



COMPASS HEALTH AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2017

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Independent Auditor's Report

**To the 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, 2017, 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 consolidated 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, 2017, 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 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 29 to 33 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 October 19, 2017 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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.

Clark Nuber P.C.

Certified Public Accountants
January 18, 2018

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Financial Position
 June 30, 2017
 (With Comparative Totals for 2016)

	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,800,487	\$ 4,334,746
Current portion of restricted deposits and funded reserves (Note 3)	970,430	
Deposits held in trust	1,009,532	673,563
Accounts receivable, net of allowance for doubtful accounts of \$19,285 (\$32,701 - 2016)	4,748,655	5,961,820
Grants and contracts receivable, net of allowance for doubtful amounts of \$22,743 (\$569 - 2016)	1,089,498	614,116
Current portion of facility contribution receivable (Note 12)		193,179
Other receivables	146,345	195,906
Prepaid expenses and other current assets	914,946	987,495
Total Current Assets	13,679,893	12,960,825
Restricted deposits and funded reserves, net of current portion (Note 3)	275,868	254,617
Investments (Notes 4 and 11)	828,927	749,540
Beneficial interest in trust	10,288	9,689
Property and equipment, net (Note 5)	24,441,883	25,246,415
Total Assets	\$ 39,236,859	\$ 39,221,086
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,798,619	\$ 1,014,901
Accrued liabilities	3,526,980	3,104,840
Current portion of deferred revenue (Note 1)	1,883,762	222,558
Deposits held in trust	1,009,532	673,563
Current portion of capital lease obligations (Note 12)	468,307	485,875
Line of credit (Note 7)	500,000	
Current portion of long-term debt (Note 7)	1,675,486	1,428,687
Total Current Liabilities	10,862,686	6,930,424
Deferred revenue, less current portion (Note 1)		1,725,589
Capital lease obligations, less current portion (Note 12)	415,448	698,569
Long-term debt, less current portion (Note 7)	5,559,591	6,070,980
Total Liabilities	16,837,725	15,425,562
Net Assets:		
Unrestricted-		
Controlling interest	17,311,998	18,015,504
Noncontrolling interest	1,525,548	1,695,807
Total unrestricted	18,837,546	19,711,311
Temporarily restricted (Note 8)	3,275,100	3,797,725
Permanently restricted (Note 11)	286,488	286,488
Total Net Assets	22,399,134	23,795,524
Total Liabilities and Net Assets	\$ 39,236,859	\$ 39,221,086

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating Activities					
Support, Revenue and Gains:					
Net patient service revenue	\$ 29,303,156	\$ -	\$ -	\$ 29,303,156	\$ 27,573,171
Capitation revenue	22,699,506			22,699,506	20,064,393
Contributions and grants	4,431,825	452,515		4,884,340	3,954,417
Meaningful use incentives					63,750
In-kind contributions	80,244			80,244	76,813
Rental revenue	1,461,516			1,461,516	1,443,679
Consultation revenue	83,050			83,050	79,795
Other	6,639			6,639	5,157
Total Operating Support, Revenue and Gains	58,065,936	452,515		58,518,451	53,261,175
Net assets released from restriction (Note 8)	505,376	(505,376)			
Total Operating Support, Revenue, Gains and Reclassifications	58,571,312	(52,861)		58,518,451	53,261,175
Expenses:					
Program services-					
Crisis response	9,548,659			9,548,659	7,992,214
Mental health outpatient	22,101,307			22,101,307	20,068,475
Residential treatment	3,287,524			3,287,524	2,823,077
Housing	2,160,652			2,160,652	2,084,884
Inpatient	3,904,007			3,904,007	3,531,999
Intensive outpatient	4,119,531			4,119,531	3,309,211
Psychiatry	3,973,162			3,973,162	3,676,845
Other program services	3,297,710			3,297,710	2,280,175
Total program services	52,392,552			52,392,552	45,766,880
Supporting services-					
Management and general	5,821,335			5,821,335	5,668,035
Information services	1,302,989			1,302,989	1,237,035
Fundraising	461,067			461,067	343,204
Total supporting services	7,585,391			7,585,391	7,248,274
Total Operating Expenses	59,977,943			59,977,943	53,015,154
Change in Net Assets From Operating Activities	(1,406,631)	(52,861)		(1,459,492)	246,021

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Nonoperating Activities					
Investment returns (Note 4)	\$ 10,186	\$ 22,992	\$ -	\$ 33,178	\$ 33,821
(Loss) gain on sale of fixed assets	(27,135)			(27,135)	428,087
Interest income	664			664	2,271
Change in Net Assets From Nonoperating Activities	(16,285)	22,992		6,707	464,179
Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses					
	(1,422,916)	(29,869)		(1,452,785)	710,200
Realized and unrealized investment gains (losses) (Note 4)		56,395		56,395	(47,135)
Release of restricted net assets related to long-term assets (Note 8)	549,151	(549,151)			
Total Change in Net Assets	(873,765)	(522,625)		(1,396,390)	663,065
Noncontrolling interest in net losses of subsidiaries	170,259			170,259	125,759
Total Change in Net Assets Excluding Noncontrolling Interest	\$ (703,506)	\$ (522,625)	\$ -	\$ (1,226,131)	\$ 788,824

