

**CUMBERLAND HEIGHTS
FOUNDATION, INC. AND AFFILIATES**

Consolidated Financial Statements and Schedules

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 22
Schedules:	
Consolidating Statement of Financial Position	23
Consolidating Statement of Activities	24



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Cumberland Heights Foundation, Inc.:

We have audited the accompanying consolidated statements of financial position of Cumberland Heights Foundation, Inc. and Affiliates as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cumberland Heights Foundation, Inc. and Affiliates as of December 31, 2011 and 2010, and the results of their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedules are presented for purposes of additional analysis and are 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 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.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
May 29, 2012

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Consolidated Statements of Financial Position

December 31, 2011 and 2010

	<u>Assets</u>	
	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 1,003,643	\$ 999,628
Accounts receivable for services, less allowance for doubtful accounts of \$495,683 in 2011 and \$632,499 in 2010	3,398,458	2,639,027
Current portion of contributions receivable, less allowance for uncollectible pledges of \$88,648 in 2011 and \$104,656 in 2010	60,563	320,731
Other current assets	274,619	355,730
Restricted cash	<u>60,189</u>	<u>940,837</u>
Total current assets	4,797,472	5,255,953
Property and equipment, net	15,269,028	15,389,799
Contributions receivable, excluding current portion	38,201	65,924
Investments	1,144,704	1,111,320
Beneficial interest in perpetual trust	<u>504,838</u>	<u>546,104</u>
	<u>\$ 21,754,243</u>	<u>\$ 22,369,100</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Line of credit	\$ 52,953	\$ -
Current installments of long-term debt	104,308	1,088,688
Current installments of capital lease obligation	23,289	-
Accounts payable	275,426	340,649
Accrued expenses	<u>924,000</u>	<u>754,031</u>
Total current liabilities	1,379,976	2,183,368
Long-term debt, excluding current installments	4,297,848	4,411,312
Capital lease obligation, excluding current installments	32,910	-
Fair value of interest rate swap agreement	<u>575,154</u>	<u>482,173</u>
Total liabilities	<u>6,285,888</u>	<u>7,076,853</u>
Net assets:		
Unrestricted	13,473,074	12,689,160
Temporarily restricted	1,490,443	2,056,983
Permanently restricted	<u>504,838</u>	<u>546,104</u>
Total net assets	<u>15,468,355</u>	<u>15,292,247</u>
	<u>\$ 21,754,243</u>	<u>\$ 22,369,100</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Consolidated Statements of Activities

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Public support and revenue:		
Patient service revenue, net	\$ 19,020,187	\$ 20,359,334
Contributions	282,371	131,848
Investment income	1,071	26,965
Other	<u>332,825</u>	<u>398,712</u>
Total public support and revenue	19,636,454	20,916,859
Satisfaction of restrictions	<u>1,158,418</u>	<u>2,381,153</u>
Total unrestricted public support and revenue	<u>20,794,872</u>	<u>23,298,012</u>
Expenses:		
Program services:		
Clinical services	8,904,571	10,864,337
Ancillary services	<u>3,627,863</u>	<u>3,998,707</u>
Total program services	12,532,434	14,863,044
Supporting services:		
Administrative and fiscal	4,881,506	5,818,682
Marketing and public relations	<u>2,504,037</u>	<u>2,320,365</u>
Total supporting services	7,385,543	8,139,047
Loss on interest rate swap agreement	<u>92,981</u>	<u>59,954</u>
Total expenses	<u>20,010,958</u>	<u>23,062,045</u>
Increase in unrestricted net assets	<u>783,914</u>	<u>235,967</u>
Changes in temporarily restricted net assets:		
Contributions	563,422	881,381
Investment income (loss), net	(5,774)	61,415
Net assets released from restrictions	(1,124,188)	(2,365,907)
Net assets reclassified from permanently restricted	<u>-</u>	<u>177,843</u>
Decrease in temporarily restricted net assets	<u>(566,540)</u>	<u>(1,245,268)</u>
Changes in permanently restricted net assets:		
Investment income (loss), net	(7,036)	55,776
Income distributed	(34,230)	(15,246)
Net assets reclassified to temporarily restricted	<u>-</u>	<u>(177,843)</u>
Decrease in permanently restricted net assets	<u>(41,266)</u>	<u>(137,313)</u>
Increase (decrease) in net assets	176,108	(1,146,614)
Net assets at beginning of year	<u>15,292,247</u>	<u>16,438,861</u>
Net assets at end of year	<u>\$ 15,468,355</u>	<u>\$ 15,292,247</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 176,108	\$ (1,146,614)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	996,764	1,081,826
Provision for doubtful accounts	425,485	951,723
Provision for uncollectible pledges	(16,008)	(105,744)
Discount on contributions receivable	(13,189)	(10,700)
Net (gain) loss on investments	29,012	(123,640)
Loss on interest rate swap agreement	92,981	59,954
(Increase) decrease in operating assets:		
Accounts receivable for services	(1,184,916)	(618,100)
Contributions receivable	317,088	220,295
Other current assets	81,111	(182,596)
Increase (decrease) in operating liabilities:		
Accounts payable	(65,223)	13,121
Accrued expenses	<u>169,969</u>	<u>(144,128)</u>
Total adjustments	<u>833,074</u>	<u>1,142,011</u>
Net cash provided (used) by operating activities	<u>1,009,182</u>	<u>(4,603)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(799,223)	(995,452)
Proceeds from sale of investments	76,449	55,387
Purchases of investments, net	(97,579)	(97,641)
Change in restricted cash	<u>880,648</u>	<u>1,277,299</u>
Net cash provided by investing activities	<u>60,295</u>	<u>239,593</u>
Cash flows from financing activities:		
Repayments on long-term debt	(1,097,844)	(1,500,000)
Line of credit, net activity	52,953	-
Principal payments on capital leases	<u>(20,571)</u>	<u>-</u>
Net cash used by financing activities	<u>(1,065,462)</u>	<u>(1,500,000)</u>
Increase (decrease) in cash	4,015	(1,265,010)
Cash at beginning of year	<u>999,628</u>	<u>2,264,638</u>
Cash at end of year	\$ <u>1,003,643</u>	\$ <u>999,628</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(1) Nature of operations

