



COMPASS HEALTH AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2015

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4 - 5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 29
Supplementary Information:	
Consolidating Statement of Financial Position	30 - 31
Consolidating Statement of Activities	32 - 33
Consolidated Statement of Functional Expenses	34

Independent Auditor's Report

**Board of Directors
Compass Health
Everett, Washington**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Compass Health and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, changes in net assets, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including comparative totals, shown on pages 30 to 34 is presented for purposes of additional analysis, 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Certified Public Accountants
November 23, 2015

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Financial Position
June 30, 2015
(With Comparative Totals for 2014)**

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,169,532	\$ 3,400,456
Deposits held in trust	558,804	464,485
Accounts receivable, net of allowance for doubtful accounts of \$94,758 (\$87,693 - 2014)	3,600,316	2,590,957
Grants and contracts receivable, net of allowance for doubtful amounts of \$230,504 (\$250,540 - 2014)	2,410,463	1,549,724
Current portion of facility contribution receivable (Note 12)	187,476	
Other receivables	111,889	38,458
Prepaid expenses and other current assets	845,165	777,869
Total Current Assets	10,883,645	8,821,949
Restricted deposits and funded reserves (Note 3)	680,198	736,213
Facility contribution receivable, less current portion (Note 12)	193,179	
Investments (Notes 4 and 11)	770,393	786,782
Beneficial interest in trust	9,764	
Property held for sale (Note 5)	328,321	
Property and equipment, net (Note 5)	24,911,126	23,859,049
Bond issue costs, net	102,026	79,949
Total Assets	\$ 37,878,652	\$ 34,283,942
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 974,402	\$ 820,238
Accrued liabilities	3,028,777	2,593,087
Current portion of deferred revenue	1,480,971	18,530
Deposits held in trust	558,804	464,485
Current portion of capital lease obligations (Note 12)	226,995	51,437
Current portion of long-term debt (Note 7)	405,877	251,816
Total Current Liabilities	6,675,826	4,199,593
Deferred revenue, less current portion		1,041,649
Capital lease obligations, less current portion (Note 12)	331,157	80,605
Long-term debt, less current portion (Note 7)	7,739,210	7,169,863
Total Liabilities	14,746,193	12,491,710
Net Assets:		
Unrestricted-		
Controlling interest	16,470,471	15,136,099
Noncontrolling interest	1,821,566	1,958,209
Total unrestricted	18,292,037	17,094,308
Temporarily restricted (Note 8)	4,553,934	4,416,668
Permanently restricted (Note 11)	286,488	281,256
Total Net Assets	23,132,459	21,792,232
Total Liabilities and Net Assets	\$ 37,878,652	\$ 34,283,942

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating Activities					
Support, Revenue and Gains:					
Net patient service revenue (Note 2)	\$ 40,697,997	\$ -	\$ -	\$ 40,697,997	\$ 32,041,926
Contributions and grants	4,078,113	328,310	5,232	4,411,655	3,513,197
Meaningful use incentives	382,500			382,500	
In-kind contributions	236,788	380,655		617,443	29,869
Rental revenue	1,356,342			1,356,342	1,190,601
Consultation revenue	137,656			137,656	30,765
Other	1,860			1,860	7,263
Total Operating Support, Revenue and Gains	46,891,256	708,965	5,232	47,605,453	36,813,621
Net assets released from restriction	76,610	(76,610)			
Total Operating Support, Revenue, Gains and Reclassifications	46,967,866	632,355	5,232	47,605,453	36,813,621
Expenses:					
Program services-					
Crisis response	6,042,016			6,042,016	3,749,556
Mental health outpatient	18,847,198			18,847,198	14,931,800
Residential treatment	2,498,052			2,498,052	2,370,376
Housing	2,187,429			2,187,429	2,075,514
Inpatient	3,424,409			3,424,409	3,048,131
Children's hospital alternative program	1,956,441			1,956,441	1,702,919
Psychiatry	3,523,991			3,523,991	2,501,592
Other program services	2,426,519			2,426,519	1,448,849
Total program services	40,906,055			40,906,055	31,828,737
Supporting services-					
Management and general	5,802,238			5,802,238	4,403,927
Information services	1,237,982			1,237,982	703,547
Fundraising	288,461			288,461	244,415
Total supporting services	7,328,681			7,328,681	5,351,889
Total Operating Expenses	48,234,736			48,234,736	37,180,626
Change in Net Assets From Operating Activities	(1,266,870)	632,355	5,232	(629,283)	(367,005)

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
 For the Year Ended June 30, 2015
 (With Comparative Totals for 2014)

	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Nonoperating Activities					
Investment returns (Note 4)	\$ 15,088	\$ -	\$ -	\$ 15,088	\$ 25,380
Gain on sale of fixed assets	157,285			157,285	122,682
Interest income	494			494	1,162
Change in Net Assets From Nonoperating Activities	172,867			172,867	149,224
Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses	(1,094,003)	632,355	5,232	(456,416)	(217,781)
Unrealized investment (losses) gains (Note 4)		(27,160)		(27,160)	25,549
Contributions and grants for the acquisition of long-term assets		1,317		1,317	272,185
Contribution related to the acquisition of Not-for-Profit Entities (Note 13)	1,822,486			1,822,486	
Release of restricted net assets related to long-term assets (Note 8)	469,246	(469,246)			
Total Change in Net Assets	1,197,729	137,266	5,232	1,340,227	79,953
Noncontrolling interest in net losses of subsidiaries	136,643			136,643	142,549
Total Change in Net Assets Excluding Noncontrolling Interest	\$ 1,334,372	\$ 137,266	\$ 5,232	\$ 1,476,870	\$ 222,502

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2015 Total	2014
	Controlling Interest	Noncontrolling Interest	Total				
Beginning of year, net assets	\$ 15,136,099	\$ 1,958,209	\$ 17,094,308	\$ 4,416,668	\$ 281,256	\$ 21,792,232	\$ 21,712,279
Change in net assets excluding noncontrolling interest	1,334,372		1,334,372	137,266	5,232	1,476,870	222,502
Change in net assets from noncontrolling interest		(136,643)	(136,643)			(136,643)	(142,549)
Total Change in Net Assets	1,334,372	(136,643)	1,197,729	137,266	5,232	1,340,227	79,953
End of Year Net Assets	\$ 16,470,471	\$ 1,821,566	\$ 18,292,037	\$ 4,553,934	\$ 286,488	\$ 23,132,459	\$ 21,792,232