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
	Controlling Interest	Noncontrolling Interest	Total				
Beginning of year, net assets	\$ 18,015,504	\$ 1,695,807	\$ 19,711,311	\$ 3,797,725	\$ 286,488	\$ 23,795,524	\$ 23,132,459
Change in net assets excluding noncontrolling interest	(703,506)		(703,506)	(522,625)		(1,226,131)	788,824
Change in net assets from noncontrolling interest		(170,259)	(170,259)			(170,259)	(125,759)
Total Change in Net Assets	(703,506)	(170,259)	(873,765)	(522,625)		(1,396,390)	663,065
End of Year Net Assets	\$ 17,311,998	\$ 1,525,548	\$ 18,837,546	\$ 3,275,100	\$ 286,488	\$ 22,399,134	\$ 23,795,524

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,396,390)	\$ 663,065
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	1,871,839	1,786,941
Debt issuance costs amortization	8,794	9,858
Facility contribution receivable	193,179	187,476
Realized and unrealized investment (gains) losses	(56,395)	47,135
Loss (gain) on sale of fixed assets	27,135	(428,087)
Changes in assets and liabilities:		
Accounts receivable	1,213,165	(689,477)
Grants and contracts receivable	(475,382)	124,320
Other receivables	49,561	(84,017)
Prepaid expenses and other assets	71,950	(142,255)
Accounts payable and accrued liabilities	1,279,739	38,890
Deferred revenue	(64,385)	467,176
Net Cash Provided by Operating Activities	2,722,810	1,981,025
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(1,163,609)	(2,057,406)
Proceeds from sale of fixed assets		769,256
Net deposits to restricted deposits and funded reserves	(991,681)	(9,907)
Purchases of investments	(1,381,938)	(106,325)
Proceeds from sale of investments	1,354,232	80,043
Net Cash Used by Investing Activities	(2,182,996)	(1,324,339)
Cash Flows From Financing Activities:		
Proceeds from capital lease obligations	227,753	1,006,501
Repayment of capital lease obligations	(528,442)	(380,209)
Proceeds from issuance of long-term debt	1,970,430	
Principal payments on long-term debt	(1,743,814)	(553,252)
Net Cash (Used) Provided by Financing Activities	(74,073)	73,040
Change in Cash and Cash Equivalents	465,741	729,726
Cash and Cash Equivalents:		
Beginning of year	4,334,746	3,605,020
End of Year	\$ 4,800,487	\$ 4,334,746
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 292,297	\$ 319,217
Fixed asset purchases included in accounts payable at year end	\$ 34,291	\$ 108,172
Acquisition of equipment under capital lease obligation	\$ 227,753	\$ 851,660

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

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 state charitable 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, 2017 (With Comparative Totals for 2016)

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. 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.

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, 2017 and 2016.

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.

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. Services are provided by a mental health professional, a peer counselor, and in some locations a chemical dependency professional. Triage facility services provide a 24-hour facility-based model 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 48 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, 2017 (With Comparative Totals for 2016)

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, 2017, Compass Health had 15 housing units; 167 beds throughout Snohomish, Skagit and Island counties. In addition, the Organization master leases 2 2-bedroom apartments in Oak Harbor, issued 134 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.

Intensive Outpatient - 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 programs serve individuals and families with complex needs who are at high risk of crisis and hospitalization, and utilizes a team approach. After hours response is provided first by the treatment team rather than the crisis system.

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, home health, 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 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, 2017 (With Comparative Totals for 2016)

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2016, 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's policy is to write off outstanding patient balances at the time that they are deemed uncollectible. As of June 30, 2017 and 2016, the Organization estimated the contractual adjustments on outstanding accounts receivable to be \$93,841 and \$569,438, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

Note 1 - Continued

Bond Issue Costs - Bond issue costs are recorded as a deduction to the related debt liability on the statement of financial position. Financing costs are amortized over the term of the applicable debt using the effective yield method. Amortization expense was \$8,794 and \$9,858 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, deferred revenue included \$1,725,589 received from the Behavioral Health Organization (BHO) as an advanced payment against the March 2018 contract activity and was provided to the Organization to offset the impact of the BHO 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, contributions and grants restricted for the acquisition of long-term assets, and other significant and unusual transactions to be nonoperating activities.

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).

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

Note 1 - Continued

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.

Capitation Revenue - The monthly capitation payments under agreements with the North Sound Behavioral Health Organization (NSBHO) to provide mental health services to subscribing participants are based on factors including costs and the number of participants, regardless of services actually performed by the Organization.

