

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

CONSOLIDATED FINANCIAL REPORT

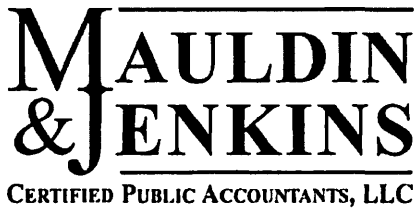
JUNE 30, 2013

ANNANDALE AT SUWANEЕ, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL REPORT JUNE 30, 2013

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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, 2013 and 2012, 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, 2013 and 2012, and the changes in its net assets and its 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
December 16, 2013

ANNANDALE AT SUWANEЕ, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2013 AND 2012

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents - unrestricted	\$ 1,163,631	\$ 2,010,004
Cash and cash equivalents - temporarily restricted	466,703	786,234
Investments - unrestricted	3,557,753	2,931,736
Endowment investments - temporarily restricted	1,715,608	1,494,915
Fees and patient accounts receivable, less allowance for doubtful accounts of \$ - and \$3,854 for 2013 and 2012, respectively	124,695	135,805
Pledges receivable - temporarily restricted	133,199	113,387
Prepaid expenses and other assets	87,094	82,661
Total current assets	7,248,683	7,554,742
Noncurrent assets:		
Cash, residents	236,857	248,919
Pledges receivable - temporarily restricted, net	56,556	150,710
Property and equipment, net	8,473,105	7,260,097
Endowment investments - permanently restricted	2,088,454	2,088,454
Total noncurrent assets	10,854,972	9,748,180
Total assets	\$ 18,103,655	\$ 17,302,922
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current obligations under capital lease	\$ -	\$ 4,121
Accounts payable and accrued expenses	267,464	352,340
Unearned fees	237,238	218,999
Total current liabilities	504,702	575,460
Noncurrent liabilities:		
Accounts payable, residents	64,072	76,128
Security deposits, residents	171,093	171,097
Total noncurrent liabilities	235,165	247,225
Total liabilities	739,867	822,685
NET ASSETS		
Unrestricted	12,903,268	11,846,537
Temporarily restricted	2,372,066	2,545,246
Permanently restricted	2,088,454	2,088,454
Total net assets	17,363,788	16,480,237
Total liabilities and net assets	\$ 18,103,655	\$ 17,302,922

See Notes to Consolidated Financial Statements.

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Fees and net patient service revenue	\$ 4,879,692	\$ -	\$ -	\$ 4,879,692	\$ 4,724,797	\$ -	\$ -	\$ 4,724,797
Contributions	173,198	769,230	-	942,428	79,228	842,606	-	921,834
Special events	157,084	-	-	157,084	247,762	-	-	247,762
Net realized and unrealized gains (losses) on investments	406,942	226,057	-	632,999	(92,286)	19,417	-	(72,869)
Donated materials and services	3,564	-	-	3,564	49,711	-	-	49,711
Interest income	2,025	-	-	2,025	3,873	-	-	3,873
Dividend income	115,601	44,579	-	160,180	163,231	-	-	163,231
Gain on involuntary conversion of building and equipment	-	-	-	-	8,203	-	-	8,203
Total revenues	5,738,106	1,039,866	-	6,777,972	5,184,519	862,023	-	6,046,542
Net assets released from restrictions:								
Satisfaction of program restrictions	1,213,046	(1,213,046)	-	-	474,550	(474,550)	-	-
Total revenues and other support	6,951,152	(173,180)	-	6,777,972	5,659,069	387,473	-	6,046,542
EXPENSES								
Programs	4,660,111	-	-	4,660,111	4,757,016	-	-	4,757,016
General and administrative	1,129,306	-	-	1,129,306	828,705	-	-	828,705
Special events	69,350	-	-	69,350	88,734	-	-	88,734
Bad debt expense	35,654	-	-	35,654	5,000	-	-	5,000
Total expenses	5,894,421	-	-	5,894,421	5,679,455	-	-	5,679,455
CHANGE IN NET ASSETS	1,056,731	(173,180)	-	883,551	(20,386)	387,473	-	367,087
NET ASSETS, BEGINNING	11,846,537	2,545,246	2,088,454	16,480,237	11,866,923	2,157,773	2,088,454	16,113,150
NET ASSETS, ENDING	\$ 12,903,268	\$ 2,372,066	\$ 2,088,454	\$ 17,363,788	\$ 11,846,537	\$ 2,545,246	\$ 2,088,454	\$ 16,480,237

See Notes to Consolidated Financial Statements.