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,340,227	\$ 79,953
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation and amortization	1,642,294	1,254,966
Contribution related to the acquisition of Not-for-Profit Entities	(1,822,486)	
Contributions and grants for the acquisition of long-term assets	(1,317)	(272,185)
Unrealized investment losses (gains)	27,160	(25,549)
Gain on sale fixed assets	(157,285)	(122,682)
Changes in assets and liabilities:		
Accounts receivable	(765,863)	138,194
Grants and contracts receivable	(240,774)	(2,184,527)
Facility contribution receivable	(380,655)	
Other receivables	(58,451)	(34,199)
Prepaid expenses and other assets	(66,241)	16,844
Accounts payable and accrued liabilities	13,822	77,196
Deferred revenue	170,337	1,039,828
Net Cash Used in Operating Activities	(299,232)	(32,161)
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(554,404)	(897,223)
Proceeds from sale of property and equipment	206,794	229,350
Cash assumed from acquisition of Not-for-Profit Entities	236,703	
Net withdrawals from restricted deposits and funded reserves	85,956	93,044
Loan fees paid	(28,110)	
Purchases of investments	(700,294)	(25,382)
Proceeds from sale of investments	689,523	8,584
Net Cash Used in Investing Activities	(63,832)	(591,627)
Cash Flows From Financing Activities:		
Proceeds from capital lease obligation	500,819	
Repayment of capital lease obligation	(124,975)	(25,217)
Proceeds from issuance of long-term debt	1,194,724	
Principal payments on long-term debt	(1,534,081)	(237,763)
Proceeds from contributions and grants for the acquisition of long-term assets	95,653	369,560
Net Cash Provided by Financing Activities	132,140	106,580
Change in Cash and Cash Equivalents	(230,924)	(517,208)
Cash and Cash Equivalents:		
Beginning of year	3,400,456	3,917,664
End of Year	\$ 3,169,532	\$ 3,400,456
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 350,424	\$ 301,127
Fixed asset purchases included in accounts payable at year-end	\$ 30,500	\$ -
Acquisition of equipment under capital lease obligation	\$ -	\$ 65,563

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The consolidated financial statements of Compass Health and Subsidiaries (collectively, the Organization) include the activities of Compass Health and its subsidiaries, Luther Child Center, College Hill Consociation, Child Advocacy Center of Snohomish County at Dawson Place, Compass Health Holdings, LLC, Marysville Studio Apartments, LLC, Milwaukee Park Apartments, LP, Counterpoint Commons, Harmony House North Association and Mental Health Services of Snohomish County II.

Compass Health is a Washington State charitable corporation formed in October 1997 to merge the activities of several not-for-profit organizations. Compass Health offers a full range of behavioral health services in the north Puget Sound region of Washington State.

Luther Child Center (LCC) is a not-for-profit organization that was integral to the formation of Compass Health with Compass Health being LCC's sole member.

Compass Health elects a majority of the Board of Directors of College Hill Consociation and Mental Health Services of Snohomish County II. As Compass Health also has an economic interest in these organizations, they are consolidated with Compass Health in the accompanying consolidated financial statements. Though Compass Health does not have a majority voting interest in Counterpoint Commons, Compass Health has an economic interest in Counterpoint Commons and retains control through a sponsorship agreement.

Marysville Studio Apartments, LLC (MSA) was formed as a limited liability company under the laws of the State of Washington in 2002. The project (Alder Commons) consists of 18 housing units in Marysville, Washington. The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended. Compass Health is the managing member with a 0.01% member interest in the limited liability company and the investing member is the National Equity Fund. The limited liability company is reported as a consolidated subsidiary of Compass Health due to the control Compass Health has over the limited liability company as its managing member.

Compass Health is the sole and managing member of Compass Health Holdings, LLC (CHH), a consolidated entity of Compass Health which was formed in January 2007. CHH is the general partner of Milwaukee Park Apartments LP (MPA), also formed in January 2007. MPA was formed as a limited partnership under the laws of the State of Washington. The general partner is CHH and the investor member is the National Equity Fund. The project consists of 15 studio apartments located in Mount Vernon, Washington. The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended. Compass Health has a 0.01% partnership interest in MPA. MPA is reported as a consolidated entity of Compass Health due to the control Compass Health has over MPA through CHH as its general partner.

Child Advocacy Center of Snohomish County at Dawson Place (Dawson Place) was incorporated in July 2009, as a Washington not-for-profit corporation. Dawson Place is a child advocacy center located in Everett, Washington that provides a facility where local governmental agencies and not-for-profit organizations provide comprehensive services to child victims of sexual or physical abuse in Snohomish County, Washington. As Compass Health is the sole corporate member of Dawson Place and has an economic interest in Dawson Place, Dawson Place is reported as a consolidated entity of Compass Health.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 1 - Continued

Harmony House North Association (Harmony House) was incorporated in November 1990 as a Washington not-for-profit corporation. Harmony House developed and built Harmony House North (the Project), a 15-unit apartment complex located in Marysville, Washington. The Project provides affordable housing to chronically mentally ill tenants. Effective October 1, 2014, Compass Health acquired Harmony House. As Compass Health is the sole corporate member of Harmony House and has an economic interest in Harmony House, Harmony House is reported as a consolidated entity of Compass Health. See Note 13 for further details on the current year acquisition of Harmony House.

Noncontrolling interest presented in the consolidated financial statements is comprised of the ownership interest of members and partners related to Marysville Studio Apartments, LLC and Milwaukee Park Apartments, LP.

Behavioral Health Northwest (BHN), a nonprofit corporation, was incorporated in fiscal year 2011 and facilitates a network of providers in Washington State to provide transitional care to keep individuals in their homes. Compass Health and another not-for profit organization have equal membership rights to BHN. As such, BHN has not been consolidated with Compass Health for the years ended June 30, 2015 and 2014.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Compass Health and its subsidiaries. Inter-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as the Organization in the notes to the consolidated financial statements.

The Organization provides the following service programs:

Crisis Response - Serves people of all ages who are experiencing acute episodes requiring stabilization. Outpatient services include voluntary crisis outreach, evaluation for voluntary and involuntary inpatient admissions, urgent outpatient appointments, and referrals to ongoing services. Triage facility services provide a 24-hour, 16 bed facility for short term observation and stabilization for individuals with a mental health or chemical dependency crisis. Triage provides professional and peer support, with referral and linkages to resources at discharge, as well as telephone follow-up.

Mental Health Outpatient - Provides counseling, case management, family therapy, group therapy, and psychiatric prescribing, along with other specialized outpatient services. Serves individuals of all ages and families. Services range in intensity from brief interventions to longer term treatment. Treatment plans are tailored to individual needs.

Residential Treatment - Three facilities totaling 44 beds provide 24-hour residential treatment to adults unable to live independently due to a mental illness. Residential services are designed to assist individuals in developing the independent living skills necessary to achieve independence and develop skills to manage their mental health needs in a less restrictive environment.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 1 - Continued

Housing - Provides safe and affordable housing to individuals who have chronic mental illness. Support services are provided to assist clients coming out of institutions and moving from homelessness to being stably housed. Other support services include HMIS (Homeless Management Information System) data entry required by the U.S. Department of Housing and Urban Development (HUD) and administering the Shelter Plus Care program which provides clients with a voucher to live wherever they chose. At June 30, 2015, Compass Health had 15 housing units; 187 beds throughout Snohomish, Skagit and Island counties. In addition, the agency master leases 3 2-bedroom apartments in Oak Harbor, issued 148 Shelter Plus Care vouchers in Snohomish County and has 10 - 2163 vouchers in Skagit County. The housing program also secures grant funds for motel vouchers to provide a safe place to sleep while staff help look for a permanent housing option.

Inpatient - Operates a 16-bed Evaluation and Treatment Center providing short-term inpatient treatment for individuals involuntarily hospitalized under the Involuntary Treatment Act.

Children's Hospital Alternative Program - Provides intensive 24-hour outpatient services to children and adults using a variety of models, including the evidence-based practices of Wraparound for children, and the Program for Assertive Community Treatment (PACT) for adults. The program serves individuals who are at high risk of crisis intervention and hospitalization, and utilizes a team approach.

