

**ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Abbe, Inc. and subsidiaries dba: AbbeHealth
Hiawatha, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Abbe, Inc. and its subsidiaries dba: AbbeHealth, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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.

Board of Directors
Abbe, Inc. and subsidiaries dba: AbbeHealth

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 dba: AbbeHealth as of June 30, 2016 and 2015, and the results of their operations, 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 dba: AbbeHealth 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

Cedar Rapids, Iowa
November 16, 2016

FINANCIAL STATEMENTS

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 8,057,660	\$ 7,991,001
Restricted Cash	82,759	103,720
Certificates of Deposit	2,818,565	2,293,720
Receivables:		
Accounts Receivable, Less Allowance for Doubtful Accounts of \$74,346 in 2016 and \$38,500 in 2015	2,827,908	2,735,070
Contributions Receivable, Current Portion	842,595	819,683
Prepaid Expenses	436,386	423,256
Total Current Assets	15,065,873	14,366,450
LONG-TERM ASSETS		
Investments	1,897,751	2,185,895
Total Long-Term Assets	1,897,751	2,185,895
PROPERTY AND EQUIPMENT		
Land	818,018	818,018
Buildings and Improvements	10,433,724	9,497,518
Leasehold Improvements	347,559	307,862
Furniture and Equipment	2,486,209	2,556,497
Vehicles	602,145	602,145
Total	14,687,655	13,782,040
Less: Accumulated Depreciation	(6,274,268)	(5,904,537)
Total Property and Equipment	8,413,387	7,877,503
OTHER ASSETS		
Beneficial Interest in Assets Held by Community Foundations	180,711	182,379
Debt-Issuance Costs and Tax Credit Fees, Less Accumulated Amortization of \$19,050 in 2016 and \$16,598 in 2015	19,530	21,982
Total Other Assets	200,241	204,361
Total Assets	\$ 25,577,252	\$ 24,634,209

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 753,045	\$ 681,344
Accrued Expenses:		
Accrued Vacations	806,785	891,392
Other Accrued Expenses	1,014,658	883,305
Resident Trust Funds	18,457	25,723
Deferred Income	79,293	64,280
Notes Payable, Current Maturities	79,991	76,516
Due to Linn County	<u>102,842</u>	<u>102,842</u>
Total Current Liabilities	<u>2,855,071</u>	<u>2,725,402</u>
LONG-TERM LIABILITIES		
Notes Payable, Less Current Maturities Above	<u>1,945,208</u>	<u>2,022,380</u>
Total Liabilities	4,800,279	4,747,782
NET ASSETS		
Unrestricted	19,321,190	18,621,853
Temporarily Restricted	1,438,194	1,246,985
Permanently Restricted	17,589	17,589
Total Net Assets	<u>20,776,973</u>	<u>19,886,427</u>
Total Liabilities and Net Assets	<u>\$ 25,577,252</u>	<u>\$ 24,634,209</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUE				
Client and Resident Fees	\$ 26,954,115	\$ -	\$ -	\$ 26,954,115
Other Service Fees	881,736	-	-	881,736
Grants	881,022	885,905	-	1,766,927
Auxiliary	101,266	-	-	101,266
Net Investment Income	78,950	-	-	78,950
Contributions	208,047	-	-	208,047
Rent	75,503	-	-	75,503
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-
Other	19,005	-	-	19,005
Equity in Net Loss of Investee	(2,121)	-	-	(2,121)
Net Assets Released from Restrictions for Operations	665,665	(665,665)	-	-
Total Public Support and Revenue	<u>29,863,188</u>	<u>220,240</u>	<u>-</u>	<u>30,083,428</u>
EXPENSES				
Program Services:				
Mental Health Services	12,063,008	-	-	12,063,008
Care Facilities	11,391,480	-	-	11,391,480
Services for the Aging	3,902,008	-	-	3,902,008
Total Program Services	<u>27,356,496</u>	<u>-</u>	<u>-</u>	<u>27,356,496</u>
Supporting Activities:				
Management and General	1,745,773	-	-	1,745,773
Fundraising	25,167	-	-	25,167
Total Supporting Activities	<u>1,770,940</u>	<u>-</u>	<u>-</u>	<u>1,770,940</u>
Total Expenses	<u>29,127,436</u>	<u>-</u>	<u>-</u>	<u>29,127,436</u>
INCOME (LOSS) FROM OPERATIONS	735,752	220,240	-	955,992
NON-OPERATING REVENUE (EXPENSE)				
Unrealized Gain (Loss) on Investments	(65,446)	-	-	(65,446)
Total Non-Operating Revenue (Expense)	<u>(65,446)</u>	<u>-</u>	<u>-</u>	<u>(65,446)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	670,306	220,240	-	890,546
Gain on Acquisition	-	-	-	-
Net Assets Released from Restriction for Capital	29,031	(29,031)	-	-
	<u>29,031</u>	<u>(29,031)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	699,337	191,209	-	890,546
Net Assets - Beginning of Year	18,621,853	1,246,985	17,589	19,886,427
NET ASSETS - END OF YEAR	<u>\$ 19,321,190</u>	<u>\$ 1,438,194</u>	<u>\$ 17,589</u>	<u>\$ 20,776,973</u>

See accompanying Notes to Consolidated Financial Statements.

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 24,477,446	\$ -	\$ -	\$ 24,477,446
869,489			869,489
832,896	794,133	-	1,627,029
110,435	-	-	110,435
65,581	-	-	65,581
195,284	-	-	195,284
78,447	-	-	78,447
27,138	-	-	27,138
45,739	-	-	45,739
(820)	-	-	(820)
822,447	(822,447)	-	-
<u>27,524,082</u>	<u>(28,314)</u>	<u>-</u>	<u>27,495,768</u>
9,978,511	-	-	9,978,511
10,106,503	-	-	10,106,503
4,094,546	-	-	4,094,546
<u>24,179,560</u>	<u>-</u>	<u>-</u>	<u>24,179,560</u>
1,580,604	-	-	1,580,604
23,332	-	-	23,332
<u>1,603,936</u>	<u>-</u>	<u>-</u>	<u>1,603,936</u>
<u>25,783,496</u>	<u>-</u>	<u>-</u>	<u>25,783,496</u>
1,740,586	(28,314)	-	1,712,272
36,301	-	-	36,301
<u>36,301</u>	<u>-</u>	<u>-</u>	<u>36,301</u>
1,776,887	(28,314)	-	1,748,573
2,302,721	-	-	2,302,721
27,211	(27,211)	-	-
<u>2,329,932</u>	<u>(27,211)</u>	<u>-</u>	<u>2,302,721</u>
4,106,819	(55,525)	-	4,051,294
<u>14,515,034</u>	<u>1,302,510</u>	<u>17,589</u>	<u>15,835,133</u>
<u>\$ 18,621,853</u>	<u>\$ 1,246,985</u>	<u>\$ 17,589</u>	<u>\$ 19,886,427</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED 2016 AND 2015