ANNANDALE AT SUWANEЕ, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 883,551	\$ 367,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	510,570	497,865
Realized and unrealized (gain) loss on investments	(632,999)	72,869
Changes in assets and liabilities:		
Decrease in fees and patient accounts receivable, net	14,964	27,414
Decrease (increase) in pledges receivable	74,342	(264,097)
(Decrease) increase in allowance for doubtful accounts	(3,854)	2,197
(Increase) decrease in prepaid expenses and other assets	(4,433)	28,602
Increase (decrease) in unearned fees	18,239	(28,242)
(Decrease) increase in accounts payable, residents	(12,056)	7,065
(Decrease) increase in security deposits, residents	(4)	18,093
(Decrease) in accounts payable and accrued expenses	(84,876)	(40,966)
Net cash provided by operating activities	763,444	687,887
Cash flows from investing activities:		
Proceeds from sales of securities	1,073,345	1,054,821
Purchases of securities	(1,287,056)	(779,038)
Purchases of fixed assets	(1,723,578)	(312,367)
Net cash (used in) investing activities	(1,937,289)	(36,584)
Cash flows from financing activities:		
Repayment of capital lease obligation	(4,121)	(5,299)
Net cash (used in) financing activities	(4,121)	(5,299)
Net change in cash and cash equivalents	(1,177,966)	646,004
Cash and cash equivalents, beginning of year	3,045,157	2,399,153
Cash and cash equivalents, end of year	\$ 1,867,191	\$ 3,045,157
Supplemental disclosure of cash flow information:		
Cash paid during the year:		
Interest	\$ 152	\$ 533
Supplemental schedule of non-cash investing activities:		
Construction in progress included in accounts payable	\$ -	\$ 143,226

See Notes to Consolidated Financial Statements.

ANNANDALE AT SUWANEE, 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 they be 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 \$11,966 and \$8,612 for the years ended June 30, 2013 and 2012, 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 \$35,654 and \$5,000 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012.

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, 2013 and 2012 due to uncertain tax positions. The Organization's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

NOTE 2. PLEDGES RECEIVABLE

At June 30, 2013 and 2012, pledges receivable consisted of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Expected future cash flow before discount from:		
Capital Campaign receivables	\$ 193,199	\$ 275,023
Less unamortized discount	<u>(3,444)</u>	<u>(10,926)</u>
Net pledges receivable	<u>\$ 189,755</u>	<u>\$ 264,097</u>
Amounts due in:		
Less than one year	\$ 133,199	\$ 113,387
One to three years	56,556	150,710
Total	<u>\$ 189,755</u>	<u>\$ 264,097</u>

A discount rate of 3% was used as the risk-free interest rate for pledges receivable at June 30, 2013 and 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment at June 30, 2013 and 2012 consist of the following:

	June 30,	
	2013	2012
Land and improvements	\$ 811,975	\$ 807,509
Buildings and furnishings	13,713,637	11,777,284
Equipment and vehicles	778,707	748,085
Construction in progress	49,346	427,693
Accumulated depreciation	(6,880,560)	(6,500,474)
	\$ 8,473,105	\$ 7,260,097

Depreciation expense amounted to \$510,570 and \$497,865 for the years ended June 30, 2013 and 2012, respectively.

NOTE 4. INVESTMENTS

Investments are stated at fair value, which is determined based on quoted market prices and consist of the following at June 30, 2013 and 2012:

	June 30,	
	2013	2012
Mutual funds – managed investments	\$ 7,361,815	\$ 6,515,105

Investment return is summarized for June 30, 2013 and 2012 as follows:

	June 30,	
	2013	2012
Net realized and unrealized gains (losses)	\$ 632,999	\$ (72,869)
Interest and dividend income	162,205	167,104
	\$ 795,204	\$ 94,235

Investment expenses incurred totaled \$39,207 and \$35,510 for the years ended June 30, 2013 and 2012, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. 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, 2013:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 1,752,465	\$ -	\$ -	\$ 1,752,465
Index funds	5,349,095	-	-	5,349,095
Commodities funds	260,255	-	-	260,255
Total assets at fair value	<u>\$ 7,361,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,361,815</u>

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, 2012:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 2,025,768	\$ -	\$ -	\$ 2,025,768
Index funds	4,237,153	-	-	4,237,153
Commodities funds	252,184	-	-	252,184
Total assets at fair value	<u>\$ 6,515,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,515,105</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	June 30,	
	2013	2012
Tuition assistance	\$ 1,715,608	\$ 1,494,915
Capital expenditures	5,425	4,425
Capital improvements	638,197	1,025,637
Memorial gardens	2,951	3,035
Special Olympics	730	558
Supplies	1,773	3,058
Villager Christmas fund	2,688	2,688
Micro – Enterprise	4,694	10,930
	<u>\$ 2,372,066</u>	<u>\$ 2,545,246</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2013 and 2012:

