

**ANNANDALE AT SUWANEE, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2015

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL REPORT JUNE 30, 2015

CONTENTS

Page

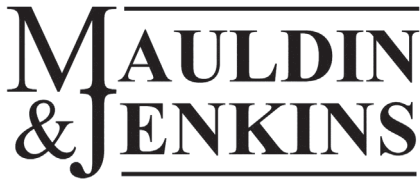
INDEPENDENT AUDITOR'S REPORT..... 1 and 2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of financial position..... 3
Consolidated statements of activities 4
Consolidated statements of cash flows 5
Notes to consolidated financial statements..... 6-18

SUPPLEMENTARY INFORMATION

Consolidated schedules of operating expenses 19
Consolidating statement of financial position – June 30, 2015 20
Consolidating statement of activities – June 30, 2015 21



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Annandale at Suwanee, Inc. and Affiliate
Suwanee, Georgia**

We have audited the accompanying consolidated financial statements of **Annandale at Suwanee, Inc.** (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Annandale at Suwanee, Inc. and Affiliate as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 19 to 21 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 financial statements or to the 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 financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 24, 2015

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

ASSETS		
	2015	2014
Current assets:		
Cash and cash equivalents - unrestricted	\$ 1,520,631	\$ 996,916
Cash and cash equivalents - temporarily restricted	552,177	911,230
Investments - unrestricted	4,331,123	4,442,839
Endowment investments - temporarily restricted	2,047,872	2,121,198
Fees and patient accounts receivable, less allowance for doubtful accounts of \$5,833 and \$833 for 2015 and 2014, respectively	380,608	429,400
Pledges receivable - unrestricted	27,226	-
Pledges receivable - temporarily restricted	58,932	121,782
Grant receivable	47,565	-
Prepaid expenses and other assets	41,568	46,028
Total current assets	9,007,702	9,069,393
Noncurrent assets:		
Cash, residents	306,255	261,407
Pledges receivable - temporarily restricted, net	-	-
Property and equipment, net	8,915,707	8,416,475
Endowment investments - permanently restricted	2,088,454	2,088,454
Total noncurrent assets	11,310,416	10,766,336
Total assets	\$ 20,318,118	\$ 19,835,729
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 474,809	\$ 362,211
Unearned fees	204,264	242,073
Total current liabilities	679,073	604,284
Noncurrent liabilities:		
Accounts payable, residents	75,962	77,107
Security deposits, residents	228,593	182,604
Total noncurrent liabilities	304,555	259,711
Total liabilities	983,628	863,995
NET ASSETS		
Unrestricted	14,587,055	13,729,070
Temporarily restricted	2,658,981	3,154,210
Permanently restricted	2,088,454	2,088,454
Total net assets	19,334,490	18,971,734
Total liabilities and net assets	\$ 20,318,118	\$ 19,835,729

See Notes to Consolidated Financial Statements.

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Fees and net patient service revenue	\$ 6,538,864	\$ -	\$ -	\$ 6,538,864	\$ 5,893,314	\$ -	\$ -	\$ 5,893,314
Contributions	107,137	721,656	-	828,793	175,738	896,384	-	1,072,122
Special events	225,750	-	-	225,750	204,453	-	-	204,453
Net realized and unrealized gains on investments	132,973	73,927	-	206,900	749,945	412,467	-	1,162,412
Donated materials and services	4,915	-	-	4,915	6,811	-	-	6,811
Interest income	4,919	-	-	4,919	2,135	-	-	2,135
Dividend income	143,439	48,465	-	191,904	124,305	46,710	-	171,015
Gain on disposal of property and equipment	2,451	-	-	2,451	5,813	-	-	5,813
Total revenues	<u>7,160,448</u>	<u>844,048</u>	<u>-</u>	<u>8,004,496</u>	<u>7,162,514</u>	<u>1,355,561</u>	<u>-</u>	<u>8,518,075</u>
Net assets released from restrictions:								
Satisfaction of program restrictions	1,339,277	(1,339,277)	-	-	573,417	(573,417)	-	-
Total revenues and other support	<u>8,499,725</u>	<u>(495,229)</u>	<u>-</u>	<u>8,004,496</u>	<u>7,735,931</u>	<u>782,144</u>	<u>-</u>	<u>8,518,075</u>
EXPENSES								
Programs	6,274,666	-	-	6,274,666	5,698,839	-	-	5,698,839
General and administrative	1,279,287	-	-	1,279,287	1,085,314	-	-	1,085,314
Fundraising	80,287	-	-	80,287	105,480	-	-	105,480
Bad debt expense	7,500	-	-	7,500	20,496	-	-	20,496
Total expenses	<u>7,641,740</u>	<u>-</u>	<u>-</u>	<u>7,641,740</u>	<u>6,910,129</u>	<u>-</u>	<u>-</u>	<u>6,910,129</u>
CHANGE IN NET ASSETS	857,985	(495,229)	-	362,756	825,802	782,144	-	1,607,946
NET ASSETS, BEGINNING	<u>13,729,070</u>	<u>3,154,210</u>	<u>2,088,454</u>	<u>18,971,734</u>	<u>12,903,268</u>	<u>2,372,066</u>	<u>2,088,454</u>	<u>17,363,788</u>
NET ASSETS, ENDING	<u>\$ 14,587,055</u>	<u>\$ 2,658,981</u>	<u>\$ 2,088,454</u>	<u>\$ 19,334,490</u>	<u>\$ 13,729,070</u>	<u>\$ 3,154,210</u>	<u>\$ 2,088,454</u>	<u>\$ 18,971,734</u>