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, 2017 and 2016.

Concentrations - The Organization is partly funded under fee for service contracts with the BHO, organized as the North Sound Behavioral Health Organization (NSBHO), and other governmental agencies. As of and for the year ended June 30, 2017, receivables and revenues related to the BHO and other governmental agencies accounted for approximately 81 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, 2016, the same receivables and revenues related to the agencies accounted for approximately 90 percent and 95 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 accounts receivable from patients and third-party payors at June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
NSBHO	92%	92%
Other third party payors	700%	600%
Medicare	100%	100%
Medicaid		100%
	<u>100%</u>	<u>100%</u>

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.

Collective Bargaining - The Organization has negotiated a collective bargaining agreement (the Agreement) with the Service Employees International Union 1199NW which expires on March 31, 2019. Approximately 65 and 46 percent of the Organization's employees are covered under the Agreement during the years ended June 30, 2017 and 2016, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

Note 1 - Continued

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.

Change in Accounting Principle - During 2017, the Organization implemented the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2015-03 - *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 changes the accounting for debt issuance costs (bond issue costs) by requiring that such costs be reported on the statement of financial position as a direct deduction to the related debt liability. Previously, financing costs were reported as a deferred charge asset on the statement of financial position.

The Organization has restated the 2016 financial statements to conform to the 2017 presentation and as a result \$92,168 of unamortized bond issue costs were reclassified from capitalized costs to long-term debt on the statement of financial position as of June 30, 2016.

Subsequent Events - The Organization has evaluated subsequent events through January 18, 2018, the date on which the consolidated financial statements were available to be issued.

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:

NSBHO - The North Sound BHO 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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

Note 2 - Continued

Revenue from the NSBHO, Medicaid and Medicare programs accounted for approximately 97 percent and 95 percent of the Organization's net patient and capitation revenue for the years ended June 30, 2017 and 2016, 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 NSBHO 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>2017</u>	<u>2016</u>
Operating reserves	\$ 105,247	\$ 100,087
Capital reserves	170,621	154,530
Debt collateral reserve (Note 7)	<u>970,430</u>	
Total restricted deposits and funded reserves	1,246,298	254,617
Less current portion	<u>(970,430)</u>	
Total Restricted Deposits and Funded Reserves, Net of Current Portion	<u>\$ 275,868</u>	<u>\$ 254,617</u>

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

Note 4 - Continued

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, 2017 and 2016.

Fair values of assets measured on a recurring basis were as follows at June 30, 2017:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds-				
Domestic equity	\$ 343,548	\$ -	\$ -	\$ 343,548
International equity	128,681			128,681
Bonds	342,525			342,525
Total Mutual Funds at Fair Value	\$ 814,754	\$ -	\$ -	814,754
Money market				14,173
Total Investments at Fair Value				\$ 828,927

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

	2017	2016
Dividends and interest	\$ 33,178	\$ 33,821
Realized and unrealized investment gains (losses)	56,395	(47,135)
Total Investment Returns	\$ 89,573	\$ (13,314)

Note 5 - Property and Equipment

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

	2017	2016
Land	\$ 4,650,348	\$ 4,650,348
Leasehold improvements	2,062,372	1,789,871
Buildings and improvements	28,521,809	28,339,421
Projects in progress	758,630	581,901
Furniture and equipment	5,584,872	5,400,245
Vehicles	153,328	153,328
	41,731,359	40,915,114
Less accumulated depreciation	(17,289,476)	(15,668,699)
Total Property and Equipment, Net	\$ 24,441,883	\$ 25,246,415

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)**

Note 5 - Continued

Projects in progress at June 30, 2017 and 2016 consisted of various building and system improvement projects.

For the years ended June 30, 2017 and 2016, depreciation was \$1,871,839 and \$1,786,941, respectively.

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 \$22,425 and \$38,864 which are included in accrued liabilities in the consolidated statement of financial position at June 30, 2017 and 2016, respectively.

Note 7 - Long-Term Debt

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

	2017	2016
<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 3.02%, due monthly through May 21, 2022. The interest shall reset on May 21, 2018. 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. The Organization was not in compliance with the required debt service coverage ratio as of June 30, 2017. Subsequent to June 30, 2017, the Organization entered into an amendment to the loan agreement to remove the debt service coverage ratio requirement.	\$ 545,304	\$ 648,350
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 fixed interest of 5.367%. The note is collateralized by the Northstar Apartments. The note matured on December 1, 2016, at which time the balance was paid in full.		987,660
Note payable to a bank with a variable interest rate. Interest rate at June 30, 2017 was 3.50%. Principal payment is due upon maturity in November 2017. Collateralized with assignment of funded reserve held at Lender with a balance of \$970,430 at June 30, 2017.	970,430	