Psychiatry - Provides psychiatric evaluation and medication management, embedded in most of the service programs listed here.

Other Program Services - Other services related to the Compass Health mission provided directly to the public and affiliated agencies serving common populations, such as community outreach and education, chemical dependency treatment services, care coordination and hospital transition services, and payee services.

Basis of Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time. See Note 8 for more information on the temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. See Note 11 for more information on the permanently restricted net assets.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 1 - Continued

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Cash and Cash Equivalents - For the purpose of the consolidated statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less, except for those held in its investment and reserves portfolios, to be cash and cash equivalents. Cash and cash equivalents held by financial institutions in interest-bearing accounts at times exceed federally insured limits.

Deposits Held in Trust - The Organization retains custody of client funds as part of the Community Support Services program, as well as, tenant security deposits.

Investments - Investments are carried at fair value and realized and unrealized gains and losses are reflected in the consolidated statement of activities.

Accounts Receivable - Accounts receivable are stated at net realizable value. Third-party contractual adjustments are made based on past experience. Receivables are reduced by an allowance for estimated uncollectible amounts and accounts deemed uncollectible are charged against this allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential past due receivables. The adequacy of the allowance is based upon management's evaluation of the quality, character and inherent risks associated with the receivables based on past experience. The Organization provides care to patients regardless of their ability to pay. A minimum payment is requested for each visit and collection is made at the time of the visit. If the patient is unable to pay at the time of visit, they are subsequently billed. Because a number of private pay clients are homeless and cannot be located, a significant number of these accounts are ultimately determined to be uncollectible. The Organization's policy is to write off outstanding patient balances after one year. As of June 30, 2015 and 2014, the Organization estimated the allowance for contractual adjustments on outstanding accounts receivable to be \$703,447 and \$366,887, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 1 - Continued

Bond Issue Costs - Bond issue costs are capitalized and amortized using the effective interest method over 20 years, which corresponds to the life of the bonds. Amortization expense was \$7,195 and \$6,031 for the years ended June 30, 2015 and 2014, respectively.

Property and Equipment - The Organization capitalizes assets with an estimated useful life of more than one year and a cost greater than \$1,000 except for residential equipment where the capitalization threshold is \$500. Purchased property is carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings and improvements	6 - 40 years
Furniture and equipment	3 - 7 years
Leasehold improvements	Shorter of the asset useful life or lease term
Vehicles	5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. When the long-lived assets are placed into service, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

Deferred Revenue - Deferred revenue consists of rents and contract payments received and not yet earned. At June 30, 2015, deferred revenue included \$1,041,000 received from the Regional Support Network (RSN) as an advanced payment against the September 2015 contract activity and was provided to the Organization to offset the impact of the RSN changing its reimbursement methodology for certain contract services provided.

Malpractice Insurance and Other Claims - The Organization purchases professional and general liability insurance to cover medical malpractice claims. The insurance policy provides claims-made malpractice insurance coverage which covers only asserted malpractice claims. The Organization recognizes expenses associated with unasserted malpractice claims in the period in which the incidents are expected to have occurred, rather than when a claim is asserted. The Organization is involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

Nonoperating Versus Operating - For the purpose of the changes in net assets on the consolidated statement of activities, the Organization considers the gain or loss on sale or disposition of fixed assets, investment returns (losses), contributions and grants restricted for the acquisition of long-term assets, and other significant and unusual transactions to be nonoperating activities.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 1 - Continued

Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses - The consolidated statement of activities includes excess (deficiency) of support, revenues and gains over (under) expenses which is considered its performance indicator. Changes in net assets which are excluded from operations, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, restricted contributions, including temporary restrictions (such as time or purpose) or permanent restrictions, investment returns restricted by donors or by law, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets and the related releases).

Net Patient Service Revenue - The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include reimbursed costs, case rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors as final settlements are determined.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenues at fair value in the period received. Promises to give receivable in more than one year are discounted at risk adjusted rates, determined at the time the promise is made, for each additional year through the term of the pledge.

In-Kind Contributions - The Organization accepts contributions of food, clothing, donated use of facilities and other assets for the benefit of its clients. These contributions are recorded at fair value as in-kind contributions and represent the full amount of in-kind contributions recognized during the years ended June 30, 2015 and 2014.

Concentrations - The Organization is partly funded under fee for service contracts with the RSN, organized as the North Sound Mental Health Administration, and other governmental agencies. As of and for the year ended June 30, 2015, receivables and revenues related to the RSN and other governmental agencies accounted for approximately 78 percent and 95 percent, of total year end grants and accounts receivables and net patient service and grant revenue, respectively. As of and for the year ended June 30, 2014, the same receivables and revenues related to the agencies accounted for approximately 86 percent and 93 percent of total year end grants and accounts receivables and net patient service and grant revenue, respectively.

The Organization also grants credit without collateral to its patients, most of whom are local residents and are commonly insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2015 and 2014, were as follows:

	2015	2014
Medicaid	15%	10%
Medicare	26	10
Other third party payors	45	63
Patients	14	17
	<u>100%</u>	<u>100%</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 1 - Continued

The health programs are dependent upon continued funding from government agencies and the legislative acts that impact the programs. The fee for service and cost reimbursement revenues from these programs are subject to periodic audit and review by the governmental agencies.

Charity Care - The Organization has a policy of providing discounted services to patients who are unable to pay full fees. Such patients are deemed eligible based upon financial information obtained from the patient. The Organization determines the cost associated with providing charity care by calculating the ratio of discounts as a percentage of total billed charges for the services provided and applies that ratio to the total cost of providing the service. During the year ended June 30, 2015, the cost of providing charity care to patients was \$587,540 with no restricted contributions being received to offset this cost during the year.

Collective Bargaining - The Organization has negotiated a collective bargaining agreement (the Agreement) with the Service Employees International Union 1199NW. Approximately 55 and 56 percent of the Organization's employees are covered under the Agreement during the years ended June 30, 2015 and 2014, respectively.

Federal Income Taxes - Compass Health, Luther Child Center, Dawson Place, Counterpoint Commons, Harmony House North Association and Mental Health Services of Snohomish County II are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and the Internal Revenue Service has determined these entities are exempt from federal income tax on income related to the respective exempt purposes. College Hill Consociation is a not-for-profit corporation as described in Section 501(c)(2) of the Internal Revenue Code and the Internal Revenue Service has determined this entity to be exempt from federal income tax on income related to its exempt purposes. None of these entities are considered private foundations.

MSA and CHH are limited liability companies which have elected to be taxed as partnerships under the provisions of the Internal Revenue Code and MPA is a limited partnership. All profits and losses are passed through to the partners or members. Accordingly, no provision for income taxes has been included in the consolidated financial statements.

Functional Allocation of Expenses - The costs of providing the 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 program and supporting services benefited.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to conform to the presentation in the current year consolidated financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

Subsequent Events - The Organization has evaluated subsequent events through November 23, 2015, the date on which the consolidated financial statements were available to be issued.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 2 - Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors are as follows:

RSN - The RSN administers both Medicaid and Washington State funds. Providers earn these funds by receiving fees for service to qualified clients for outpatient services up to a pre-determined ceiling. Inpatient services, crisis services, and residential treatment services are reimbursed based on a pre-determined amount or on a fee-for-service basis.