See Notes to Consolidated Financial Statements.

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 362,756	\$ 1,607,946
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	593,037	577,242
Bad debt expense	2,500	19,663
Donated stock	(111,667)	-
Net realized and unrealized gains on investments	(186,580)	(1,161,494)
Changes in assets and liabilities:		
Decrease (increase) in fees and patient accounts receivable, net	41,292	(325,201)
Decrease in pledges receivable	35,624	67,973
Increase (decrease) in allowance for doubtful accounts	5,000	833
Increase in grant receivable	(47,565)	-
Decrease (increase) in prepaid expenses and other assets	4,460	41,066
(Decrease) increase in unearned fees	(37,809)	4,835
(Decrease) increase in accounts payable, residents	(1,145)	13,035
Increase in security deposits, residents	45,989	11,511
(Decrease) increase in accounts payable and accrued expenses	(24,702)	94,747
Net cash provided by operating activities	681,190	952,156
Cash flows from investing activities:		
Proceeds from sales of securities	2,567,442	1,268,573
Purchases of securities	(2,084,153)	(1,397,755)
Purchases of property and equipment	(954,969)	(520,612)
Net cash (used in) investing activities	(471,680)	(649,794)
Net change in cash and cash equivalents	209,510	302,362
Cash and cash equivalents, beginning of year	2,169,553	1,867,191
Cash and cash equivalents, end of year	\$ 2,379,063	\$ 2,169,553
Supplemental disclosure of cash flow information:		
Cash paid during the year:		
Interest	\$ -	\$ -
Supplemental schedule of non-cash investing activities:		
Construction in progress included in accounts payable	\$ 137,300	\$ 6,100

See Notes to Consolidated Financial Statements.

ANNANDALE AT SUWANEЕ, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Annandale at Suwanee, Inc. (the "Village") was incorporated in 1969 and operates as a residential village and 16 bed skilled nursing facility for mentally handicapped adults in Suwanee, Georgia. The Village is exempt from federal and state income taxes under 501(c)(3) of the Internal Revenue Code.

During the year ended June 30, 2011, The Annandale Foundation, Inc. (the "Foundation") was organized. Annandale at Suwanee, Inc. contributed \$7,270,499 to the Foundation. The contribution consisted of cash and unrestricted, temporarily restricted and permanently restricted investments. The primary purpose of the Foundation is to provide support and to carry out the purposes of the Village including investing the endowments for the Village.

Significant Accounting Policies:

Basis of Consolidation

The consolidated financial statements of Annandale at Suwanee, Inc. and Affiliate include the accounts of Annandale at Suwanee, Inc. and The Annandale Foundation, Inc. (collectively, the "Organization"). All significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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. Restricted funds received and released in the same fiscal year are considered unrestricted for purposes of the statement of activities.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies: (Continued)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Amortization of discounts is included in contribution revenue.

Donated Materials and Services

Donated materials and services are reflected as contributions in the accompanying statement of activities at their estimated values at the date of receipt. Donated service expense, which primarily represents labor and materials, is reflected under program services in the accompanying statement.

Advertising Costs

Advertising costs are charged to expense as they are incurred. Advertising costs amounted to \$14,678 and \$22,440 for the years ended June 30, 2015 and 2014, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash - Residents

The Organization is custodian of a bank account maintained for the residents. The Organization is the trustee for this account.