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)**

Note 7 - Continued

	<u>2017</u>	<u>2016</u>
<u>Compass Health (Continued):</u>		
Series 2012 Washington State Housing Finance Commission Revenue Bonds (privately placed) payable in monthly installments of \$3,436, including fixed interest at 2.94%, through July 1, 2017. The bonds are collateralized by energy efficiency improvements made on the Compass Health Baily Center. At June 30, 2017 principal payment is due upon demand.	359,414	389,597
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.	412,643	424,388
Note payable to a bank at a variable interest rate with payments that are variable based on the current interest rate. Interest rate and monthly payment at June 30, 2017, was 7.375% and \$3,492, respectively. The note matures June 2023 and is collateralized by the Alder Commons property. The Organization was not in compliance with the required debt service coverage ratio as of June 30, 2017. Subsequent to June 30, 2017, the Organization entered into an amendment to the loan agreement to remove the debt service coverage ratio requirement.	417,431	427,703
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.	244,000	250,444
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 property.	227,423	231,969
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.	142,285	144,345
Note payable to a bank in monthly payments of \$1,015, including interest at a variable rate (5.09% at June 30, 2017). The note matures April 2029. Collateralized by the 1604 I Street, Bellingham, WA 98225 property.	109,196	115,642

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)**

Note 7 - Continued

	<u>2017</u>	<u>2016</u>
<u>Compass Health (Continued):</u>		
Note payable to a bank in monthly payments of \$1,337, including interest at a variable rate (5.09% at June 30, 2017). The note matures April 2029. Collateralized by the 3645 E McLeod Rd, Bellingham, WA property.	144,185	152,670
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	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	65,047
Noninterest bearing note payable to the State of Washington. At June 30, 2017 principal payment is due upon demand. Collateralized by the 1604 I Street, Bellingham, WA property.	112,500	112,500
<u>Marysville Studio Apartments:</u>		
Note payable to Snohomish County that 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.	100,458	100,458
<u>Milwaukee Park Apartments:</u>		
Note payable to the Washington State 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

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

Note 7 - Continued

	<u>2017</u>	<u>2016</u>
<u>Child Advocacy Center of Snohomish County at Dawson Place:</u>		
Note payable, due March 11, 2023, payable \$5,863 per month, including interest fixed at 3.25% until May 2022 at which time the 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.	1,130,509	1,163,031
<u>Harmony House North:</u>		
Mortgage payable to the U.S. Department of Housing and Urban Development, due February 2032, payable \$4,843 per month, including interest fixed at 8.38%. Secured by the land and building.	489,891	506,228
<u>Mental Health Services of Snohomish County II:</u>		
Mortgage 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.	788,466	812,534
Total debt obligations	7,318,451	7,591,835
Less unamortized debt issuance costs	(83,374)	(92,168)
Less current portion	<u>(1,675,486)</u>	<u>(1,428,687)</u>
Total Debt, Net of Current Portion	<u>\$ 5,559,591</u>	<u>\$ 6,070,980</u>

Principal maturities of long-term debt are as follows:

For the Year Ending June 30,

2018	\$ 1,675,486
2019	250,512
2020	265,084
2021	280,722
2022	246,903
Thereafter	<u>4,599,744</u>
	<u>\$ 7,318,451</u>

The Organization has a \$1,250,000 line-of-credit with a financial institution which was extended to January 1, 2018 during the year. Borrowing under the line bears interest at the prime rate plus 0.4% (4.40% as of July 31, 2017) and is uncollateralized. The line-of-credit had an outstanding balance of \$500,000 at June 30, 2017 with no balance outstanding at June 30, 2016.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

Note 8 - Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Operating-		
Restricted for program services	\$ 502,137	\$ 369,910
Time restricted	20,900	16,500
Time restricted endowment accumulated earnings (Note 11)	542,439	463,052
Facility contribution receivable (Note 12)		193,179
Nonoperating-		
Secure the future	20,036	167,000
Acquisition of fixed assets	53,763	53,778
Forgivable loans (Note 9)	<u>2,135,825</u>	<u>2,534,306</u>
	<u>\$ 3,275,100</u>	<u>\$ 3,797,725</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>2017</u>	<u>2016</u>
Operating-		
Released for program expenses	\$ 295,697	\$ 240,280
Facility contribution receivable (Note 12)	193,179	187,476
Time restricted	<u>16,500</u>	<u>47,682</u>
Net Assets Released (Operating)	<u>\$ 505,376</u>	<u>\$ 475,438</u>
Nonoperating-		
Acquisition of fixed assets	\$ -	\$ 287,325
Secure the future	150,670	
Amortization of forgivable loans	<u>398,481</u>	<u>399,271</u>
Net Assets Released (Nonoperating)	<u>\$ 549,151</u>	<u>\$ 686,596</u>

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)**

Note 9 - Forgivable Loans

The Organization received forgivable loan proceeds of \$5,759,225 through the fiscal years ended June 30, 2017. 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, 2017, the Organization is in compliance with the restrictions.