Medicare - Outpatient services rendered to Medicare program beneficiaries are paid at established rates specified by the Centers for Medicare Services Physician Fee Schedule (PFS rate) for mental health services in the State of Washington. For each visit provided to a Medicare program beneficiary, the Organization is paid 80 percent of the established PFS rate, with the beneficiary being responsible for the remaining 20 percent representing a co-pay.

Revenue from the RSN, Medicaid and Medicare programs accounted for approximately 95 percent and 90 percent of the Organization's net patient revenue for the years ended June 30, 2015 and 2014, respectively.

The Organization also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per encounter, case rates, discounted charges and per diem payments. Laws and regulations governing Medicare, Medicaid, the RSN agreement and the Organization's other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 3 - Restricted Deposits and Funded Reserves

The Organization is required to maintain cash in certain restricted deposits and funded reserves related to loans outstanding. These funds are to be used primarily for replacements of property and equipment and support of operations. All reserves are maintained in the custody of various banks. Restricted deposits and funded reserves are comprised of the following at June 30:

	<u>2015</u>	<u>2014</u>
Operating reserves	\$ 442,156	\$ 361,441
Capital reserves	233,082	339,956
Mortgage reserves	4,960	12,212
Bond fund		<u>22,604</u>
Total	<u>\$ 680,198</u>	<u>\$ 736,213</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities valued using Level 3 inputs are based on management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. There were no financial assets or liabilities valued using Level 3 inputs.

The Organization's mutual funds were valued at quoted market prices in active markets for identical assets, which represent the net asset value (NAV) of shares held by the Organization at year-end. Mutual funds are valued using Level 1 inputs. There have been no changes in the methodologies used during the years ended June 30, 2015 and 2014.

Fair values of assets measured on a recurring basis were as follows at June 30:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Domestic equity	\$ 167,766	\$ -	\$ -	\$ 167,766
International equity	16,171			16,171
Blended	228,759			228,759
Domestic bond	247,566			247,566
International bond	44,955			44,955
Total investments at fair value	705,217			705,217
Money market	65,176			65,176
Total June 30, 2015	\$ 770,393	\$ -	\$ -	\$ 770,393
Total June 30, 2014	\$ 786,782	\$ -	\$ -	\$ 786,782

Investment return is reported in the consolidated statement of activities for the year ended June 30 as follows:

	2015	2014
Investment returns	\$ 15,088	\$ 25,380
Unrealized investment (losses) gains	(27,160)	25,549
Total Investment Returns	\$ (12,072)	\$ 50,929

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 5 - Property and Equipment

A summary of property and equipment at June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 4,575,348	\$ 4,315,997
Leasehold improvements	1,681,142	1,122,187
Buildings and improvements	27,839,272	27,378,646
Projects in progress	133,438	1,128,033
Furniture and equipment	4,577,150	2,570,038
Vehicles	<u>125,654</u>	<u>159,213</u>
	38,932,004	36,674,114
Less accumulated depreciation	<u>(14,020,878)</u>	<u>(12,815,065)</u>
Total Property and Equipment, Net	<u>\$ 24,911,126</u>	<u>\$ 23,859,049</u>

Projects in progress as of June 30, 2014 primarily consisted of costs accumulated for the purchase and implementation of a new electronic health records system which was placed into service during 2015. Projects in progress at June 30, 2015 consisted of various building and system improvement projects.

For the years ended June 30, 2015 and 2014, depreciation was \$1,642,294 and \$1,254,966, respectively.

Property held for sale at June 30, 2015 consisted of three real properties and were sold subsequent to the year ended June 30, 2015 at purchase prices totaling \$960,000.

Note 6 - Unemployment Insurance

The Organization has elected to be self-insured for unemployment compensation. The costs of claims under this program are accrued when incidents occur that give rise to claims. Management has estimated a provision for incurred-but-not-reported claims of \$168,565 and \$103,953 which are included in accrued liabilities in the consolidated statement of financial position at June 30, 2015 and 2014, respectively.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

Note 7 - Long-Term Debt

Long-term debt at June 30 consisted of the following:

	<u>2015</u>	<u>2014</u>
<u>Compass Health:</u>		
Series 2002 Washington Health Care Facilities Authority Bonds (privately placed) payable in monthly installments of \$11,449, including fixed interest at 2.38%, due monthly through May 21, 2022. The interest shall reset on May 21, 2017. The bonds are collateralized by property at 3322 Broadway in Everett, WA and 3320 173rd Place NE in Arlington, WA. Compass Health is required to comply with restrictive covenants contained in the bond agreement. As of June 30, 2015, Compass Health had met the debt covenant requirement.	\$ 749,040	\$ 847,379
Series 2001 Low Income Housing Assistance Revenue Bonds issued by the Housing Authority of the City of Everett (privately placed) payable in monthly installments of \$7,833, including interest of 5.367%. The note matures on December 1, 2016, at which time the remaining balance is due in full. The note is collateralized by the Northstar Apartments. Compass Health is required to comply with restrictive covenants contained in the bond agreement. As of June 30, 2015, Compass Health had not met the debt service coverage ratio requirement and obtained a waiver from Chase Bank.	1,027,477	1,065,218
Series 2012 Washington State Housing Finance Commission Revenue Bonds (privately placed) payable in monthly installments of \$3,436, including fixed interest at 2.94%, due monthly through July 1, 2017. Beginning August 1, 2017, the interest rate shall reset every five years through maturity at July 1, 2027. The bonds are collateralized by energy efficiency improvements made on the Compass Health Baily Center.	418,905	447,365
Note payable to the Washington State Department of Commerce payable in annual payments of \$15,989, including a fixed interest rate of 1.00%. Note matures October 2046 and is collateralized by Lafollette Place.	436,017	447,531
Note payable to a bank with a variable interest rate with payments that are variable based on the current interest rate. Interest rate and monthly payment at June 30, 2015, was 7.375% and \$3,492, respectively. The note matures June 2023 and is collateralized by the Alder Commons property.	437,153	446,009

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 7 - Continued

	<u>2015</u>	<u>2014</u>
<u>Compass Health (Continued):</u>		
Note payable to the Washington State Department of Commerce payable in annual payments of \$9,316, including interest of 1.00%. Note matures September 2047 and is collateralized by the Tri Level, McKinney and Rambler properties.	178,339	266,968
Note payable to the Washington State Department of Commerce payable in annual installments of \$8,948, including interest of 1.00%. The note matures January 2048 and is collateralized by the Haven House property.	256,824	263,141
Note payable to Washington Community Reinvestment Association and is payable in monthly payments of \$1,576, including fixed interest at 6.25%. The note matures October 2024 and is collateralized by the 209 Milwaukee St Mount Vernon, WA.	236,240	240,253
Note payable to the State of Washington Department of Commerce payable in annual payments of \$3,503, including fixed interest of 1.00%. The note matures January 2050 and is collateralized by the O'Leary House property.	146,384	148,403
Noninterest bearing note payable to the State of Washington Department of Commerce. Deferred principal payment due the earlier of December 2032, upon refinancing, or such time as the property acquired with the loan is no longer used to house low income, chronically mentally ill persons. Collateralized by the Zeigen House property.	78,550	78,550
Note payable to the Peoples Bank payable in monthly payments of \$1,015, including interest at a variable rate (5.09% at June 30, 2015). The note matures April 2029. Collateralized by the 1604 I Street, Bellingham, WA 98225 property.	121,752	
Note payable to the Peoples Bank payable in monthly payments of \$1,337, including interest at a variable rate (5.09% at June 30, 2015). The note matures April 2029. Collateralized by the 3645 E McLeod Rd, Bellingham, WA property.	160,712	