Unearned Fees

Unearned fees represent prepayment of residents' fees and is deferred and recorded as revenue in the year services are rendered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies: (Continued)

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts based on a review of the current status of existing receivables, historical collection experience and management's evaluation of the effect of existing economic conditions. Receivables are charged to the allowance account when deemed to be uncollectible. Bad debt expense was \$7,500 and \$20,496 for the years ended June 30, 2015 and 2014, respectively.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost on the date of purchase or the estimated fair market value on the date of contribution. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$500. Depreciation expense is provided on the straight-line method over the estimated useful lives of the assets as follows: land improvements, 10 to 20 years; buildings and furnishings, 3 to 40 years; and equipment and vehicles, 3 to 10 years.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from residents, third party payers, and others for services rendered.

Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of the settlement.

Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies: (Continued)

Fair Value Measurements

Assets and liabilities measured at fair value are recorded in accordance with FASB's *Fair Value Measurements*, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB's *Fair Value Measurements* establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs—Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs—Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Mutual funds: Valued at the net asset value of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Concentrations of Credit Risk

The Organization maintains cash and investments with major financial institutions. The Organization performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any financial institution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Organization accounts for uncertain tax positions in accordance with accounting standards that provide guidance on when uncertain tax positions are recognized in an entity's financial statements and how the values of these positions are determined. No liability has been recorded as of June 30, 2015 and 2014 due to uncertain tax positions.

NOTE 2. LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment at June 30, 2015 and 2014 consist of the following:

	June 30,	
	2015	2014
Land and improvements	\$ 953,958	\$ 843,966
Buildings and furnishings	13,739,426	13,677,298
Equipment and vehicles	731,236	709,348
Construction in progress	861,737	13,332
Accumulated depreciation	(7,370,650)	(6,827,469)
	<u>\$ 8,915,707</u>	<u>\$ 8,416,475</u>

Depreciation expense amounted to \$593,037 and \$577,242 for the years ended June 30, 2015 and 2014, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS

Investments are stated at fair value, which is determined based on quoted market prices and consist of the following at June 30, 2015 and 2014:

	June 30,	
	2015	2014
Mutual funds – managed investments	<u>\$ 8,467,449</u>	<u>\$ 8,652,491</u>

Investment return is summarized for June 30, 2015 and 2014 as follows:

	June 30,	
	2015	2014
Net realized and unrealized gains	<u>\$ 206,900</u>	<u>\$ 1,162,412</u>
Interest and dividend income	<u>196,823</u>	<u>173,150</u>
	<u>\$ 403,723</u>	<u>\$ 1,335,562</u>

Investment expenses incurred totaled \$51,318 and \$43,010 for the years ended June 30, 2015 and 2014, respectively.

During the year ended June 30, 2015, the Organization transferred investments to create an Agency Endowment Fund ("Fund") as a component fund of the Community Foundation for Northeast Georgia, Inc. ("Community Foundation"). The agreement granted variance power to the Community Foundation. Thus, the Fund is owned by the Community Foundation, and the Foundation has final authority and control over the disposition of the assets and earnings of the Fund. The total amount of the funds held at the Community Foundation at June 30, 2015 was \$976,360 and is included in the Endowment Investments balance on the Consolidated Statements of Financial Position.

Distributions from the Fund shall be made in accordance with the spending policies of the Community Foundation. Distributions in excess of the Foundation's spending policy may be made to the Organization in any year as determined by the Board of Directors of the Community Foundation in consultation with the Organization.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy described in Note 1, the Organization's assets measured at fair value on a recurring basis as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 1,762,513	\$ -	\$ -	\$ 1,762,513
Index funds	6,704,936	-	-	6,704,936
Total assets at fair value	\$ 8,467,449	\$ -	\$ -	\$ 8,467,449

The following table sets forth by level, within the fair value hierarchy described in Note 1, the Organization's assets measured at fair value on a recurring basis as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 2,350,321	\$ -	\$ -	\$ 2,350,321
Index funds	6,030,085	-	-	6,030,085
Commodities funds	272,085	-	-	272,085
Total assets at fair value	\$ 8,652,491	\$ -	\$ -	\$ 8,652,491