	2016		
	Program Services	Supporting Activities	Total
Personnel:			
Wages and Salaries	\$ 16,233,874	\$ 733,686	\$ 16,967,560
Employee Benefits	3,417,397	168,152	3,585,549
Payroll Taxes	1,155,344	53,526	1,208,870
	<u>20,806,615</u>	<u>955,364</u>	<u>21,761,979</u>
Resident Services:			
Food	369,682	-	369,682
Pharmacy and Medical Supplies	38,068	-	38,068
Other Services	120,396	-	120,396
	<u>528,146</u>	<u>-</u>	<u>528,146</u>
Professional Fees	102,102	149,664	251,766
Consulting Fees	1,063,715	6,519	1,070,234
Advertising	120,756	61,482	182,238
Supplies	454,373	50,353	504,726
Telephone Services	277,306	28,842	306,148
Computer Services	465,398	100,570	565,968
Occupancy	1,418,475	72,365	1,490,840
Travel	488,756	16,716	505,472
Interest	-	77,143	77,143
Depreciation and Amortization	654,057	89,132	743,189
Insurance	362,587	20,273	382,860
Repairs	501,648	31,476	533,124
Staff Development	36,275	15,294	51,569
Dues and Subscriptions	27,072	2,705	29,777
Provision for Doubtful Accounts	-	61,182	61,182
Fundraising Supplies	-	25,167	25,167
Other	49,215	6,693	55,908
	<u>6,021,735</u>	<u>815,576</u>	<u>6,837,311</u>
 Total Expenses	 <u>\$ 27,356,496</u>	 <u>\$ 1,770,940</u>	 <u>\$ 29,127,436</u>

2015

Program Services	Supporting Activities	Total
\$ 14,417,792	\$ 657,424	\$ 15,075,216
2,902,572	189,617	3,092,189
1,017,439	51,906	1,069,345
<u>18,337,803</u>	<u>898,947</u>	<u>19,236,750</u>
397,657	-	397,657
37,096	-	37,096
142,694	-	142,694
<u>577,447</u>	<u>-</u>	<u>577,447</u>
76,604	131,950	208,554
734,378	6,178	740,556
114,371	1,604	115,975
425,084	55,326	480,410
235,544	30,743	266,287
315,823	84,461	400,284
1,323,354	109,005	1,432,359
452,741	15,677	468,418
-	83,207	83,207
700,350	75,851	776,201
236,212	12,750	248,962
466,175	39,866	506,041
36,260	13,232	49,492
19,745	2,780	22,525
-	11,991	11,991
-	23,332	23,332
127,669	7,036	134,705
<u>5,264,310</u>	<u>704,989</u>	<u>5,969,299</u>
<u>\$ 24,179,560</u>	<u>\$ 1,603,936</u>	<u>\$ 25,783,496</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 890,546	\$ 4,051,294
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Interest and Dividends Reinvested	(67,873)	(54,106)
Net Realized and Unrealized (Gain) Loss on Investments	63,488	(28,263)
Provision for Bad Debts	61,182	11,991
Depreciation and Amortization	743,189	776,201
Contributed Assets from Acquisition	-	(160,128)
Loss on Disposal of Property and Equipment	-	27,138
Change in Beneficial Interest in Assets Held by Community Foundations	1,668	(8,735)
Amortization of Below Market Interest Rate Loan	14,320	22,888
Contributions Restricted for Long-Term Purposes	(4,088)	(1,144)
Decrease in Restricted Cash Deposits	20,961	1,897
Effects of Changes in Operating Assets and Liabilities:		
Receivables	(176,932)	(517,708)
Prepaid Expenses	(13,130)	(160,837)
Accounts Payable, Accrued Expenses and Due to Linn County	111,181	172,612
Deferred Income	15,013	(261,419)
Net Cash Provided by Operating Activities	1,659,525	3,871,681
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,903,725)	(704,214)
Proceeds from Sales of Property and Equipment	627,104	375,415
Contributed Assets from Acquisition	-	(437,184)
Proceeds from Sales of Investments	912,212	866,899
Purchases of Investments and Certificates of Deposits	(1,144,528)	(1,595,497)
Net Cash Used by Investing Activities	(1,508,937)	(1,494,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Purposes	4,088	1,144
Payments on Notes Payable	(88,017)	(780,416)
Net Cash Used by Financing Activities	(83,929)	(779,272)
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,659	1,597,828
Cash and Cash Equivalents - Beginning of Year	7,991,001	6,393,173
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,057,660	\$ 7,991,001

See accompanying Notes to Consolidated Financial Statements.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbe, Inc. dba: AbbeHealth (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, 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 Community Mental Health Center for Mideastern Iowa merged with Abbe Center at June 30, 2015. This entity was an accredited community mental health center also and will continue to provide services to individuals in Johnson, Cedar and Iowa counties.

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. Chatham Oaks' 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. Kingston Hill operates independent housing for up to 25 older adults. Residents pay a monthly fee based on their ability to pay. Kingston Hill ceased operations during the year ended June 30, 2016. Pentacrest became a program of Aging Services in December 2015. 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
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Certificates of Deposit

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

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are uncollateralized customer obligations which generally require payment within 30 days from the invoice date. Accounts receivable are stated at the invoice amount. Account balances with invoices over 90 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 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. In addition, a general valuation allowance is established based principally on historical experience.

Investments

Investments are 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 39 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.