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
 For the Year Ended June 30, 2015
 (With Comparative Totals for 2014)

Note 7 - Continued

	2015	2014
<u>Compass Health (Continued):</u>		
Noninterest bearing note payable to the City of Bellingham. Deferred principal payment until such time as the property acquired with the loan is no longer used to house low income, chronically mentally ill persons. Collateralized by the 1604 I Street, Bellingham, WA property.	60,000	
Noninterest bearing note payable to the City of Bellingham. Deferred principal payment until such time as the property acquired with the loan is no longer used to house low income, chronically mentally ill persons. Collateralized by the 1604 I Street, Bellingham, WA property.	65,047	
Noninterest bearing note payable to the State of Washington. Deferred principal payment until May 2016. Collateralized by the 1604 I Street, Bellingham, WA property.	112,500	
<u>Marysville Studio Apartments:</u>		
Note payable to Snohomish County bears interest at 0.50% and requires monthly interest only payments with full payment due in September 2044. The property is required to be used for low income housing purposes and is collateralized by the Marysville Studio Apartments.	110,683	100,458
<u>Milwaukee Park Apartments:</u>		
Note payable to the State of Washington Department of Commerce. The note is noninterest bearing, payments deferred until maturity in December 2048, and is collateralized by the Milwaukee Park Apartments. The property is required to be used for low income housing purposes.	999,269	999,269
<u>Child Advocacy Center of Snohomish County at Dawson Place:</u>		
Note payable, due March 11, 2023, payable \$7,354 per month, including interest fixed at 4.99% until April 2018 at which time interest rate will be based on the Federal Home Loan Bank of Seattle Five Year Fixed Advanced Rate plus a margin of 2.5%. Secured by the land and building. The note payable was refinanced during the year.		1,216,479

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 7 - Continued

	<u>2015</u>	<u>2014</u>
Note payable, due March 11, 2023, payable \$5,863 per month, including interest fixed at 3.25% until May 2022 at which time interest rate will be the greater of (i) 3.25%, or (ii) the Federal Home Loan Bank of Seattle Three Year Long-Term Fixed Advanced Rate plus a margin of 3%, multiplied by .65, plus .03%. Secured by the land and building.	1,194,399	
<u>Harmony House North:</u>		
Note payable, due February 2032, payable \$4,843 per month, including interest fixed at 8.38%. Secured by the land and building.	521,258	
<u>Mental Health Services of Snohomish County II:</u>		
The mortgage note is payable in monthly installments of \$8,018 including interest at 9.00% through May 2032. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	<u>834,538</u>	<u>854,656</u>
	8,145,087	7,421,679
Less current portion	<u>(405,877)</u>	<u>(251,816)</u>
Long-Term Debt	<u>\$ 7,739,210</u>	<u>\$ 7,169,863</u>

Principal maturities of long-term debt are as follows:

For the Years Ending June 30,

2016	\$ 405,877
2017	1,251,374
2018	272,876
2019	285,003
2020	296,870
Thereafter	<u>5,633,087</u>
	<u>\$ 8,145,087</u>

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

Note 8 - Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Restricted for program services	\$ 184,030	\$ 78,284
Secure the future	161,731	206,011
Acquisition of fixed assets	341,156	297,502
Facility contribution receivable (Note 12)	380,655	
Time restricted	102,931	32,932
Time restricted endowment accumulated earnings (Note 11)	483,905	505,526
Forgivable loans (Note 9)	<u>2,899,526</u>	<u>3,296,413</u>
	<u>\$ 4,553,934</u>	<u>\$ 4,416,668</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Released for program expenses	\$ 76,610	\$ 51,620
Acquisition of fixed assets	3,171	3,765
Secure the future	69,668	5,378
Amortization of forgivable loans	<u>396,407</u>	<u>396,407</u>
	<u>\$ 545,856</u>	<u>\$ 457,170</u>

Note 9 - Forgivable Loans

The Organization received forgivable loan proceeds of \$5,903,130 through the fiscal years ended June 30, 2015. Under terms of the agreements, the facilities funded by these proceeds must be used to continue the mission of the Organization and provide housing for mentally ill and low to very-low income individuals for periods of time expiring through 2056. The forgivable loans are secured by the property at those sites. As management believes the conditions related to these loans are being met and are likely to continue to be met, the proceeds from these forgivable loans have been recognized as temporarily restricted revenues (Note 8). The restricted balances are being released over the terms of the agreements. These proceeds are due on demand and in some cases the funders' prorated share of accumulated appreciation would also be due should the Organization sell the property or fall out of compliance with the specified use restriction. As of June 30, 2015, the Organization is in compliance with the restrictions. The following were the unamortized balances at June 30:

	<u>2015</u>	<u>2014</u>
Federal note payable to the State of Washington Department of Commerce with an original amount of \$682,793. Note is noninterest bearing and is forgivable in June 2044 provided the property is continuously used to house the chronically mentally ill. Collateralized by Alder Commons.	\$ 495,023	\$ 512,095

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 9 - Continued

	<u>2015</u>	<u>2014</u>
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$247,555. Note is noninterest bearing and is forgivable August 2028 provided the property is used to house the chronically mentally ill. Collateralized by Alder Commons.	130,379	140,281
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$231,628. The note is noninterest bearing and is forgivable December 2017 provided the property is used to house the chronically mental ill. Collateralized by the Camellia property.	28,954	40,535
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$200,000. The note is noninterest bearing and is forgivable September 2049 provided the property is used to house the chronically mentally ill. Collateralized by the Haven House.	137,000	141,000
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$188,134. The note is noninterest bearing and is forgivable July 2056 provided the property is used to house the chronically mentally ill. Collateralized by the Burke.	128,820	131,955
Note payable to Snohomish County Office of Housing and Community Development with an original amount of \$151,529. The note is noninterest bearing and forgivable July 2056 provided the property is used to house the chronically mentally ill. Collateralized by the Burke.	103,755	106,806
Federal note payable to Community Housing Improvement Program with an original amount of \$115,000. The note is noninterest bearing and is forgivable August 2029 provided the property is used by Compass Health. Collateralized by Bailey.	65,167	69,767
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$111,820. The note is noninterest bearing and forgivable July 2056 provided the property is used to house the chronically mentally ill. Collateralized by the Burke.	76,566	78,429