	<u>2017</u>	<u>2016</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 the Alder Commons property.	\$ 460,885	\$ 477,955
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 the Alder Commons property.	110,575	120,477
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.	5,791	17,372
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 June 2050 provided the property is used to house the chronically mentally ill. Collateralized by the Haven House property.	129,000	133,000
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 property.	122,548	125,684

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)**

Note 9 - Continued

	<u>2017</u>	<u>2016</u>
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 property.	98,704	101,230
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 the Bailey property.	55,967	60,566
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 property.	72,838	74,702
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 property.	50,897	52,487
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 property.	51,545	52,817
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 property.	1,875	5,625
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 property.	46,148	48,903

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

Note 9 - Continued

	<u>2017</u>	<u>2016</u>
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 property.	43,001	44,467
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 property.	1,629	4,888
Capital advance from the Washington State Department of Commerce with an original amount totaling \$1,616,875. 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.	351,423	513,222
Capital advances from Snohomish County passed through from HUD with original amounts totaling \$974,000. The capital advance is noninterest bearing and is forgivable in December 2017 provided the property is continuously used as a child advocacy center.	72,574	217,722
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.	50,260	51,936
Capital advances from HUD with an original amount of \$760,500. Under the 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 April 1, 2036. The forgivable capital advances are secured by the property at those sites.	380,250	399,263

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

Note 9 - Continued

	<u>2017</u>	<u>2016</u>
Capital advance from the Washington State Department of Commerce with an original amount totaling \$83,000. Under the terms of the agreement, the facilities funded by these proceeds must be used to continue to provide housing for low income individuals for periods of time expiring through November 1, 2031. The forgivable capital advance is secured by the property at Harmony House North.	<u>29,915</u>	<u>31,990</u>
	<u>\$ 2,135,825</u>	<u>\$ 2,534,306</u>

Note 10 - Employee Benefit Plans

The Organization sponsors a 403(b) Tax Deferred Annuity plan (the 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 matched 100% of the first 1% of contributions made by the participants. Effective January 2017, the Organization matches 100% of the first 2% 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 \$1,075,004 and \$873,657 for the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016.

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

Note 11 - Continued

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.

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, 2017 and 2016, 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>2017 Total</u>	<u>2016 Total</u>
Endowment to Fund					
Operating Reserves	\$ -	\$ 542,439	\$ 286,488	\$ 828,927	\$ 749,540

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)**

Note 11 - Continued

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>2017 Total</u>	<u>2016 Total</u>
Endowment net assets beginning of year	\$ -	\$ 463,052	\$ 286,488	\$ 749,540	\$ 770,393
Investment returns		<u>79,387</u>		<u>79,387</u>	<u>(20,853)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 542,439</u>	<u>\$ 286,488</u>	<u>\$ 828,927</u>	<u>\$ 749,540</u>

Note 12 - Leases

Operating Lease - The Organization leases facilities under cancelable and noncancelable lease agreements. The facilities are mostly leased on a month-to-month basis with governmental and not-for-profit organizations. Future minimum lease payment under noncancelable leases are as follows:

For the Year Ending June 30,

2018	\$ 192,401
2019	172,733
2020	160,667
2021	137,668
2022	<u>100,263</u>
Total Minimum Future Rental Payments	<u>\$ 763,732</u>

For the years ended June 30, 2017 and 2016, rental expense under these arrangements was \$1,370,700 and \$534,439, respectively.

Capital Leases - The Organization acquired office equipment and software licenses under capital lease arrangements extending through 2021 with a combined capitalized cost and accumulated depreciation of \$1,245,934 and \$460,266, respectively at June 30, 2017.

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 leased items consist of items that were either previously capitalized or expensed by the Organization. As of June 30, 2017, fixed assets included those leased assets with a cost of \$263,604 and accumulated depreciation of \$158,161.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

Note 12 - Continued

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,

2018	\$	506,682
2019		250,154
2020		118,671
2021		<u>68,308</u>
Total minimum lease payments		943,815
Less amount representing interest		<u>(60,060)</u>
Present value of net minimum lease payments		883,755
Less current portion		<u>(468,307)</u>
	\$	<u><u>415,448</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. There was no facility contribution receivable at June 30, 2017. The facility contribution receivable, discounted to present value, recorded at June 30, 2016 was \$193,179.