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.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Temporarily 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

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.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess of Revenue over Expense

The consolidated statements of activities include excess of revenue over expense. Changes in unrestricted net assets that are excluded from excess of revenue over expense, consistent with industry practice, includes net assets released from restrictions for capital items.

Public 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 consolidated 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
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements

Medicare

The Organization participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS).

Medicaid

The Organization also participates in the Medical Assistance Program Title XIX of the Social Security Act. Reimbursement is based on a predetermined rate formula under a contractual arrangement with managed care organizations. Rate adjustments under this program are reflected in income when determinable.

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 consolidated 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 are not classified as a private 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.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 50% 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.

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>2016</u>	<u>2015</u>
United Way	\$ 842,595	\$ 817,589
Building Campaign Pledges	-	2,094
Total Contributions Receivable	<u>\$ 842,595</u>	<u>\$ 819,683</u>
	<u>2016</u>	<u>2015</u>
Amounts Due in:		
Less than One Year	<u>\$ 842,595</u>	<u>\$ 819,683</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 RECEIVABLES

Receivables consist of patient receivables reported as current assets by the Organization at June 30 consisted of the following:

	2016	2015
Self Pay and Insurance	\$ 1,399,069	\$ 1,322,067
Medicare	98,836	88,623
Magellan	1,545	401,292
Medicaid/MCO	1,402,804	961,588
Total Receivables	<u>2,902,254</u>	<u>2,773,570</u>
Less: Allowance for Doubtful Accounts	(74,346)	(38,500)
Receivables, Net	<u>\$ 2,827,908</u>	<u>\$ 2,735,070</u>

NOTE 4 INVESTMENTS

Investments consist of the following as of June 30:

	2016	2015
Money Market Funds	\$ 6,104	\$ 37,650
Equity Mutual Funds	1,057,135	927,255
Fixed Income Mutual Funds	834,512	1,218,880
Other, Carried at Equity	-	2,110
Total Investments	<u>\$ 1,897,751</u>	<u>\$ 2,185,895</u>

NOTE 5 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America 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.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015.

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 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, 2016:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Value Funds	\$ 520,132	\$ -	\$ -	\$ 520,132
Index Funds	140,637	-	-	140,637
Growth Funds	304,875	-	-	304,875
International Funds	72,711	-	-	72,711
Emerging Markets	18,780	-	-	18,780
Total Mutual Funds	1,057,135	-	-	1,057,135
Fixed Income Funds	834,512	-	-	834,512
Beneficial Interest in Assets Held by Community Foundations	-	-	180,711	180,711
Total Assets at Fair Value	<u>\$ 1,891,647</u>	<u>\$ -</u>	<u>\$ 180,711</u>	<u>\$ 2,072,358</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016:

Balance - July 1, 2015	\$ 182,379
Change in Beneficial Interest in Assets Held by Community Foundations	<u>(1,668)</u>
Balance - June 30, 2016	<u>\$ 180,711</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Value Funds	\$ 440,868	\$ -	\$ -	\$ 440,868
Index Funds	292,942	-	-	292,942
Growth Funds	167,896	-	-	167,896
Emerging Markets	<u>25,549</u>	<u>-</u>	<u>-</u>	<u>25,549</u>
Total Mutual Funds	927,255	-	-	927,255
Fixed Income Funds	1,218,880	-	-	1,218,880
Beneficial Interest in Assets Held by Community Foundations	-	-	182,379	182,379
Total Assets at Fair Value	<u>\$ 2,146,135</u>	<u>\$ -</u>	<u>\$ 182,379</u>	<u>\$ 2,328,514</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, 2015:

Balance - July 1, 2014	\$ 173,644
Change in Beneficial Interest in Assets Held by Community Foundations	<u>8,735</u>
Balance - June 30, 2015	<u>\$ 182,379</u>

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 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, 2016 and 2015 was \$180,711 and \$182,379, respectively. During the years ended June 30, 2016 and 2015, the Organization received \$-0- from these funds.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 DEBT

Line of Credit

The Organization has a line of credit agreement with a bank under which it can borrow up to \$1,500,000. Borrowings under this agreement, which expires in February 2017, are unsecured and bear interest at the bank's prime rate. There are no borrowings outstanding under this agreement at June 30, 2016 and 2015.

Due to Linn County

<u>Description</u>	<u>2016</u>	<u>2015</u>
Obligation due to Linn County for the Center's initial reserve fund allocation. This obligation is due upon the Organization terminating certain services.	<u>\$ 102,842</u>	<u>\$ 102,842</u>

Notes Payable

<u>Description</u>	<u>2016</u>	<u>2015</u>
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, 2016. 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, 2016, the principal balance of this note, net of imputed interest, was \$309,057. The discount for imputed interest is being amortized based on the maturity date of the note in 2025. The unamortized discount totals \$55,398 at June 30, 2016. As part of the agreement, there are certain covenants that the Organization must comply with.	<u>\$ 309,057</u>	<u>\$ 336,470</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 DEBT (CONTINUED)

Notes Payable (Continued)

<u>Description</u>	<u>2016</u>	<u>2015</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, 2016. 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, 2016, the principal balance of this note, net of imputed interest, was \$404,351. The discount for imputed interest is being amortized based on the maturity date of the note in 2029. The unamortized discount totals \$69,718 at June 30, 2016. As part of the agreement, there are certain covenants that the Organization must comply with.</p>	\$ 404,351	\$ 424,986
<p>Office facility purchased at 1510 Boyson Road with payable due to Boyson, LLC. The note 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>	488,130	506,522
<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>	594,512	595,062
<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>	<u>229,149</u>	<u>235,856</u>
Total	2,025,199	2,098,896
Less: Current Portion of Notes Payable	<u>(79,991)</u>	<u>(76,516)</u>
Long-Term Portion of Notes Payable	<u>\$ 1,945,208</u>	<u>\$ 2,022,380</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 DEBT (CONTINUED)

Future maturities of notes payable as of June 30, 2016.