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 9 - Continued

	<u>2015</u>	<u>2014</u>
Note payable to Washington State Department of Commerce with an original amount of \$79,526. The note is noninterest bearing and forgivable June 2049 provided the property is used to house low income, chronically mentally ill persons. Collateralized by the Camellia.	54,078	55,668
Note payable to Washington State Department of Commerce with an original amount of \$76,363. The note is noninterest bearing and forgivable July 2056 provided the property is used continuously to house the chronically mentally ill. Collateralized by the Burke.	54,090	55,363
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$75,000. The note is noninterest bearing and forgivable December 2017 provided the property is used to house the chronically mentally ill. Collateralized by the Camellia.	9,375	13,125
Note payable to Community Housing Improvement Program with an original amount of \$67,500. The note is noninterest bearing and forgivable March 2034 provided the property is used by Compass Health. Collateralized by the Hoyt.	51,658	54,413
Note payable to Washington State Department of Commerce with an original amount of \$65,968. The note is noninterest bearing and forgivable October 2046 provided the property is used to house the chronically mentally ill. Collateralized by the Lafollette Place.	45,933	47,399
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$65,172. The note is noninterest bearing and forgivable December 2017 provided the property is used to house the chronically mentally ill. Collateralized by the Camellia.	8,147	11,405
Capital advance from the Washington State Department of Commerce with an original amount totaling \$1,500,000. The capital advances are due and payable if property is not used for a period of ten years through 2020 for the co-location of services to serve children who have been abused. The property is secured and restricted to be used as a child advocacy center.	675,824	838,006

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 9 - Continued

	<u>2015</u>	<u>2014</u>
Capital advances from Snohomish County passed through from the U.S. Department of Housing and Urban Development (HUD) with original amounts totaling \$974,000. The capital advances are due and payable if property is not used for planned purposes for a period of seven years through 2017.	362,871	507,622
Capital advances from Snohomish County with an original amount of \$83,767. Under terms of the agreement, the facilities funded by these proceeds must be used to continue to provide housing for very-low income individuals for periods of time expiring through July 17, 2046. The forgivable capital advances are secured by the property at those sites.	53,611	55,257
Capital advances from HUD with an original amount of \$760,500. Under terms of the agreement, the facilities funded by these proceeds must be used to continue to provide housing for very-low income individuals for periods of time expiring through September 28, 2035. The forgivable capital advances are secured by the property at those sites.	<u>418,275</u>	<u>437,287</u>
	<u>\$ 2,899,526</u>	<u>\$ 3,296,413</u>

Note 10 - Employee Benefit Plans

The Organization sponsors a 403(b) Tax Deferred Annuity plan covering all eligible employees. Eligible employees include all employees of the Organization other than those covered under the collective bargaining agreement. The Organization makes nonelective contributions of 3% of each participant's compensation and matches 100% of the first 1% of contributions made by the participants. The Organization also sponsors a 401(k) defined contribution plan covering all eligible employees. However, the 401(k) was inactivated for all contributions. The Organization also took over management of an existing 403(b) Tax Deferred Annuity plan for former employees of Whatcom Counseling & Psychiatric Clinic (WCPC). Retirement plan expense was \$845,872 and \$662,242 for the years ended June 30, 2015 and 2014, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 11 - Endowments

The Organization's endowment fund consists of one fund the income of which is donor-restricted as a reserve for operational needs. The endowment assets are invested in bond and equity mutual funds that are included in the investments at June 30, 2015 and 2014.

Interpretation of Relevant Law - The Organization has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Organization to track the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Endowment Investment and Spending Policies - The long-range financial goal for the Organization is to enhance its available resources through the generation of annual distributable income from invested funds. The Board of Directors has adopted a "total return" philosophy. "Total return" investing, combined with a prudent spending rate, allows for donated funds to increase their value through growth. The amount available from the endowment fund for distribution will be the balance of the fund that exceeds the sum total of all gifts made to the endowment fund.

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

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

Note 11 - Continued

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2015 and 2014, no such deficiencies existed.

Endowment net asset composition by type of fund was as follows at June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Endowment to Fund					
Operating Reserves	\$ -	\$ 483,905	\$ 286,488	\$ 770,393	\$ 786,782

Changes to endowment net assets for the year ended June 30 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Endowment net assets beginning of year	\$ -	\$ 505,526	\$ 281,256	\$ 786,782	\$ 744,435
Contributions			5,232	5,232	
Investment returns		(21,621)		(21,621)	42,347
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 483,905</u>	<u>\$ 286,488</u>	<u>\$ 770,393</u>	<u>\$ 786,782</u>

Note 12 - Leases

Operating Lease - The Organization leases facilities under cancellable lease agreements with lease maturity periods through 2020. The facilities are mostly leased on a month-to-month basis with governmental and not-for-profit organizations. For the years ended June 30, 2015 and 2014, rental expense under these arrangements was \$548,479 and \$343,577, respectively.

Capital Leases - The Organization leases office equipment under capital lease arrangements extending through 2018 with a combined capitalized cost of \$205,204. Accumulated depreciation in the consolidated statement of financial position included \$53,475 relating to the leased equipment at June 30, 2015. Depreciation expense for the year ended June 30, 2015 included \$82,593 for the office equipment under lease.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 12 - Continued

During the year ended June 30, 2015, the Organization entered into a sale-lease back transaction, whereby, the Organization sold equipment and improvements to First American Equipment Finance (First American) and leased back the same equipment and improvements retaining full and exclusive use. The capital lease arrangement requires minimum monthly lease payments of \$16,147 through maturity in 2018 and includes a \$1 purchase option at the end of the lease period. The equipment and improvements were sold to First American for total capital lease proceeds of \$500,819. The leased items consist of items that were either previously capitalized or expensed by the Organization. As of June 30, 2015, fixed assets included those leased assets with a cost of \$263,604 and accumulated depreciation of \$39,219.

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of the net minimum lease payments as follows:

For the Year Ending June 30,

2016	\$ 270,677
2017	228,789
2018	<u>130,548</u>
Total minimum lease payments	630,014
Less amount representing interest	<u>(71,862)</u>
Present value of net minimum lease payments	558,152
Less current portion	<u>(226,995)</u>
	<u><u>\$ 331,157</u></u>

Contributed Facilities - The Organization leases a facility located in Bellingham, Washington from Whatcom County expiring in 2017 with an option to renew for five (5) consecutive three year periods. Under terms of the lease, Compass Health shall pay Whatcom County \$10 annually.

The Organization has reported the value of the contributed lease commitments from Whatcom County as a receivable on the consolidated statement of financial position. The facility contribution receivable, discounted to present value, recorded at June 30, 2015 was \$380,655.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

Note 12 - Continued

The total facility contribution receivable, discounted to present value, will be recognized ratably over the lease term as follows:

For the Year Ending June 30,

2016	\$	187,476
2017		<u>193,179</u>
		380,655
Less current portion		<u>(187,476)</u>
	\$	<u><u>193,179</u></u>

Note 13 - Acquisition of Not-For-Profit Entities

Effective October 1, 2014, Compass Health acquired rights to all assets and assumed all liabilities of the Harmony House North Association, a not-for-profit entity owning a 15-unit apartment complex located in Marysville, Washington providing affordable housing to chronically mentally ill tenants. As a result of the acquisition, Compass Health acquired assets totaling \$1,085,711 and assumed liabilities totaling \$552,389 resulting in an inherent contribution of \$533,322.

Effective July 1, 2014, Compass Health acquired rights to all assets and assumed all liabilities of the Whatcom Counseling & Psychiatric Clinic, a not-for-profit entity operating in Whatcom County. As a result of the acquisition, Compass Health acquired assets totaling \$2,659,801 and assumed liabilities totaling \$1,370,637 resulting in an inherent contribution of \$1,289,164.