SUPPLEMENTARY INFORMATION

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets
 June 30, 2017
 (With Comparative Totals for 2016)

	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 2017 Total	Consolidated 2016 Total
Assets												
Current Assets:												
Cash and cash equivalents	\$ 4,105,533	\$ 63,080	\$ 627,764	\$ (250)	\$ 1,237	\$ 1,273	\$ 757	\$ 1,093	\$ 4,800,487	\$ -	\$ 4,800,487	\$ 4,334,746
Current portion of restricted deposits and funded reserves	970,430								970,430		970,430	
Deposits held in trust	995,731	7,350		3,400	2,099	1,509	3,394	3,399	1,016,882	(7,350)	1,009,532	673,563
Accounts receivable, net	4,744,968					2,744	943		4,748,655		4,748,655	5,961,820
Grants and contracts receivable, net	1,036,759		117,620	2,560	2,786			6,035	1,165,760	(76,262)	1,089,498	614,116
Current portion of facility contribution receivable												193,179
Other receivables	140,231		18,900						159,131	(12,786)	146,345	195,906
Current portion of notes receivable	180,708								180,708	(180,708)		
Prepaid expenses and other current assets	1,121,741	12,641	30,967		521				1,165,870	(250,924)	914,946	987,495
Total Current Assets	13,296,101	83,071	795,251	5,710	6,643	5,526	5,094	10,527	14,207,923	(528,030)	13,679,893	12,960,825
Restricted deposits and funded reserves, net of current portion				64,790	78,742	81,398	32,968	17,970	275,868		275,868	254,617
Investments	828,927								828,927		828,927	749,540
Beneficial interest in trust	10,288								10,288		10,288	9,689
Property and equipment, net	12,946,053	1,933,296	3,754,932	1,333,213	2,455,696	497,282	534,875	986,536	24,441,883		24,441,883	25,246,415
Notes receivable, less current portion	689,693								689,693	(689,693)		
Inter-agency accounts	509,870								509,870	(509,870)		
Total Assets	\$ 28,280,932	\$ 2,016,367	\$ 4,550,183	\$ 1,403,713	\$ 2,541,081	\$ 584,206	\$ 572,937	\$ 1,015,033	\$ 40,964,452	\$ (1,727,593)	\$ 39,236,859	\$ 39,221,086

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Liabilities and Net Assets
 June 30, 2017
 (With Comparative Totals for 2016)

	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 2017 Total	Consolidated 2016 Total
Liabilities and Net Assets												
Current Liabilities:												
Accounts payable	\$ 1,716,087	\$ 781	\$ 51,042	\$ 128,639	\$ 106,855	\$ 11,926	\$ 87,503	\$ 41,328	\$ 2,144,161	\$ (345,542)	\$ 1,798,619	\$ 1,014,901
Accrued liabilities	3,502,088		3,062	26,433	2,269		5,914		3,539,766	(12,786)	3,526,980	3,104,840
Current portion of deferred revenue	1,881,797	250,924		98	494	92	1,139	142	2,134,686	(250,924)	1,883,762	222,558
Deposits held in trust	995,731	7,350		3,400	2,099	1,509	3,394	3,399	1,016,882	(7,350)	1,009,532	673,563
Current portion of capital lease obligations	468,307								468,307		468,307	485,875
Line of credit	500,000								500,000		500,000	
Current portion of long-term debt	1,597,788		33,612	98,220			26,326	17,760	1,773,706	(98,220)	1,675,486	1,428,687
Total Current Liabilities	10,661,798	259,055	87,716	256,790	111,717	13,527	124,276	62,629	11,577,508	(714,822)	10,862,686	6,930,424
Deferred revenue, less current portion												1,725,589
Capital lease obligations, less current portion	415,448								415,448		415,448	698,569
Long-term debt, less current portion	2,192,187		1,075,383	503,677	1,036,992	217,388	834,015	472,131	6,331,773	(772,182)	5,559,591	6,070,980
Total Liabilities	13,269,433	259,055	1,163,099	760,467	1,148,709	230,915	958,291	534,760	18,324,729	(1,487,004)	16,837,725	15,425,562
Net Assets and Equity:												
Unrestricted-												
Controlling interest	12,459,063	1,757,312	2,838,357			(77,219)	(385,354)	450,358	17,042,517	269,481	17,311,998	18,015,504
Noncontrolling interest										1,525,548	1,525,548	1,695,807
Total unrestricted	12,459,063	1,757,312	2,838,357			(77,219)	(385,354)	450,358	17,042,517	1,795,029	18,837,546	19,711,311
Temporarily restricted	2,265,948		548,727			430,510		29,915	3,275,100		3,275,100	3,797,725
Permanently restricted	286,488								286,488		286,488	286,488
Total net assets	15,011,499	1,757,312	3,387,084			353,291	(385,354)	480,273	20,604,105	1,795,029	22,399,134	23,795,524
Owners' equity				643,246	1,392,372				2,035,618	(2,035,618)		
Total Net Assets and Equity	15,011,499	1,757,312	3,387,084	643,246	1,392,372	353,291	(385,354)	480,273	22,639,723	(240,589)	22,399,134	23,795,524
Total Liabilities, Net Assets and Equity	\$ 28,280,932	\$ 2,016,367	\$ 4,550,183	\$ 1,403,713	\$ 2,541,081	\$ 584,206	\$ 572,937	\$ 1,015,033	\$ 40,964,452	\$ (1,727,593)	\$ 39,236,859	\$ 39,221,086