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 79,991
2018	531,501
2019	65,664
2020	68,403
2021	71,185
Later years	1,208,455
Total	<u>\$ 2,025,199</u>

NOTE 8 NATURE AND AMOUNT OF PERMANENT AND TEMPORARY RESTRICTIONS

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

	<u>2016</u>	<u>2015</u>
Subsequent Year's Operations	\$ 1,283,354	\$ 1,082,468
Subsequent Year's Facility Usage	154,840	164,517
Total Temporarily Restricted Net Assets	<u>\$ 1,438,194</u>	<u>\$ 1,246,985</u>

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

NOTE 9 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Organization has certain concentrations of support and revenue. For the years ended June 30, 2016 and 2015, 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>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Medicaid/MCO	\$ 23,821,222	79%	\$ 16,446,389	60%
CMHCMEI	3,280,521	11%	2,302,721	8%

The Organization maintains deposits in three banks in excess of the federally insured amount. The total amount on deposit at these banks was \$9,975,123 at June 30, 2016. This consists of \$5,315,588 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.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 CASH FLOW DISCLOSURES

Cash paid for interest was \$61,027 and \$99,019 for the years ended June 30, 2016 and 2015, respectively. Non-cash investing transactions during the years ended June 30, 2016 and 2015 included the purchase of \$6,050 and \$437,184 of property and equipment that was accrued in accounts payable at June 30, 2016 and 2015, respectively. The Center received non-cash contributions as of the year ended June 30, 2015 totaling \$2,302,721.

NOTE 11 OBLIGATIONS UNDER OPERATING LEASES

The Mental Health Center leases administrative and office space under a lease expiring in June 2017. The lease requires monthly payments of \$12,000. The Center leases additional facility space under a lease expiring in December 2016. The lease requires monthly payments of \$5,642. Aging Services, Inc. leases facility space under a lease expiring in December 2020. The lease requires monthly payments of \$4,839.

The Organization is leasing various equipment under operating leases expiring between July 2016 and July 2019. The leases require monthly payments totaling \$21,119.

Lease expense for the years ended June 30, 2016 and 2015 was \$615,543 and \$606,658, respectively.

Future minimum lease payments for operating leases as of June 30, 2016 that have initial noncancelable lease terms in excess of one year are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 615,435
2018	336,223
2019	166,544
Total	<u>\$ 1,118,202</u>

NOTE 12 RETIREMENT PLANS

The Organization has a defined contribution retirement plan covering substantially all nonunion employees. Effective January 1, 2013, the Organization contributes 4% to the plan for each covered employee's compensation. The Organization's contributions totaled \$443,563 and \$386,492 for the years ended June 30, 2016 and 2015, respectively. These contributions consist of a 1% 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.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 13 INCOME TAXES

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

	2016	2015
Tax Benefit of Net Operating Loss Carryforwards	\$ 23,000	\$ 12,000
Valuation Allowance	(23,000)	(12,000)
Net Deferred Tax Asset	\$ -	\$ -

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 \$52,455 available in net operating loss carryforwards which can be offset against future taxable income of the subsidiary. The carryforwards expire in various amounts from 2017 to 2032.

NOTE 14 SELF-INSURED 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, 2016 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, 2016. 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.

Medical Plan

The group health insurance plans offered by the agencies have an increased deductible to reduce the premium cost. The employer covers the difference between the original, smaller deductible and the actual plan deductible as claims are processed. This is a high deductible buy-down, and is not considered to be self-insured.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 15 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 30 years. The remaining balance of the note to Iowa City is \$154,839. The lien will expire in June 2032.

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, 2016 and 2015 was \$25,810 and \$44,183, respectively.

Payments of these amounts were approved by management and the board of directors.

NOTE 17 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, 2016 and 2015:

	Total	Undesignated and Controlling Interest	Noncontrolling Interest
Balance - June 30, 2014	\$ 1,174,627	\$ 791,384	\$ 383,243
Change in Net Assets	<u>313,265</u>	<u>357,144</u>	<u>(43,879)</u>
Balance - June 30, 2015	1,487,892	1,148,528	339,364
Change in Net Assets	<u>366,746</u>	<u>413,822</u>	<u>(47,076)</u>
Balance - June 30, 2016	<u>\$ 1,854,638</u>	<u>\$ 1,562,350</u>	<u>\$ 292,288</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 ACQUISITION OF COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

As of June 30, 2015, the Center acquired the Community Mental Health Center for Mid-Eastern Iowa (CMHCMEI). The Center has recognized the excess of the consideration transferred over the net assets acquired as a separate item in its 2015 consolidated statement of activities. The net identifiable assets of CMHCMEI consisted of the following at June 30, 2015:

Cash and Cash Equivalents	\$ 1,713,343
Receivables	291,034
Prepaid Expenses	22,250
Property and Equipment, Net	437,184
Accounts Payable	(50,754)
Accrued Expenses	(110,336)
Total Identifiable Net Assets Contributed	<u>\$ 2,302,721</u>

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.

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 19 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 16, 2016, the date the financial statements were available to be issued. AbbeHealth will become an affiliate of UnityPointHealth-Cedar Rapids to be effective January 1, 2017. UnityPointHealth-Cedar Rapids will be sole corporate member of AbbeHealth and AbbeHealth will remain the sole corporate member of each existing Abbe affiliate. As part of the affiliation, Abbe Inc. will legally change the corporate name to AbbeHealth, Inc.

SUPPLEMENTARY INFORMATION

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Abbe, Inc.	Abbe Management Corporation	Abbe Center for Community Mental Health
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 5,677,276	\$ 47,335	\$ 716,382
Restricted Cash	31,596	-	-
Certificates of Deposit	768,968	-	761,288
Accounts Receivable, Less Allowance of \$74,346	748	-	1,409,722
Contributions Receivable, Current Portion	-	-	227,000
Due from Affiliates	30,831	245,661	2,589,843
Prepaid Expenses	49,500	-	147,817
Total Current Assets	6,558,919	292,996	5,852,052
LONG-TERM ASSETS			
Investments	117,927	-	-
Total Long-Term Assets	117,927	-	-
PROPERTY AND EQUIPMENT			
Land	332,425	-	136,370
Buildings and Improvements	1,708,163	-	1,174,458
Leasehold Improvements	-	3,121	19,364
Furniture and Equipment	382,459	13,296	1,183,508
Vehicles	-	-	58,497
Total	2,423,047	16,417	2,572,197
Less: Accumulated Depreciation	(483,900)	(14,619)	(1,022,427)
Total Property and Equipment	1,939,147	1,798	1,549,770
OTHER ASSETS			
Beneficial Interest in Assets Held by Community Foundations	-	-	-
Debt-Issuance Costs and Tax Credit Fees, Less Accumulated Amortization of \$19,050	-	-	-
Total Other Assets	-	-	-
Total Assets	\$ 8,615,993	\$ 294,794	\$ 7,401,822