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	June 30,	
	2015	2014
Tuition assistance	\$ 2,047,872	\$ 2,121,198
Capital expenditures	1,249	1,249
Capital improvements	419,512	945,565
Landscaping	148,851	50,000
Day Program	10,000	25,000
Strategic Plan	5,000	5,000
Karate Program	7,740	-
Villager in Need	8,608	-
Special Olympics	1,243	443
Supplies	1,049	917
Villager Christmas fund	2,788	2,688
Micro – Enterprise	2,150	2,150
Other	2,919	-
	\$ 2,658,981	\$ 3,154,210

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2015 and 2014:

	June 30,	
	2015	2014
Tuition assistance	\$ 2,088,454	\$ 2,088,454

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2015 and 2014 by incurring expenses or acquiring capital assets satisfying the restricted purposes specified by donors as follows:

Purpose restrictions accomplished:

	June 30,	
	2015	2014
Scholarships and awards	\$ 295,718	\$ 53,587
Capital expenditures	-	4,176
Capital improvements	909,340	507,616
Landscaping	116,149	-
Day Program	15,000	-
Memorial Gardens	-	2,951
Karate Program	2,260	-
Special Olympics	741	1,687
Other	69	3,400
	\$ 1,339,277	\$ 573,417

NOTE 8. ENDOWMENTS

The Organization's endowments consist of approximately five individual funds established for a variety of purposes. Its endowments include donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,047,872	\$ 2,088,454	\$ 4,136,326
Total funds	\$ -	\$ 2,047,872	\$ 2,088,454	\$ 4,136,326

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,121,198	\$ 2,088,454	\$ 4,209,652
Investment return:				
Net investment income	-	48,465	-	48,465
Net appreciation (realized and unrealized)	-	73,927	-	73,927
Total investment return	-	122,392	-	122,392
Appropriation of endowment assets for expenditure	-	(195,718)	-	(195,718)
Endowment net assets, end of year	\$ -	\$ 2,047,872	\$ 2,088,454	\$ 4,136,326

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,121,198	\$ 2,088,454	\$ 4,209,652
Total funds	\$ -	\$ 2,121,198	\$ 2,088,454	\$ 4,209,652

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,715,608	\$ 2,088,454	\$ 3,804,062
Investment return:				
Net investment income	-	46,710	-	46,710
Net appreciation (realized and unrealized)	-	412,467	-	412,467
Total investment return	-	459,177	-	459,177
Appropriation of endowment assets for expenditure	-	(53,587)	-	(53,587)
Endowment net assets, end of year	\$ -	\$ 2,121,198	\$ 2,088,454	\$ 4,209,652

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets

Permanently Restricted Net Assets

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 2,088,454	\$ 2,088,454
Total endowment funds classified as permanently restricted net assets	\$ 2,088,454	\$ 2,088,454

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (Continued)

Temporarily Restricted Net Assets

	June 30,	
	2015	2014
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	\$ 2,047,872	\$ 2,121,198
Total endowment funds classified as temporarily restricted net assets	\$ 2,047,872	\$ 2,121,198

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 UPMIFA requires the Organization to retain as a fund for perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2015 and 2014.

Return Objective and Risk Parameters

The Organization has adopted investment and spending policies for which endowment funds shall be invested in a manner and in such investments, which, in the opinion of the Finance and Investment Committee (the "Committee"), as are most likely to produce an annual return equal to five (5%) percent of the endowment fund value, plus an amount equal to the annualized rate of inflation or Consumer Price Index according to the Bureau of Labor Statistics of the United States of America, averaged over a 4 year period subject to economic conditions as measured by and compared to (equities, the S & P 500 Comp Index and fixed income investments, Lehman Brothers intermediate term index).

Strategies Employed for Achieving Objectives

The Committee understands that investment returns are volatile. It believes that by using alternative asset classes, a total portfolio can be created by which yields adequate returns with reduced volatility. The design of such a portfolio is best achieved by combining academic theory, historical experience and informed market judgment.

The Committee will review, on a periodic basis, asset allocation mixes as recommended by the Endowment Advisory Council or any approved portfolio or investment advisor.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. RELATED PARTY TRANSACTIONS

The Organization is reimbursed by Annandale Apartments, Inc., a related party, related by a common board of directors, for operating expenses paid on Annandale Apartments, Inc.'s behalf and an administration fee. The fees were \$6,158 for each of the years ended June 30, 2015 and 2014. Receivables due from Annandale Apartments, Inc. were \$21,766 and \$16,885 as of June 30, 2015 and 2014, respectively. During the year ended June 30, 2015, the Organization also received \$4,200 in rental income from Annandale Apartments, Inc. for space used in performing resident assessments.