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	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 2017	Consolidated Total 2016
Operating Activities												
Unrestricted Public Support and Revenue:												
Net patient service revenue	\$ 29,303,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,303,156	\$ -	\$ 29,303,156	\$ 27,573,171
Capitation revenue	22,699,506								22,699,506		22,699,506	20,064,393
Contributions and grants	3,662,311		732,604		36,910				4,431,825		4,431,825	3,561,805
Meaningful use incentives												63,750
In-kind contributions	47,433		32,811						80,244		80,244	76,813
Rental revenue	596,738	155,202	195,042	114,746	77,938	130,226	208,445	151,367	1,629,704	(168,188)	1,461,516	1,443,679
Consultation revenue	593,661								593,661	(510,611)	83,050	79,795
Other			1,271			4,956	165	247	6,639		6,639	5,157
Total Unrestricted Support and Revenue	56,902,805	155,202	961,728	114,746	114,848	135,182	208,610	151,614	58,744,735	(678,799)	58,065,936	52,868,563
Net assets transfer												(34,065)
Net assets released from restriction	467,591		37,785						505,376		505,376	477,573
Total Unrestricted Support, Revenue, and Reclassifications	57,370,396	155,202	999,513	114,746	114,848	135,182	208,610	151,614	59,250,111	(678,799)	58,571,312	53,312,071
Expenses:												
Program services-												
Crisis response	9,554,747	7,882							9,562,629	(13,970)	9,548,659	7,992,214
Mental health outpatient	22,094,981	169,814							22,264,795	(163,488)	22,101,307	20,068,475
Residential treatment	3,287,524								3,287,524		3,287,524	2,823,077
Housing	1,501,992	4,838		158,989	217,213	67,991	186,170	115,854	2,253,047	(92,395)	2,160,652	2,084,884
Inpatient	3,904,007								3,904,007		3,904,007	3,531,999
Intensive outpatient	4,108,013	11,518							4,119,531		4,119,531	3,309,211
Psychiatry	3,988,744	15,549							4,004,293	(31,131)	3,973,162	3,676,845
Other program services	2,939,669	2,901	621,843						3,564,413	(266,703)	3,297,710	2,280,175
Total program services	51,379,677	212,502	621,843	158,989	217,213	67,991	186,170	115,854	52,960,239	(567,687)	52,392,552	45,766,880
Supporting services-												
Management and general	5,627,985	42,092	53,760	12,159	11,846	39,812	57,841	47,172	5,892,667	(71,332)	5,821,335	5,668,035
Information services	1,300,989	2,000							1,302,989		1,302,989	1,237,035
Fundraising	415,218	2,057	121,267						538,542	(77,475)	461,067	343,204
Total supporting services	7,344,192	46,149	175,027	12,159	11,846	39,812	57,841	47,172	7,734,198	(148,807)	7,585,391	7,248,274
Total Expenses	58,723,869	258,651	796,870	171,148	229,059	107,803	244,011	163,026	60,694,437	(716,494)	59,977,943	53,015,154
Change in Net Assets From Unrestricted Operating Activities	(1,353,473)	(103,449)	202,643	(56,402)	(114,211)	27,379	(35,401)	(11,412)	(1,444,326)	37,695	(1,406,631)	296,917

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	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 2017	Consolidated Total 2016
Unrestricted Nonoperating Activities												
Investment returns	\$ 10,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,186	\$ -	\$ 10,186	\$ 7,538
(Loss) gain on sale of fixed assets	(27,135)								(27,135)		(27,135)	428,087
Interest income	4,686	3		136	151				4,976	(4,312)	664	2,271
Contribution related to the acquisition of Not-for-Profit Entities												
Release of restricted net assets related to long-term assets	68,771		457,617			20,688		2,075	549,151		549,151	684,461
Change in Net Assets From Unrestricted Nonoperating Activities	56,508	3	457,617	136	151	20,688		2,075	537,178	(4,312)	532,866	1,122,357
Change in Unrestricted Net Assets	(1,296,965)	(103,446)	660,260	(56,266)	(114,060)	48,067	(35,401)	(9,337)	(907,148)	33,383	(873,765)	1,419,274
Temporarily Restricted Net Assets												
Contributions for program services	405,891		46,624						452,515		452,515	392,612
Investment returns	22,992								22,992		22,992	26,283
Realized and unrealized investment gains (losses)	56,395								56,395		56,395	(47,135)
Net assets transfer												34,065
Release of restricted net assets	(536,362)		(495,402)			(20,688)		(2,075)	(1,054,527)		(1,054,527)	(1,162,034)
Change in Temporarily Restricted Net Assets	(51,084)		(448,778)			(20,688)		(2,075)	(522,625)		(522,625)	(756,209)
Change in Net Assets Before Noncontrolling Interest	(1,348,049)	(103,446)	211,482	(56,266)	(114,060)	27,379	(35,401)	(11,412)	(1,429,773)	33,383	(1,396,390)	663,065
Noncontrolling interest in net losses of subsidiaries										170,259	170,259	125,759
Change in Net Assets Excluding Noncontrolling Interest	\$ (1,348,049)	\$ (103,446)	\$ 211,482	\$ (56,266)	\$ (114,060)	\$ 27,379	\$ (35,401)	\$ (11,412)	\$ (1,429,773)	\$ 203,642	\$ (1,226,131)	\$ 788,824