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Chatham Oaks, Inc. & Affiliate</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 347,303	\$ 447,978	\$ 821,386	\$ 8,057,660	\$ -	\$ 8,057,660
4,494	-	46,669	82,759	-	82,759
-	473,604	814,705	2,818,565	-	2,818,565
606,374	551,781	259,283	2,827,908	-	2,827,908
-	615,595	-	842,595	-	842,595
757,905	1,593,878	-	5,218,118	(5,218,118)	-
177,159	38,338	23,572	436,386	-	436,386
<u>1,893,235</u>	<u>3,721,174</u>	<u>1,965,615</u>	<u>20,283,991</u>	<u>(5,218,118)</u>	<u>15,065,873</u>
-	1,897,751	-	2,015,678	(117,927)	1,897,751
-	1,897,751	-	2,015,678	(117,927)	1,897,751
-	349,223	-	818,018	-	818,018
-	6,536,103	1,015,000	10,433,724	-	10,433,724
87,330	22,000	215,744	347,559	-	347,559
177,341	665,285	119,769	2,541,658	(55,449)	2,486,209
265,970	147,471	130,207	602,145	-	602,145
<u>530,641</u>	<u>7,720,082</u>	<u>1,480,720</u>	<u>14,743,104</u>	<u>(55,449)</u>	<u>14,687,655</u>
<u>(331,507)</u>	<u>(3,993,362)</u>	<u>(428,453)</u>	<u>(6,274,268)</u>	<u>-</u>	<u>(6,274,268)</u>
<u>199,134</u>	<u>3,726,720</u>	<u>1,052,267</u>	<u>8,468,836</u>	<u>(55,449)</u>	<u>8,413,387</u>
-	44,380	136,331	180,711	-	180,711
-	12,359	7,171	19,530	-	19,530
-	56,739	143,502	200,241	-	200,241
<u>\$ 2,092,369</u>	<u>\$ 9,402,384</u>	<u>\$ 3,161,384</u>	<u>\$ 30,968,746</u>	<u>\$ (5,391,494)</u>	<u>\$ 25,577,252</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Abbe, Inc.	Abbe Management Corporation	Abbe Center for Community Mental Health
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 84,244	\$ 176,867	\$ 226,742
Accrued Expenses:			
Accrued Vacations	132,534	-	342,627
Other Accrued Expenses	103,940	-	305,854
Due to Affiliates	5,187,022	-	-
Resident Trust Funds	-	-	-
Deferred Income	-	-	79,293
Notes Payable, Current Maturities	19,672	-	-
Due to Linn County	-	-	102,842
Total Current Liabilities	5,527,412	176,867	1,057,358
LONG-TERM LIABILITIES			
Notes Payable, Less Current Maturities Above	468,458	-	-
Total Liabilities	5,995,870	176,867	1,057,358
NET ASSETS			
Unrestricted	2,620,123	(187,815)	6,117,464
Temporarily Restricted	-	-	227,000
Common Stock	-	40,000	-
Additional Paid-In Capital	-	265,742	-
Permanently Restricted	-	-	-
Total Net Assets	2,620,123	117,927	6,344,464
Total Liabilities and Net Assets	\$ 8,615,993	\$ 294,794	\$ 7,401,822

<u>Penn Center, Inc.</u>	<u>Aging Services, Inc.</u>	<u>Chatham Oaks, Inc. & Affiliate</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 58,166	\$ 52,414	\$ 154,612	\$ 753,045	\$ -	\$ 753,045
213,048	56,596	61,980	806,785	-	806,785
303,996	123,944	176,924	1,014,658	-	1,014,658
-	29,683	1,413	5,218,118	(5,218,118)	-
16,545	-	1,912	18,457	-	18,457
-	-	-	79,293	-	79,293
-	52,981	7,338	79,991	-	79,991
-	-	-	102,842	-	102,842
<u>591,755</u>	<u>315,618</u>	<u>404,179</u>	<u>8,073,189</u>	<u>(5,218,118)</u>	<u>2,855,071</u>
-	660,427	816,323	1,945,208	-	1,945,208
591,755	976,045	1,220,502	10,018,397	(5,218,118)	4,800,279
1,500,614	7,283,800	1,854,638	19,188,824	132,366	19,321,190
-	1,124,950	86,244	1,438,194	-	1,438,194
-	-	-	40,000	(40,000)	-
-	-	-	265,742	(265,742)	-
-	17,589	-	17,589	-	17,589
<u>1,500,614</u>	<u>8,426,339</u>	<u>1,940,882</u>	<u>20,950,349</u>	<u>(173,376)</u>	<u>20,776,973</u>
<u>\$ 2,092,369</u>	<u>\$ 9,402,384</u>	<u>\$ 3,161,384</u>	<u>\$ 30,968,746</u>	<u>\$ (5,391,494)</u>	<u>\$ 25,577,252</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Abbe, Inc.	Abbe Management Corporation	Abbe Center for Community Mental Health
PUBLIC SUPPORT AND REVENUE			
Client and Resident Fees	\$ -	\$ -	\$ 11,586,426
Administrative Services	1,461,670	-	-
Other Service Fees	-	703,724	178,012
Grants	45,000	-	817,075
Auxiliary	-	-	-
Net Investment Income	9,767	373	14,524
Contributions	26,250	-	51,306
Rent	155,030	-	-
Other	33	-	43,082
Equity in Net Income (Loss) of Investee	4,391	-	(2,110)
Total Public Support and Revenue	<u>1,702,141</u>	<u>704,097</u>	<u>12,688,315</u>
EXPENSE			
Program Services:			
Mental Health Services	5,668	647,526	11,497,281
Care Facilities	-	-	-
Services for the Aging	-	-	-
Total Program Services	<u>5,668</u>	<u>647,526</u>	<u>11,497,281</u>
Supporting Activities:			
Management and General	1,641,076	52,180	624,767
Fundraising	-	-	-
Total Supporting Activities	<u>1,641,076</u>	<u>52,180</u>	<u>624,767</u>
Total Expenses	<u>1,646,744</u>	<u>699,706</u>	<u>12,122,048</u>
INCOME (LOSS) FROM OPERATIONS	55,397	4,391	566,267
NON-OPERATING EXPENSE			
Unrealized Loss on Investments	-	-	-
Total Non-Operating Expense	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	55,397	4,391	566,267
Transfer of Assets	-	-	-
CHANGE IN NET ASSETS	55,397	4,391	566,267
Net Assets - Beginning of Year	<u>2,564,726</u>	<u>113,536</u>	<u>5,778,197</u>
NET ASSETS - END OF YEAR	<u>\$ 2,620,123</u>	<u>\$ 117,927</u>	<u>\$ 6,344,464</u>