SUPPLEMENTARY INFORMATION

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets
June 30, 2015
(With Comparative Totals for 2014)

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated 2015 Total	Consolidated 2014 Total
Assets												
Current Assets:												
Cash and cash equivalents	\$ 2,368,716	\$ 9,748	\$ 775,340	\$ 708	\$ 4,299	\$ 10,721	\$ -	\$ -	\$ 3,169,532	\$ -	\$ 3,169,532	\$ 3,400,456
Deposits held in trust	545,821			1,613	2,299	1,814	3,746	3,511	558,804		558,804	464,485
Accounts receivable, net	3,595,337					1,215	418	3,346	3,600,316		3,600,316	2,590,957
Grants and contracts receivable, net	2,370,170		315,963	7,398	6,956				2,700,487	(290,024)	2,410,463	1,549,724
Current portion of facility contribution receivable	187,476								187,476		187,476	
Other receivables	84,812		37,529						122,341	(10,452)	111,889	38,458
Current portion of notes receivable	128,170								128,170	(128,170)		
Prepaid expenses and other current assets	826,458		18,548		101			58	845,165		845,165	777,869
Total Current Assets	10,106,960	9,748	1,147,380	9,719	13,655	13,750	4,164	6,915	11,312,291	(428,646)	10,883,645	8,821,949
Restricted deposits and funded reserves	435,488			70,357	63,084	29,929	54,866	26,474	680,198		680,198	736,213
Facility contribution receivable, less current portion	193,179								193,179		193,179	
Investments	770,393								770,393		770,393	786,782
Beneficial interest in trust	9,764								9,764		9,764	
Property held for sale	328,321								328,321		328,321	
Property and equipment, net	13,469,688	1,982,408	3,275,907	1,406,827	2,615,524	544,906	583,242	1,032,624	24,911,126		24,911,126	23,859,049
Notes receivable, less current portion	742,231								742,231	(742,231)		
Bond issue costs, net	25,301		28,110	6,511	42,104				102,026		102,026	79,949
Inter-agency accounts	510,030								510,030	(510,030)		
Total Assets	\$ 26,591,355	\$ 1,992,156	\$ 4,451,397	\$ 1,493,414	\$ 2,734,367	\$ 588,585	\$ 642,272	\$ 1,066,013	\$ 39,559,559	\$ (1,680,907)	\$ 37,878,652	\$ 34,283,942

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2015
(With Comparative Totals for 2014)**

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated 2015 Total	Consolidated 2014 Total
Liabilities and Net Assets												
Current Liabilities:												
Accounts payable	\$ 1,076,100	\$ -	\$ 34,279	\$ -	\$ 23,832	\$ 75,297	\$ 41,790	\$ 23,405	\$ 1,274,703	\$ (300,301)	\$ 974,402	\$ 820,238
Accrued liabilities	2,839,836		3,235	114,664	61,145		6,259	3,638	3,028,777		3,028,777	2,593,087
Current portion of deferred revenue	1,476,625			831	538	148	2,819	10	1,480,971		1,480,971	18,530
Deposits held in trust	545,821			1,613	2,299	1,814	3,746	3,511	558,804		558,804	464,485
Current portion of capital lease obligations	226,995								226,995		226,995	51,437
Current portion of long-term debt	337,476		31,367	56,295			22,004	15,030	462,172	(56,295)	405,877	251,816
Total Current Liabilities	6,502,853		68,881	173,403	87,814	77,259	76,618	45,594	7,032,422	(356,596)	6,675,826	4,199,593
Deferred revenue, less current portion												1,041,649
Capital lease obligations, less current portion	331,157								331,157		331,157	80,605
Long-term debt, less current portion	4,147,465		1,163,032	560,526	1,074,268	217,388	884,410	506,228	8,553,317	(814,107)	7,739,210	7,169,863
Total Liabilities	10,981,475		1,231,913	733,929	1,162,082	294,647	961,028	551,822	15,916,896	(1,170,703)	14,746,193	12,491,710
Net Assets and Equity:												
Unrestricted-												
Controlling interest	12,859,893	1,992,156	1,600,935			(177,948)	(318,756)	514,191	16,470,471		16,470,471	15,136,099
Noncontrolling interest										1,821,566	1,821,566	1,958,209
Total unrestricted net assets	12,859,893	1,992,156	1,600,935			(177,948)	(318,756)	514,191	16,470,471	1,821,566	18,292,037	17,094,308
Temporarily restricted	2,463,499		1,618,549			471,886			4,553,934		4,553,934	4,416,668
Permanently restricted	286,488								286,488		286,488	281,256
Total net assets	15,609,880	1,992,156	3,219,484			293,938	(318,756)	514,191	21,310,893	1,821,566	23,132,459	21,792,232
Owners' equity				759,485	1,572,285				2,331,770	(2,331,770)		
Total Net Assets and Equity	15,609,880	1,992,156	3,219,484	759,485	1,572,285	293,938	(318,756)	514,191	23,642,663	(510,204)	23,132,459	21,792,232
Total Liabilities, Net Assets and Equity	\$ 26,591,355	\$ 1,992,156	\$ 4,451,397	\$ 1,493,414	\$ 2,734,367	\$ 588,585	\$ 642,272	\$ 1,066,013	\$ 39,559,559	\$ (1,680,907)	\$ 37,878,652	\$ 34,283,942

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Activities
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated Total 2015	Consolidated Total 2014
Operating Activities												
Unrestricted Public Support and Revenue:												
Net patient service revenue	\$ 40,697,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,697,997	\$ -	\$ 40,697,997	\$ 32,041,926
Support and other revenue-												
Contributions and grants	3,482,402		554,326		41,385			4,078,113			4,078,113	3,371,483
Meaningful use incentives	382,500							382,500			382,500	
In-kind contributions	198,760		38,028					236,788			236,788	29,869
Rental revenue	552,835		188,325	104,596	80,771	117,274	217,686	1,362,278	(5,936)		1,356,342	1,190,601
Consultation revenue	504,707							504,707	(367,051)		137,656	30,765
Other			1,260			126	105	1,860			1,860	7,263
Total support and other revenue	5,121,204		781,939	104,596	122,156	117,400	217,791	6,566,246	(372,987)		6,193,259	4,629,981
Total Unrestricted Support and Revenue	45,819,201		781,939	104,596	122,156	117,400	217,791	47,264,243	(372,987)		46,891,256	36,671,907
Net assets released from restriction	13,438		63,172					76,610			76,610	60,763
Total Unrestricted Support, Revenue, and Reclassifications	45,832,639		845,111	104,596	122,156	117,400	217,791	47,340,853	(372,987)		46,967,866	36,732,670
Expenses:												
Program services-												
Crisis response	6,035,008	7,008						6,042,016			6,042,016	3,749,556
Mental health outpatient	19,055,084	51,407						19,106,491	(259,293)		18,847,198	14,931,800
Residential treatment	2,498,052							2,498,052			2,498,052	2,370,376
Housing	1,433,320	3,495		153,617	187,707	82,928	227,615	2,203,757	(16,328)		2,187,429	2,075,514
Inpatient	3,424,409							3,424,409			3,424,409	3,048,131
Children's hospital alternative program	1,941,737	14,704						1,956,441			1,956,441	1,702,919
Psychiatry	3,514,646	9,345						3,523,991			3,523,991	2,501,592
Other program services	1,859,709	3,703	563,107					2,426,519			2,426,519	1,448,849
Total program services	39,761,965	89,662	563,107	153,617	187,707	82,928	227,615	41,181,676	(275,621)		40,906,055	31,828,737
Supporting services-												
Management and general	5,678,907	47,033	51,380	11,202	11,294	16,208	16,137	5,837,377	(35,139)		5,802,238	4,403,927
Fundraising	275,405	2,626	77,855					355,886	(67,425)		288,461	244,415
Information services	1,235,429	2,553						1,237,982			1,237,982	703,547
Total supporting services	7,189,741	52,212	129,235	11,202	11,294	16,208	16,137	7,431,245	(102,564)		7,328,681	5,351,889
Total Expenses	46,951,706	141,874	692,342	164,819	199,001	99,136	243,752	48,612,921	(378,185)		48,234,736	37,180,626
Change in Net Assets From Unrestricted Operating Activities	(1,119,067)	(141,874)	152,769	(60,223)	(76,845)	18,264	(25,961)	(19,131)	(1,272,068)	5,198	(1,266,870)	(447,956)