	June 30,	
	2013	2012
Tuition assistance	\$ 2,088,454	\$ 2,088,454

NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2013 and 2012 by incurring expenses or acquiring capital assets satisfying the restricted purposes specified by donors as follows:

Purpose restrictions accomplished:

	June 30,	
	2013	2012
Scholarships and awards	\$ 49,943	\$ 49,426
Capital improvements	-	7,254
Capital expenditures	1,154,941	409,710
Memorial Gardens	83	550
Other	7,521	7,610
Special Olympics	558	-
	\$ 1,213,046	\$ 474,550

NOTE 9. ENDOWMENTS

The Organization's endowments consist of approximately 5 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 9. 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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,715,608	\$ 2,088,454	\$ 3,804,062
Total funds	<u>\$ -</u>	<u>\$ 1,715,608</u>	<u>\$ 2,088,454</u>	<u>\$ 3,804,062</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,494,915	\$ 2,088,454	\$ 3,583,369
Investment return:				
Net investment income	-	44,579	-	44,579
Net appreciation (realized and unrealized)	-	226,057	-	226,057
Total investment return	-	270,636	-	270,636
Appropriation of endowment assets for expenditure	-	(49,943)	-	(49,943)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,715,608</u>	<u>\$ 2,088,454</u>	<u>\$ 3,804,062</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,494,915	\$ 2,088,454	\$ 3,583,369
Total funds	<u>\$ -</u>	<u>\$ 1,494,915</u>	<u>\$ 2,088,454</u>	<u>\$ 3,583,369</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,524,924	\$ 2,088,454	\$ 3,162,700
Investment return:				
Net investment income	-	47,413	-	47,413
Net depreciation (realized and unrealized)	-	(27,996)	-	(27,996)
Total investment return	-	19,417	-	19,417
Appropriation of endowment assets for expenditure	-	(49,426)	-	(49,426)
Endowment net assets, end of year	\$ -	\$ 1,494,915	\$ 2,088,454	\$ 3,583,369

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

Permanently Restricted Net Assets

	June 30,	
	2013	2012
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 9. ENDOWMENTS (Continued)

Temporarily Restricted Net Assets

	June 30,	
	<u>2013</u>	<u>2012</u>
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	\$ <u>1,715,608</u>	\$ <u>1,494,915</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>1,715,608</u>	\$ <u>1,494,915</u>

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, 2013 and 2012.

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 10. 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, 2013 and 2012. Receivables due from Annandale Apartments, Inc. were \$22,632 and \$9,096 as of June 30, 2013 and 2012, respectively.

NOTE 11. 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 \$61,301 and \$58,404 for the years ended June 30, 2013 and 2012, respectively.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through December 16, 2013, 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, 2013 AND 2012**

	2013	2012
Advertising	\$ 11,966	\$ 8,612
Bad debt	35,654	5,000
Bank service charges	4,236	1,208
Casual labor	60,567	19,771
Computer hardware and software	1,204	6,061
Computer processing service	20,041	19,393
Consultants	107,304	115,895
Depreciation	510,570	497,865
Donations	535	5,477
Dues and subscriptions	20,415	19,968
Endowment development	39,207	35,510
Food purchases	257,342	244,323
Gasoline	24,051	24,111
HVAC	13,786	5,029
Inspection and testing	8,532	3,487
Insurance	360,835	376,310
Interest	152	533
Meetings and shows	4,427	2,675
Miscellaneous	10,546	52,772
Personnel costs	15,289	14,636
Professional fees	43,096	44,762
Recruitment	59,355	30,040
Repairs and maintenance:		
Auto	10,015	11,875
Building	42,013	32,031
Equipment	34,015	41,643
Landscaping	41,754	34,062
Retirement plan	61,301	58,404
Salaries	3,379,545	3,301,220
Security service	4,000	4,000
Special events	95,909	88,734
Supplies:		
Arts and crafts	2,962	1,022
Farm	5,680	5,310
Janitorial	89,951	83,652
Kitchen	18,888	15,376
Miscellaneous	7,034	9,832
Medical	55,063	57,807
Office	30,423	23,825
Workshop	333	74.00
Taxes and licenses	30,285	5,202
Therapies	35,442	40,717
Travel	6,558	6,512
Utilities	332,521	322,679
Web design	1,619	2,040
	<u>\$ 5,894,421</u>	<u>\$ 5,679,455</u>