Penn Center, Inc.	Aging Services, Inc.	Pentacrest, Inc.	Chatham Oaks, Inc. & Affiliate	Total	Eliminations	Consolidated
\$ 8,292,897	\$ 2,665,607	\$ 268,234	\$ 4,140,951	\$ 26,954,115	\$ -	\$ 26,954,115
-	-	-	-	1,461,670	(1,461,670)	-
-	-	-	-	881,736	-	881,736
-	883,102	21,750	-	1,766,927	-	1,766,927
51,610	-	-	49,656	101,266	-	101,266
1,202	46,941	267	5,876	78,950	-	78,950
2,344	89,756	41,991	-	211,647	(3,600)	208,047
-	25,950	9,940	-	190,920	(115,417)	75,503
30,783	6,153	22	1,749	81,822	(62,817)	19,005
-	-	-	(11)	2,270	(4,391)	(2,121)
<u>8,378,836</u>	<u>3,717,509</u>	<u>342,204</u>	<u>4,198,221</u>	<u>31,731,323</u>	<u>(1,647,895)</u>	<u>30,083,428</u>
-	-	-	-	12,150,475	(87,467)	12,063,008
7,812,190	-	-	3,644,515	11,456,705	(65,225)	11,391,480
-	3,650,385	280,765	-	3,931,150	(29,142)	3,902,008
<u>7,812,190</u>	<u>3,650,385</u>	<u>280,765</u>	<u>3,644,515</u>	<u>27,538,330</u>	<u>(181,834)</u>	<u>27,356,496</u>
367,875	309,898	26,645	185,002	3,207,443	(1,461,670)	1,745,773
-	18,702	6,465	-	25,167	-	25,167
<u>367,875</u>	<u>328,600</u>	<u>33,110</u>	<u>185,002</u>	<u>3,232,610</u>	<u>(1,461,670)</u>	<u>1,770,940</u>
<u>8,180,065</u>	<u>3,978,985</u>	<u>313,875</u>	<u>3,829,517</u>	<u>30,770,940</u>	<u>(1,643,504)</u>	<u>29,127,436</u>
198,771	(261,476)	28,329	368,704	960,383	(4,391)	955,992
-	(63,488)	-	(1,958)	(65,446)	-	(65,446)
<u>-</u>	<u>(63,488)</u>	<u>-</u>	<u>(1,958)</u>	<u>(65,446)</u>	<u>-</u>	<u>(65,446)</u>
198,771	(324,964)	28,329	366,746	894,937	(4,391)	890,546
-	968,125	(968,125)	-	-	-	-
198,771	643,161	(939,796)	366,746	894,937	(4,391)	890,546
<u>1,301,843</u>	<u>7,783,178</u>	<u>939,796</u>	<u>1,574,136</u>	<u>20,055,412</u>	<u>(168,985)</u>	<u>19,886,427</u>
<u>\$ 1,500,614</u>	<u>\$ 8,426,339</u>	<u>\$ -</u>	<u>\$ 1,940,882</u>	<u>\$ 20,950,349</u>	<u>\$ (173,376)</u>	<u>\$ 20,776,973</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Abbe, Inc.	Abbe Management Corporation	Abbe Center for Community Mental Health	Penn Center, Inc.
Personnel:				
Wages and Salaries	\$ -	\$ 327,002	\$ 7,164,815	\$ 4,748,262
Employee Benefits	-	39,082	1,164,294	1,401,750
Payroll Taxes	-	27,088	493,859	340,086
	<u>-</u>	<u>393,172</u>	<u>8,822,968</u>	<u>6,490,098</u>
Resident Services:				
Food	-	-	-	155,898
Pharmacy and Medical Supplies	-	-	-	26,720
Other Services	-	-	-	48,337
	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,955</u>
Donations	5,668	1,250	-	-
Professional Fees	-	62	55,384	1,756
Consulting Fees	-	15,480	981,977	8,566
Advertising	-	19,031	32,415	6,073
Supplies	-	24,854	89,266	58,951
Telephone Services	-	18,400	144,148	49,571
Computer Services	-	56,622	193,079	115,364
Occupancy	-	94,375	524,974	469,713
Travel	-	-	211,537	113,319
Depreciation and Amortization	-	772	150,371	56,446
Insurance	-	5,016	157,837	86,965
Repairs	-	13,731	64,120	109,326
Staff Development	-	-	22,702	6,956
Dues and Subscriptions	-	-	8,018	4,783
Other	-	4,761	38,485	3,348
	<u>5,668</u>	<u>254,354</u>	<u>2,674,313</u>	<u>1,091,137</u>
Total Program Services	<u>\$ 5,668</u>	<u>\$ 647,526</u>	<u>\$ 11,497,281</u>	<u>\$ 7,812,190</u>