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated Total 2015	Consolidated Total 2014
Unrestricted Nonoperating Activities												
Interest income	\$ 5,266	\$ 1	\$ -	\$ 195	\$ 163	\$ -	\$ -	\$ -	\$ 5,625	\$ (5,131)	\$ 494	\$ 1,162
Investment returns	15,088								15,088		15,088	8,582
Contributions and grants												268,097
Gain on sale of fixed assets	157,285								157,285		157,285	122,682
Contribution related to the acquisition of Not-for-Profit Entities	1,289,164							533,322	1,822,486		1,822,486	
Release of restricted net assets related to long-term assets	68,771		379,787			20,688			469,246		469,246	396,407
Change in Net Assets From Unrestricted Nonoperating Activities	1,535,574	1	379,787	195	163	20,688		533,322	2,469,730	(5,131)	2,464,599	796,930
Change in Unrestricted Net Assets	416,507	(141,873)	532,556	(60,028)	(76,682)	38,952	(25,961)	514,191	1,197,662	67	1,197,729	348,974
Temporarily Restricted Net Assets												
Contributions for program services	167,952		160,358						328,310		328,310	141,714
Contributed rent	380,655								380,655		380,655	
Investment returns	(27,160)								(27,160)		(27,160)	42,347
Unrealized investment gains												
Contributions for the acquisition of long-term assets			1,317						1,317		1,317	4,088
Release of restricted net assets	(82,209)		(442,959)			(20,688)			(545,856)		(545,856)	(457,170)
Change in Temporarily Restricted Net Assets	439,238		(281,284)			(20,688)			137,266		137,266	(269,021)
Permanently Restricted Net Assets												
Endowment contributions	5,232								5,232		5,232	
Change in Permanently Restricted Net Assets	5,232								5,232		5,232	
Change in Net Assets Before Noncontrolling Interest	860,977	(141,873)	251,272	(60,028)	(76,682)	18,264	(25,961)	514,191	1,340,160	67	1,340,227	79,953
Noncontrolling interest in net losses of subsidiaries										136,643	136,643	142,549
Change in Net Assets Excluding Noncontrolling Interest	\$ 860,977	\$ (141,873)	\$ 251,272	\$ (60,028)	\$ (76,682)	\$ 18,264	\$ (25,961)	\$ 514,191	\$ 1,340,160	\$ 136,710	\$ 1,476,870	\$ 222,502

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Crisis Response	Mental Health Outpatient	Residential Treatment	Housing	Inpatient	Children's Hospital Alternative Program	Psychiatry	Other Program Services	Total Program Services	Management and General	Information Services	Fundraising	Total Supporting Services	2015 Total	2014 Total
Salaries and wages	\$ 4,165,665	\$ 11,936,769	\$ 1,382,032	\$ 168,876	\$ 2,143,428	\$ 1,082,867	\$ 2,701,240	\$ 1,154,477	\$ 24,735,354	\$ 3,009,621	\$ 764,854	\$ 159,018	\$ 3,933,493	\$ 28,668,847	\$ 21,606,681
Pension plan contributions	119,752	339,315	41,407	3,924	52,743	24,439	95,427	33,705	710,712	105,948	24,940	4,272	135,160	845,872	662,242
Employee benefits	594,478	2,558,014	297,077	39,786	269,174	258,373	228,025	198,028	4,442,955	529,962	106,573	31,547	668,082	5,111,037	4,047,850
Payroll taxes	392,919	1,109,894	146,621	15,699	196,110	102,548	199,561	106,410	2,269,762	271,391	65,542	13,634	350,567	2,620,329	1,788,439
Total Salaries and Related Expenses	5,272,814	15,943,992	1,867,137	228,285	2,661,455	1,468,227	3,224,253	1,492,620	32,158,783	3,916,922	961,909	208,471	5,087,302	37,246,085	28,105,212
Accounting fees										271,093			271,093	271,093	166,861
Legal fees	3,727			13,777					17,504	299,909			299,909	317,413	225,879
Other professional fees	23,770	14,450	60,600	495,947	77,309	7,240	53,337	285,250	1,017,903	127,255	6,101	1,801	135,157	1,153,060	1,044,612
Advertising and marketing		797		363			79	412	1,651	2,101	76	13,796	15,973	17,624	7,270
Office expenses	190,907	417,842	197,177	39,597	166,722	26,602	37,856	102,229	1,178,932	197,424	191,989	29,331	418,744	1,597,676	1,389,569
Occupancy	215,377	1,013,127	202,386	829,081	293,509	38,745	117,475	266,732	2,976,432	298,082	44,321	9,769	352,172	3,328,604	2,306,458
Travel	76,170	263,493	7,185	15,301	2,450	67,812	5,560	19,491	457,462	60,112	4,375	3,371	67,858	525,320	456,487
Conferences, conventions and meetings	3,509	30,070	1,670	4,884	929	3,675	1,173	24,718	70,628	42,396	77	16,720	59,193	129,821	90,303
Depreciation and amortization	125,482	396,792	76,930	452,557	15,700	23,823	53,369	147,786	1,292,439	323,032	23,497	3,326	349,855	1,642,294	1,254,966
Client assistance	21,895	377,057	17,227	70,469	26,946	279,458	542	11,057	804,651	(475)			(475)	804,176	837,239
Bad debt	20,976	45,255	4,759	9,580	22,391	(3,548)	9,254	5,994	114,661	24,269			24,269	138,930	333,546
Employee recruitment	1,402	26,265	594		2,690	2,783	1,881	645	36,260	26,647	507	175	27,329	63,589	119,021
Insurance	77,527	284,474	44,804	2,826	37,395	37,523	23,669	22,568	530,786	74,713	1,264	426	76,403	607,189	576,787
Miscellaneous	8,460	33,584	17,583	24,762	116,913	4,101	(4,457)	47,017	247,963	138,758	3,866	1,275	143,899	391,862	266,416
Total Operating Expenses	\$ 6,042,016	\$ 18,847,198	\$ 2,498,052	\$ 2,187,429	\$ 3,424,409	\$ 1,956,441	\$ 3,523,991	\$ 2,426,519	\$ 40,906,055	\$ 5,802,238	\$ 1,237,982	\$ 288,461	\$ 7,328,681	\$ 48,234,736	\$ 37,180,626

See independent auditor's report.