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Crisis Response	Mental Health Outpatient	Residential Treatment	Housing	Inpatient	Intensive Outpatient	Psychiatry	Other Program Services	Total Program Services	Management and General	Information Services	Fundraising	Total Supporting Services	2017 Total	2016 Total
Salaries and wages	\$ 6,453,149	\$ 14,044,636	\$ 1,871,568	\$ 172,646	\$ 2,719,428	\$ 2,563,243	\$ 2,621,688	\$ 1,107,654	\$ 31,554,012	\$ 2,884,524	\$ 826,468	\$ 208,127	\$ 3,919,119	\$ 35,473,131	\$ 31,410,934
Pension plan contributions	205,980	434,045	55,540	4,374	75,752	50,154	91,925	30,640	948,410	89,896	29,442	7,256	126,594	1,075,004	873,657
Employee benefits	1,007,362	2,971,281	408,989	44,557	357,937	573,669	240,524	232,906	5,837,225	536,394	121,861	31,331	689,586	6,526,811	5,599,252
Payroll taxes	569,755	1,206,526	185,937	15,891	232,671	233,023	183,816	95,875	2,723,494	227,168	67,836	17,687	312,691	3,036,185	2,653,751
Total Salaries and Related Expenses	8,236,246	18,656,488	2,522,034	237,468	3,385,788	3,420,089	3,137,953	1,467,075	41,063,141	3,737,982	1,045,607	264,401	5,047,990	46,111,131	40,537,594
Occupancy	255,423	1,312,268	277,572	682,403	188,260	101,281	150,435	954,285	3,921,927	244,910	53,389	15,118	313,417	4,235,344	3,205,094
Other professional fees	335,618	76,066	22,858	421,349	12,228	7,830	513,624	250,718	1,640,291	220,119	9,208	16,241	245,568	1,885,859	1,884,932
Depreciation and amortization	148,138	444,678	76,580	438,872	17,039	91,275	58,947	148,175	1,423,704	402,407	39,769	5,959	448,135	1,871,839	1,786,941
Office expenses	196,957	303,679	226,779	24,951	142,922	51,330	26,582	67,208	1,040,408	87,681	83,803	25,166	196,650	1,237,058	1,190,277
Client assistance	45,511	350,222	45,136	75,300	24,667	142,480	858,602	175,286	858,602	1,243	1,243	859,845	883,164	883,164	
Travel	105,897	287,258	10,117	19,213	2,784	177,222	10,507	20,351	633,349	29,922	3,474	3,440	36,836	670,185	612,302
Insurance	89,107	264,731	36,712	32,063	63,673	19,104	21,553	526,943	105,034	1,566	106,600	633,543	612,802	612,802	
Information technology	59,429	162,749	17,046	7,991	15,191	28,170	16,029	21,053	327,658	95,751	68,607	6,669	171,027	498,685	434,236
Accounting fees				34,049					34,049	393,263			393,263	427,312	403,074
Miscellaneous	9,742	23,700	8,235	17,439	19,958	5,394	6,164	48,598	139,230	194,907	475	52,557	247,939	387,169	306,533
Interest	14,734	104,747	5,657	162,361	3,628	4,737	9,372	44,565	349,801	20,506	(3,677)	653	17,482	367,283	402,386
Conferences, conventions and meetings	8,240	36,430	3,525	1,110	2,735	8,631	2,608	45,601	108,880	44,551	244	55,479	100,274	209,154	150,847
Legal fees		14		10,277				12,568	22,859	176,153			176,153	199,012	372,264
Employee recruitment	43,409	68,248	6,142	358	14,253	14,113	20,727	10,570	177,820	13,010	524	1,206	14,740	192,560	124,012
Bad debt	208	10,029	29,131	27,511	42,491	(464)	1,110	10,104	120,120	52,396		6,230	58,626	178,746	101,196
Advertising and marketing						3,770			3,770	1,500		7,948	9,448	13,218	7,500
Total Operating Expenses	\$ 9,548,659	\$ 22,101,307	\$ 3,287,524	\$ 2,160,652	\$ 3,904,007	\$ 4,119,531	\$ 3,973,162	\$ 3,297,710	\$ 52,392,552	\$ 5,821,335	\$ 1,302,989	\$ 461,067	\$ 7,585,391	\$ 59,977,943	\$ 53,015,154

See independent auditor's report.