NOTE 10. SIMPLE IRA PLAN

The Organization sponsors a simple IRA retirement plan covering substantially all employees. Under the plan, the Organization matches 100% of the participant's deferral, up to the first 3% of wages deferred by the participant. The Organization's expense related to the plan was \$72,928 and \$66,990 for the years ended June 30, 2015 and 2014, respectively.

NOTE 11. DEFERRED COMPENSATION AGREEMENTS

On September 1, 2013, the Organization entered into deferred compensation agreements with the Chief Executive Officer and the Chief Financial Officer. For each calendar year beginning January 1, 2013 and ending December 31, 2022, the Organization will make an annual contribution provided the Participant has been employed during the entire calendar year. Expenses of \$6,478 were incurred related to these agreements for the year ended June 30, 2015. No expense related to the agreements was incurred for the year ended June 30, 2014. At June 30, 2015, only the deferred compensation agreement with the Chief Executive Officer remained in place due to the departure of the Chief Financial Officer.

NOTE 12. LINE OF CREDIT

In March 2015, Annandale at Suwanee, Inc. established a \$1,000,000 line of credit with a bank. The note requires monthly payments of interest only at 2.93% and requires annual principal payments equal to 20% of the principal balance as of 4/5/2016. The note matures on April 5, 2021. The notes is guaranteed by the Annandale Foundation, Inc. As of June 30, 2015, no amounts have been drawn on the line of credit.

NOTE 13. COMMITMENTS

In January 2015 the Organization entered into an agreement with a vendor to construct a new building. The estimated commitment at June 30, 2015 is \$1,339,910.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 24, 2015, the date which the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

CONSOLIDATED SCHEDULES OF OPERATING EXPENSES YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Advertising	\$ 14,678	\$ 22,440
Bad debt	7,500	20,496
Bank service charges	3,763	5,203
Casual labor	244,596	110,756
Computer hardware and software	7,824	11,855
Computer processing service	57,367	28,865
Consultants	89,488	87,987
Depreciation	593,037	577,242
Donations	2,225	1,520
Dues and subscriptions	31,702	30,926
Endowment development	51,318	43,010
Food purchases	274,316	274,131
Gasoline	20,600	23,850
HVAC	9,487	16,993
Inspection and testing	9,629	12,748
Insurance	502,127	399,280
Meetings and shows	2,358	2,641
Miscellaneous	5,647	7,841
Personnel costs	9,813	7,891
Professional fees	76,207	57,114
Recruitment	33,376	47,581
Rental	3,000	-
Repairs and maintenance:		
Auto	11,730	10,802
Building	53,689	49,291
Equipment	30,647	39,789
Landscaping	30,874	45,246
Retirement plan	72,928	66,990
Salaries	4,389,283	3,947,326
Security service	4,000	4,000
Special events	106,697	128,796
Supplies:		
Arts and crafts	3,258	1,797
Farm	3,946	4,106
Janitorial	104,139	97,205
Kitchen	20,215	22,360
Miscellaneous	17,992	35,287
Medical	96,701	76,853
Office	36,356	34,773
Workshop	2,809	2,207
Taxes and licenses	6,062	5,381
Therapies	199,271	186,659
Travel	16,162	9,163
Utilities	375,857	343,950
Web design	9,066	7,778
	\$ 7,641,740	\$ 6,910,129