Aging Services, Inc.	Pentacrest, Inc.	Chatham Oaks, Inc. & Affiliate	Total	Eliminations	Consolidated
\$ 1,791,407	\$ 129,527	\$ 2,072,861	\$ 16,233,874	\$ -	\$ 16,233,874
374,629	23,282	414,360	3,417,397	-	3,417,397
134,832	9,582	149,897	1,155,344	-	1,155,344
<u>2,300,868</u>	<u>162,391</u>	<u>2,637,118</u>	<u>20,806,615</u>	<u>-</u>	<u>20,806,615</u>
30,966	19,008	163,810	369,682	-	369,682
-	-	11,348	38,068	-	38,068
130	9,806	62,123	120,396	-	120,396
<u>31,096</u>	<u>28,814</u>	<u>237,281</u>	<u>528,146</u>	<u>-</u>	<u>528,146</u>
-	-	-	6,918	(6,918)	-
26,107	-	18,793	102,102	-	102,102
20,441	8,001	60,817	1,095,282	(31,567)	1,063,715
18,718	791	43,728	120,756	-	120,756
198,968	4,582	77,752	454,373	-	454,373
31,128	2,335	31,724	277,306	-	277,306
45,927	1,198	53,208	465,398	-	465,398
232,916	16,392	192,522	1,530,892	(112,417)	1,418,475
135,603	326	27,971	488,756	-	488,756
316,974	40,105	89,389	654,057	-	654,057
58,891	6,276	47,602	362,587	-	362,587
193,161	8,725	115,585	504,648	(3,000)	501,648
2,841	-	3,776	36,275	-	36,275
7,096	763	6,412	27,072	-	27,072
29,650	66	837	77,147	(27,932)	49,215
<u>1,318,421</u>	<u>89,560</u>	<u>770,116</u>	<u>6,203,569</u>	<u>(181,834)</u>	<u>6,021,735</u>
<u>\$ 3,650,385</u>	<u>\$ 280,765</u>	<u>\$ 3,644,515</u>	<u>\$ 27,538,330</u>	<u>\$ (181,834)</u>	<u>\$ 27,356,496</u>

ABBE, INC. AND SUBSIDIARIES
DBA: ABBEHEALTH
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Abbe, Inc.	Abbe Management Corporation	Abbe Center for Community Mental Health	Penn Center, Inc.
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Personnel:				
Wages and Salaries	\$ 733,686	\$ -	\$ -	\$ -
Employee Benefits	168,152	-	-	-
Payroll Taxes	53,526	-	-	-
	<u>955,364</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administrative Fees	-	52,180	597,452	343,850
Professional Fees	149,664	-	-	-
Consulting Fees	6,519	-	-	-
Advertising	61,482	-	-	-
Supplies	50,353	-	-	-
Telephone Services	28,842	-	-	-
Computer Services	100,570	-	-	-
Occupancy	72,365	-	-	-
Travel	16,716	-	-	-
Interest	33,628	-	-	-
Depreciation and Amortization	89,132	-	-	-
Insurance	20,273	-	-	-
Repairs	31,476	-	-	-
Staff Development	15,294	-	-	-
Dues and Subscriptions	2,705	-	-	-
Provision for Doubtful Accounts	-	-	27,315	24,025
Fundraising Supplies	-	-	-	-
Other	6,693	-	-	-
	<u>685,712</u>	<u>52,180</u>	<u>624,767</u>	<u>367,875</u>
 Total Supporting Activities	 <u>\$ 1,641,076</u>	 <u>\$ 52,180</u>	 <u>\$ 624,767</u>	 <u>\$ 367,875</u>

Aging Services, Inc.	Pentacrest, Inc.	Chatham Oaks, Inc. & Affiliate	Total	Eliminations	Consolidated
\$ -	\$ -	\$ -	\$ 733,686	\$ -	\$ 733,686
-	-	-	168,152	-	168,152
-	-	-	53,526	-	53,526
-	-	-	955,364	-	955,364
274,232	23,346	170,610	1,461,670	(1,461,670)	-
-	-	-	149,664	-	149,664
-	-	-	6,519	-	6,519
-	-	-	61,482	-	61,482
-	-	-	50,353	-	50,353
-	-	-	28,842	-	28,842
-	-	-	100,570	-	100,570
-	-	-	72,365	-	72,365
-	-	-	16,716	-	16,716
27,399	2,512	13,604	77,143	-	77,143
-	-	-	89,132	-	89,132
-	-	-	20,273	-	20,273
-	-	-	31,476	-	31,476
-	-	-	15,294	-	15,294
-	-	-	2,705	-	2,705
8,267	787	788	61,182	-	61,182
18,702	6,465	-	25,167	-	25,167
-	-	-	6,693	-	6,693
328,600	33,110	185,002	2,277,246	(1,461,670)	815,576
\$ 328,600	\$ 33,110	\$ 185,002	\$ 3,232,610	\$ (1,461,670)	\$ 1,770,940

CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Chatham Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 640,783	\$ 180,603	\$ 821,386	\$ -	\$ 821,386
Restricted Cash	9,805	36,864	46,669	-	46,669
Certificates of Deposit	814,705	-	814,705	-	814,705
Accounts Receivable, Less Allowance of \$10,000	259,283	-	259,283	-	259,283
Prepaid Expenses	22,889	683	23,572	-	23,572
Total Current Assets	<u>1,747,465</u>	<u>218,150</u>	<u>1,965,615</u>	<u>-</u>	<u>1,965,615</u>
LONG-TERM ASSETS					
Investments	54,075	-	54,075	(54,075)	-
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	136,592	79,152	215,744	-	215,744
Furniture and Equipment	108,616	11,153	119,769	-	119,769
Vehicles	130,207	-	130,207	-	130,207
Total	<u>375,415</u>	<u>1,105,305</u>	<u>1,480,720</u>	<u>-</u>	<u>1,480,720</u>
Less: Accumulated Depreciation	<u>(230,608)</u>	<u>(197,845)</u>	<u>(428,453)</u>	<u>-</u>	<u>(428,453)</u>
Total Property and Equipment	<u>144,807</u>	<u>907,460</u>	<u>1,052,267</u>	<u>-</u>	<u>1,052,267</u>
OTHER ASSETS					
Beneficial Interest in Assets Held by Community Foundations	136,331	-	136,331	-	136,331
Debt-Issuance Costs and Tax Credit Fees, Less: Accumulated Amortization of \$3,453	-	7,171	7,171	-	7,171
Total Other Assets	<u>136,331</u>	<u>7,171</u>	<u>143,502</u>	<u>-</u>	<u>143,502</u>
Total Assets	<u>\$ 2,082,678</u>	<u>\$ 1,132,781</u>	<u>\$ 3,215,459</u>	<u>\$ (54,075)</u>	<u>\$ 3,161,384</u>