ANNANDALE AT SUWANEE, INC. AND AFFILIATE

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

ASSETS	Annandale at Suwanee, Inc.	The Annandale Foundation, Inc.	Eliminations	Total
Current assets:				
Cash and cash equivalents - unrestricted	\$ 760,540	\$ 403,091	\$ -	\$ 1,163,631
Cash and cash equivalents - temporarily restricted	466,703	-	-	466,703
Investments - unrestricted	-	3,557,753	-	3,557,753
Endowment investments - temporarily restricted	-	1,715,608	-	1,715,608
Fees and patient accounts receivable	124,695	-	-	124,695
Pledges receivable - temporarily restricted	133,199	200,000	(200,000)	133,199
Prepaid expenses and other assets	87,094	-	-	87,094
Total current assets	1,572,231	5,876,452	(200,000)	7,248,683
Noncurrent assets:				
Cash, residents	236,857	-	-	236,857
Pledges receivable - temporarily restricted, net	56,556	-	-	56,556
Property and equipment, net	8,473,105	-	-	8,473,105
Endowment investments - permanently restricted	-	2,088,454	-	2,088,454
Total noncurrent assets	8,766,518	2,088,454	-	10,854,972
Total assets	\$ 10,338,749	\$ 7,964,906	\$ (200,000)	\$ 18,103,655
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 465,664	\$ 1,800	(200,000)	\$ 267,464
Unearned fees	237,238	-	-	237,238
Total current liabilities	702,902	1,800	(200,000)	504,702
Noncurrent liabilities:				
Accounts payable, residents	64,072	-	-	64,072
Security deposits, residents	171,093	-	-	171,093
Total noncurrent liabilities	235,165	-	-	235,165
Total liabilities	938,067	1,800	(200,000)	739,867
NET ASSETS				
Unrestricted	8,744,224	4,159,044	-	12,903,268
Temporarily restricted	656,458	1,715,608	-	2,372,066
Permanently restricted	-	2,088,454	-	2,088,454
Total net assets	9,400,682	7,963,106	-	17,363,788
Total liabilities and net assets	\$ 10,338,749	\$ 7,964,906	\$ (200,000)	\$ 18,103,655

ANNANDALE AT SUWANEЕ, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	ANNANDALE AT SUWANEЕ, INC.			THE ANNANDALE FOUNDATION, INC.			ELIMINATIONS			CONSOLIDATED			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT													
Fees and net patient service revenue	\$ 4,879,692	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,879,692	\$ -	\$ -	\$ 4,879,692
Contributions	379,703	769,230	-	210,000	-	-	(416,505)	-	-	173,198	769,230	-	942,428
Special events	157,084	-	-	-	-	-	-	-	-	157,084	-	-	157,084
Net realized and unrealized gains on investments	-	-	-	406,942	226,057	-	-	-	-	406,942	226,057	-	632,999
Donated materials and services	3,564	-	-	-	-	-	-	-	-	3,564	-	-	3,564
Interest income	1,990	-	-	35	-	-	-	-	-	2,025	-	-	2,025
Dividend income	-	-	-	115,601	44,579	-	-	-	-	115,601	44,579	-	160,180
Total revenues	5,422,033	769,230	-	732,578	270,636	-	(416,505)	-	-	5,738,106	1,039,866	-	6,777,972
Net assets released from restrictions:													
Satisfaction of program restrictions	1,163,103	(1,163,103)	-	49,943	(49,943)	-	-	-	-	1,213,046	(1,213,046)	-	-
Total revenues and other support	6,585,136	(393,873)	-	782,521	220,693	-	(416,505)	-	-	6,951,152	(173,180)	-	6,777,972
EXPENSES													
Programs	4,860,111	-	-	216,505	-	-	(416,505)	-	-	4,660,111	-	-	4,660,111
General and administrative	1,083,411	-	-	45,895	-	-	-	-	-	1,129,306	-	-	1,129,306
Special events	69,350	-	-	-	-	-	-	-	-	69,350	-	-	69,350
Bad debt expense	35,654	-	-	-	-	-	-	-	-	35,654	-	-	35,654
Total expenses	6,048,526	-	-	262,400	-	-	(416,505)	-	-	5,894,421	-	-	5,894,421
CHANGE IN NET ASSETS	536,610	(393,073)	-	520,121	220,693	-	-	-	-	1,056,731	(173,180)	-	883,551
NET ASSETS, BEGINNING	8,207,614	1,050,331	-	3,638,923	1,494,915	2,088,454	-	-	-	11,846,537	2,545,246	2,088,454	16,480,237
NET ASSETS, ENDING	\$ 8,744,224	\$ 656,458	\$ -	\$ 4,159,044	\$ 1,715,608	\$ 2,088,454	\$ -	\$ -	\$ -	\$ 12,903,268	\$ 2,372,066	\$ 2,088,454	\$ 17,363,788