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

ASSETS	Annandale at Suwanee, Inc.	The Annandale Foundation, Inc.	Eliminations	Total
Current assets:				
Cash and cash equivalents - unrestricted	\$ 815,940	\$ 704,691	\$ -	\$ 1,520,631
Cash and cash equivalents - temporarily restricted	552,177	-	-	552,177
Investments - unrestricted	-	4,331,123	-	4,331,123
Endowment investments - temporarily restricted	-	2,047,872	-	2,047,872
Fees and patient accounts receivable, net	380,608	-	-	380,608
Pledges receivable - unrestricted	27,226	-	-	27,226
Pledges receivable - temporarily restricted	308,932	-	(250,000)	58,932
Grant Receivable	47,565	-	-	47,565
Prepaid expenses and other assets	41,568	-	-	41,568
Total current assets	<u>2,174,016</u>	<u>7,083,686</u>	<u>(250,000)</u>	<u>9,007,702</u>
Noncurrent assets:				
Cash, residents	306,255	-	-	306,255
Property and equipment, net	8,915,707	-	-	8,915,707
Endowment investments - permanently restricted	-	2,088,454	-	2,088,454
Total noncurrent assets	<u>9,221,962</u>	<u>2,088,454</u>	<u>-</u>	<u>11,310,416</u>
Total assets	<u>\$ 11,395,978</u>	<u>\$ 9,172,140</u>	<u>\$ (250,000)</u>	<u>\$ 20,318,118</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 474,724	\$ 250,085	(250,000)	\$ 474,809
Unearned fees	204,264	-	-	204,264
Total current liabilities	<u>678,988</u>	<u>250,085</u>	<u>(250,000)</u>	<u>679,073</u>
Noncurrent liabilities:				
Accounts payable, residents	75,962	-	-	75,962
Security deposits, residents	228,593	-	-	228,593
Total noncurrent liabilities	<u>304,555</u>	<u>-</u>	<u>-</u>	<u>304,555</u>
Total liabilities	<u>983,543</u>	<u>250,085</u>	<u>(250,000)</u>	<u>983,628</u>
NET ASSETS				
Unrestricted	9,801,326	4,785,729	-	14,587,055
Temporarily restricted	611,109	2,047,872	-	2,658,981
Permanently restricted	-	2,088,454	-	2,088,454
Total net assets	<u>10,412,435</u>	<u>8,922,055</u>	<u>-</u>	<u>19,334,490</u>
Total liabilities and net assets	<u>\$ 11,395,978</u>	<u>\$ 9,172,140</u>	<u>\$ (250,000)</u>	<u>\$ 20,318,118</u>

ANNANDALE AT SUWANEE, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	ANNANDALE AT SUWANEE, INC.			THE ANNANDALE FOUNDATION, INC.			ELIMINATIONS			CONSOLIDATED			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT													
Fees and net patient service revenue	\$ 6,538,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,538,864	\$ -	\$ -	\$ 6,538,864
Contributions	622,809	621,656	-	11,667	100,000	-	(627,339)	-	-	107,137	721,656	-	828,793
Special events	225,750	-	-	132,973	73,927	-	-	-	-	225,750	-	-	225,750
Net realized and unrealized gains on investments	4,915	-	-	-	-	-	-	-	-	132,973	73,927	-	206,900
Donated materials and services	4,868	-	-	51	-	-	-	-	-	4,915	-	-	4,915
Interest income	-	-	-	143,439	48,465	-	-	-	-	143,439	48,465	-	191,904
Dividend income	-	-	-	-	-	-	-	-	-	2,451	-	-	2,451
Gain on disposal of property and equipment	-	-	-	-	-	-	(627,339)	-	-	7,160,448	844,048	-	8,004,496
Total revenues	7,395,657	621,656	-	285,130	222,392	-	(627,339)	-	-	7,160,448	844,048	-	8,004,496
Net assets released from restrictions:													
Satisfaction of program restrictions	1,043,559	(1,043,559)	-	295,718	(295,718)	-	-	-	-	1,339,277	(1,339,277)	-	-
Total revenues and other support	8,443,216	(421,903)	-	583,848	(73,326)	-	(627,339)	-	-	8,499,725	(495,229)	-	8,004,496
EXPENSES													
Programs	6,274,666	-	-	627,339	-	-	(627,339)	-	-	6,274,666	-	-	6,274,666
General and administrative	1,222,234	-	-	57,063	-	-	-	-	-	1,279,297	-	-	1,279,297
Fundraising	80,287	-	-	-	-	-	-	-	-	80,287	-	-	80,287
Bad debt expense	7,500	-	-	-	-	-	-	-	-	7,500	-	-	7,500
Total expenses	7,584,687	-	-	584,392	-	-	(627,339)	-	-	7,641,740	-	-	7,641,740
CHANGE IN NET ASSETS	866,529	(421,903)	-	(544)	(73,326)	-	-	-	-	857,985	(495,229)	-	362,756
NET ASSETS, BEGINNING	9,942,797	1,033,012	-	4,786,273	2,121,198	2,086,454	-	-	-	13,726,070	3,154,210	2,086,454	18,971,734
NET ASSETS, ENDING	9,901,326	611,109	-	4,785,729	2,047,872	2,086,454	-	-	-	14,587,055	2,659,981	2,086,454	19,334,490