	Chatham Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 153,454	\$ 1,158	\$ 154,612	\$ -	\$ 154,612
Accrued Expenses:					
Accrued Vacations	61,980	-	61,980	-	61,980
Other Accrued Expenses	158,439	18,485	176,924	-	176,924
Due to Affiliates	1,413	-	1,413	-	1,413
Resident Trust Funds	1,912	-	1,912	-	1,912
Notes Payable, Current Maturities	-	7,338	7,338	-	7,338
Total Current Liabilities	<u>377,198</u>	<u>26,981</u>	<u>404,179</u>	<u>-</u>	<u>404,179</u>
LONG-TERM LIABILITIES					
Notes Payable, Less Current Maturities Above	<u>-</u>	<u>816,323</u>	<u>816,323</u>	<u>-</u>	<u>816,323</u>
Total Liabilities	377,198	843,304	1,220,502	-	1,220,502
NET ASSETS					
Unrestricted	1,619,236	289,477	1,908,713	(54,075)	1,854,638
Temporarily Restricted	<u>86,244</u>	<u>-</u>	<u>86,244</u>	<u>-</u>	<u>86,244</u>
Total Net Assets	<u>1,705,480</u>	<u>289,477</u>	<u>1,994,957</u>	<u>(54,075)</u>	<u>1,940,882</u>
Total Liabilities and Net Assets	<u>\$ 2,082,678</u>	<u>\$ 1,132,781</u>	<u>\$ 3,215,459</u>	<u>\$ (54,075)</u>	<u>\$ 3,161,384</u>

**CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

	Chatham Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
PUBLIC SUPPORT AND REVENUE					
Client and Resident Fees	\$ 4,031,061	\$ 109,890	\$ 4,140,951	\$ -	\$ 4,140,951
Auxiliary	49,656	-	49,656	-	49,656
Net Investment Income	5,622	254	5,876	-	5,876
Other	1,749	-	1,749	-	1,749
Equity in Net Income Loss of Investee	(11)	-	(11)	-	(11)
Total Public Support and Revenue	<u>4,088,077</u>	<u>110,144</u>	<u>4,198,221</u>	<u>-</u>	<u>4,198,221</u>
EXPENSE					
Program Services:					
Care Facilities	3,500,483	144,032	3,644,515	-	3,644,515
Supporting Activities:					
Management and General	171,814	13,188	185,002	-	185,002
Total Expenses	<u>3,672,297</u>	<u>157,220</u>	<u>3,829,517</u>	<u>-</u>	<u>3,829,517</u>
INCOME (LOSS) FROM OPERATIONS	415,780	(47,076)	368,704	-	368,704
NON-OPERATING REVENUE (EXPENSE)					
Gain on Disposal of Fixed Assets	-	-	-	-	-
Unrealized Gain (Loss) on Investments	(1,958)	-	(1,958)	-	(1,958)
Total Non-Operating Revenue (Expense)	<u>(1,958)</u>	<u>-</u>	<u>(1,958)</u>	<u>-</u>	<u>(1,958)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	413,822	(47,076)	366,746	-	366,746
Net Assets - Beginning of Year	<u>1,291,658</u>	<u>336,553</u>	<u>1,628,211</u>	<u>(54,075)</u>	<u>1,574,136</u>
NET ASSETS - END OF YEAR	<u>\$ 1,705,480</u>	<u>\$ 289,477</u>	<u>\$ 1,994,957</u>	<u>\$ (54,075)</u>	<u>\$ 1,940,882</u>

**CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

	Chatham Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
Personnel:					
Wages and Salaries	\$ 2,065,721	\$ 7,140	\$ 2,072,861	\$ -	\$ 2,072,861
Employee Benefits	413,941	419	414,360	-	414,360
Payroll Taxes	149,195	702	149,897	-	149,897
	<u>2,628,857</u>	<u>8,261</u>	<u>2,637,118</u>	<u>-</u>	<u>2,637,118</u>
Resident Services:					
Food	163,810	-	163,810	-	163,810
Pharmacy and Medical Supplies	11,348	-	11,348	-	11,348
Other Services	62,123	-	62,123	-	62,123
	<u>237,281</u>	<u>-</u>	<u>237,281</u>	<u>-</u>	<u>237,281</u>
Professional Fees	2,012	16,781	18,793	-	18,793
Consulting Fees	60,817	-	60,817	-	60,817
Advertising	43,578	150	43,728	-	43,728
Supplies	76,730	1,022	77,752	-	77,752
Telephone Services	25,442	6,282	31,724	-	31,724
Computer Services	52,563	645	53,208	-	53,208
Occupancy	157,862	34,660	192,522	-	192,522
Travel	27,971	-	27,971	-	27,971
Depreciation and Amortization	26,681	62,708	89,389	-	89,389
Insurance	39,301	8,301	47,602	-	47,602
Repairs	111,179	4,406	115,585	-	115,585
Staff Development	3,776	-	3,776	-	3,776
Dues and Subscriptions	5,596	816	6,412	-	6,412
Other	837	-	837	-	837
	<u>634,345</u>	<u>135,771</u>	<u>770,116</u>	<u>-</u>	<u>770,116</u>
 Total Program Services	 <u>\$ 3,500,483</u>	 <u>\$ 144,032</u>	 <u>\$ 3,644,515</u>	 <u>\$ -</u>	 <u>\$ 3,644,515</u>

**CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

	Chatham Oaks, Inc.	Affiliate	Total	Eliminations	Consolidated
Administrative Fees	\$ 170,610	\$ -	\$ 170,610	\$ -	\$ 170,610
Interest	-	13,604	13,604	-	13,604
Provision for Doubtful Accounts	1,204	(416)	788	-	788
	<u>171,814</u>	<u>13,188</u>	<u>185,002</u>	<u>-</u>	<u>185,002</u>
 Total Supporting Activities	 <u>\$ 171,814</u>	 <u>\$ 13,188</u>	 <u>\$ 185,002</u>	 <u>\$ -</u>	 <u>\$ 185,002</u>