<u>\$ 37,000</u>	<u>\$ 653,061</u>	<u>\$ 88,258</u>	<u>\$ 315,341</u>

Aging Services, Inc.	Pentacrest, Inc.	Kingston Hill	Chatham Oaks, Inc. & Affiliate	Total	Eliminations	Consolidated
\$ -	\$ -	\$ -	\$ -	\$ 622,912	\$ -	\$ 622,912
-	-	-	-	166,147	-	166,147
-	-	-	-	46,831	-	46,831
-	-	-	-	835,890	-	835,890
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
187,000	43,000	44,000	120,000	1,326,750	(1,326,750)	-
-	-	-	-	112,434	-	112,434
-	-	-	-	20,465	-	20,465
-	-	-	-	865	-	865
-	-	-	-	46,308	-	46,308
-	-	-	-	32,789	-	32,789
-	-	-	-	77,709	-	77,709
-	-	-	-	97,646	-	97,646
-	-	-	-	24,109	-	24,109
18,192	16,150	-	14,209	91,975	-	91,975
-	-	-	-	57,543	-	57,543
-	-	-	-	4,617	-	4,617
-	-	-	-	50,237	-	50,237
-	-	-	-	11,949	-	11,949
-	-	-	-	2,036	-	2,036
748	3,570	-	16,890	182,118	-	182,118
20,183	9,111	5,079	-	34,373	-	34,373
-	-	-	-	45,843	-	45,843
226,123	71,831	49,079	151,099	2,219,766	(1,326,750)	893,016
\$ 226,123	\$ 71,831	\$ 49,079	\$ 151,099	\$ 3,055,656	\$ (1,326,750)	\$ 1,728,906

CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	Chatham				
	Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 312,469	\$ 168,627	\$ 481,096	\$ -	\$ 481,096
Restricted cash	21,090	32,125	53,215	-	53,215
Certificates of deposit	308,955	-	308,955	-	308,955
Accounts receivable, less allowance of \$10,000	202,379	(7)	202,372	-	202,372
Prepaid expenses	18,620	621	19,241	-	19,241
Total current assets	<u>863,513</u>	<u>201,366</u>	<u>1,064,879</u>	<u>-</u>	<u>1,064,879</u>
LONG-TERM ASSETS					
Investments	<u>54,075</u>	<u>-</u>	<u>54,075</u>	<u>(54,075)</u>	<u>-</u>
Total long-term assets	<u>54,075</u>	<u>-</u>	<u>54,075</u>	<u>(54,075)</u>	<u>-</u>
PROPERTY AND EQUIPMENT					
Buildings and improvements	-	1,015,000	1,015,000	-	1,015,000
Leasehold improvements	105,032	79,152	184,184	-	184,184
Furniture and equipment	75,997	11,153	87,150	-	87,150
Vehicles	88,660	-	88,660	-	88,660
Total	269,689	1,105,305	1,374,994	-	1,374,994
Less accumulated depreciation	<u>(106,475)</u>	<u>(78,575)</u>	<u>(185,050)</u>	<u>-</u>	<u>(185,050)</u>
Total property and equipment	<u>163,214</u>	<u>1,026,730</u>	<u>1,189,944</u>	<u>-</u>	<u>1,189,944</u>
OTHER ASSETS					
Beneficial interest in assets held by community foundations	131,518	-	131,518	-	131,518
Debt-issuance costs and tax credit fees, less accumulated amortization of \$1,328	<u>-</u>	<u>9,296</u>	<u>9,296</u>	<u>-</u>	<u>9,296</u>
Total other assets	<u>131,518</u>	<u>9,296</u>	<u>140,814</u>	<u>-</u>	<u>140,814</u>
TOTAL ASSETS	<u>\$ 1,212,320</u>	<u>\$ 1,237,392</u>	<u>\$ 2,449,712</u>	<u>\$ (54,075)</u>	<u>\$ 2,395,637</u>

	Chatham				
	Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 90,599	124	\$ 90,723	\$ -	\$ 90,723
Accrued expenses:					
Accrued vacations	48,141	-	48,141	-	48,141
Other accrued expenses	116,426	18,880	135,306	-	135,306
Due to Abbe, Inc.	4,845	-	4,845	-	4,845
Resident trust funds	877	-	877	-	877
Notes payable, current maturities	-	7,097	7,097	-	7,097
	<u>260,888</u>	<u>26,101</u>	<u>286,989</u>	<u>-</u>	<u>286,989</u>
Total current liabilities					
LONG-TERM LIABILITIES					
Notes payable, less current maturities above	-	830,859	830,859	-	830,859
	<u>260,888</u>	<u>856,960</u>	<u>1,117,848</u>	<u>-</u>	<u>1,117,848</u>
Total liabilities					
NET ASSETS					
Unrestricted	848,270	380,432	1,228,702	(54,075)	1,174,627
Temporarily restricted	103,162	-	103,162	-	103,162
	<u>951,432</u>	<u>380,432</u>	<u>1,331,864</u>	<u>(54,075)</u>	<u>1,277,789</u>
Total net assets					
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,212,320</u>	<u>\$ 1,237,392</u>	<u>\$ 2,449,712</u>	<u>\$ (54,075)</u>	<u>\$ 2,395,637</u>

CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Chatham				
	Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
PUBLIC SUPPORT AND REVENUE					
Client and resident fees	\$ 2,801,073	\$ 108,993	\$ 2,910,066	\$ -	\$ 2,910,066
Auxillary	36,767	-	36,767	-	36,767
Net investment income	21,769	82	21,851	-	21,851
Contributions	1,348	-	1,348	-	1,348
Other	8,254	-	8,254	-	8,254
Equity in net income loss of investee	<u>(7)</u>	<u>-</u>	<u>(7)</u>	<u>7</u>	<u>-</u>
Total public support and revenue	<u>2,869,204</u>	<u>109,075</u>	<u>2,978,279</u>	<u>7</u>	<u>2,978,286</u>
EXPENSES					
Program services:					
Care facilities	2,729,795	144,083	2,873,878	-	2,873,878
Supporting activities:					
Management and general	<u>136,740</u>	<u>14,359</u>	<u>151,099</u>	<u>-</u>	<u>151,099</u>
Total expenses	<u>2,866,535</u>	<u>158,442</u>	<u>3,024,977</u>	<u>-</u>	<u>3,024,977</u>
CHANGE IN NET ASSETS	2,669	(49,367)	(46,698)	7	(46,691)
NET ASSETS, BEGINNING OF YEAR	<u>948,763</u>	<u>429,799</u>	<u>1,378,562</u>	<u>(54,082)</u>	<u>1,324,480</u>
NET ASSETS, END OF YEAR	<u>\$ 951,432</u>	<u>\$ 380,432</u>	<u>\$ 1,331,864</u>	<u>\$ (54,075)</u>	<u>\$ 1,277,789</u>

CHATHAM OAKS, INC. AND AFFIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
Year Ended June 30, 2014

	Chatham Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
Personnel:					
Wages and salaries	\$ 1,527,575	7,140	\$ 1,534,715	\$ -	\$ 1,534,715
Employee benefits	297,111	528	297,639	-	297,639
Payroll taxes	110,096	700	110,796	-	110,796
	<u>1,934,782</u>	<u>8,368</u>	<u>1,943,150</u>	<u>-</u>	<u>1,943,150</u>
Resident services					
Food	183,784	-	183,784	-	183,784
Pharmacy and medical supplies	10,468	-	10,468	-	10,468
Other services	56,854	-	56,854	-	56,854
	<u>251,106</u>	<u>-</u>	<u>251,106</u>	<u>-</u>	<u>251,106</u>
Professional fees	4,106	17,730	21,836	-	21,836
Consulting fees	34,261	-	34,261	-	34,261
Advertising	33,735	-	33,735	-	33,735
Supplies	82,380	1,617	83,997	-	83,997
Telephone services	16,903	4,838	21,741	-	21,741
Computer services	34,677	666	35,343	-	35,343
Occupancy	114,415	35,490	149,905	-	149,905
Travel	15,084	-	15,084	-	15,084
Depreciation and amortization	91,875	64,083	155,958	-	155,958
Insurance	35,474	6,807	42,281	-	42,281
Repairs	71,958	3,704	75,662	-	75,662
Staff development	5,245	-	5,245	-	5,245
Dues and subscriptions	1,668	780	2,448	-	2,448
Other	2,126	-	2,126	-	2,126
	<u>543,907</u>	<u>135,715</u>	<u>679,622</u>	<u>-</u>	<u>679,622</u>
Total program services	\$ 2,729,795	\$ 144,083	\$ 2,873,878	\$ -	\$ 2,873,878

**CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
Year Ended June 30, 2014**

	Chatham Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
Administrative fees	\$ 120,000	-	\$ 120,000	\$ -	\$ 120,000
Interest	-	14,209	14,209	-	14,209
Provision for doubtful accounts	16,740	150	16,890	-	16,890
	<u>136,740</u>	<u>14,359</u>	<u>151,099</u>	<u>-</u>	<u>151,099</u>
Total supporting activities	<u>\$ 136,740</u>	<u>\$ 14,359</u>	<u>\$ 151,099</u>	<u>\$ -</u>	<u>\$ 151,099</u>