Cumberland Heights Foundation, Inc. (the "Foundation") is a charitable organization that maintains and operates treatment centers for the rehabilitation of persons addicted to the use of alcohol and/or drugs. Cumberland Heights Professional Associates, Inc. ("PA") is a separate organization that was formed to provide medical and outpatient services to the patients of the Foundation. Creative Recovery Communities, Inc. ("CRC") is a private high school d/b/a Community High School, and is primarily for students who have completed alcohol and/or drug treatment. Due to the Foundation's economic interest in Cumberland Heights Professional Associates, Inc. and Creative Recovery Communities, Inc. (collectively the "Affiliates") and since the Foundation and the Affiliates share a common board of directors, the Affiliates have been included in the consolidated financial statements of the Foundation. During a prior year, management made the decision to close the operations of Creative Recovery Communities, Inc. However, Creative Recoveries Communities, Inc. still exists as a legal entity for business purposes.

(2) Summary of significant accounting policies

The consolidated financial statements of the Foundation and Affiliates are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Foundation and its Affiliates (collectively, the "Organizations"). All significant intercompany accounts and transactions have been eliminated.

(b) Basis of presentation

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 Foundation and Affiliates 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 may or will be met either by actions of the Foundation and Affiliates and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation and Affiliates.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(c) Restricted cash

Restricted cash of \$60,189 and \$940,837 at December 31, 2011 and 2010, respectively, consists of undisbursed loan proceeds and capital campaign contributions which are restricted for future construction projects or debt service. During 2011, undisbursed loan proceeds were used for debt service. The remaining balance of \$60,189 at December 31, 2011 relates to capital campaign contributions.

(d) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the consolidated statements of financial position. Investment income shown in the consolidated statements of activities includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income is reported in the period earned as an increase in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions. Investment income that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restrictions are met or expire in the year in which the income is recognized. Other donor-restricted investment income is reported as an increase in temporarily restricted net assets, depending on the nature of the restrictions. Interest and dividend income for permanently restricted net assets is reported as an increase in unrestricted net assets. Unrealized gains and losses on permanently restricted net assets are reported as increases or decreases in permanently restricted net assets, based on the donor's explicit instructions.

(e) Receivables and credit policies

The Foundation and Affiliates report accounts receivable, net of an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Foundation and Affiliates review the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical payment trends, analyses of accounts receivable by payor source and aging of receivables, as well as review of specific accounts, and makes adjustments to the allowance as necessary. The carrying amount of accounts receivable is reduced by the allowance, which reflects management's best estimate of the amounts that will not be collected. Late or interest charges on delinquent accounts are not recorded until collected. Accounts are sent to collections after 90 days of non-payments and are written off in the event of the inability to pay.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(f) Property and equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated market value at the date of the gift. Depreciation and amortization are provided over the assets' estimated useful lives using the straight-line method as follows:

	<u>Years</u>
Transportation equipment	5
Furniture and fixtures	3 - 7
Machinery and equipment	3 - 10
Buildings and improvements	3 - 40

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is recorded as a change in net assets.

(g) Income taxes

The Foundation and Affiliates are exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the consolidated financial statements.

Under generally accepted accounting principles, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Foundation and Affiliates had no material uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

As of December 31, 2011, the Organizations have no accrued interest or penalties related to uncertain tax positions. It is their policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Foundation and Affiliates file separate U.S. Federal information tax returns. The Organizations are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2008 through December 31, 2011.

(h) Revenue recognition

Net patient service revenue is recognized at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are made on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

The Foundation has a Patient Assistance Fund that provides treatment scholarships for persons who have not had a previous treatment experience, who demonstrate a high level of motivation, and who have no financial resources. The Foundation also provides for indigent patients, under certain circumstances. Revenue is not recognized in the financial statements for charity care. Direct and indirect costs of charity care were approximately \$745,000 and \$900,000 in 2011 and 2010, respectively.

Certain cash contributions are recognized as revenue when received.

Contributions receivable which are unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed, and recorded if material, using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

(i) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

(j) Long-lived assets

The carrying values of long-lived assets are reviewed whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If this review indicates that the asset will not be recoverable, as determined based on the undiscounted cash flows of the operating entity or asset over the remaining amortization period, the carrying value of the asset will be reduced to its fair value.

(k) Fair value of interest rate swap agreement

The Foundation uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The gain or loss on the hedge is included in the consolidated statements of activities. The Foundation's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

(l) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(m) Adoption of new accounting pronouncements

In August 2010, accounting standards relating to the presentation of insurance claims and related insurance recoveries for health care entities were amended to require the entity to recognize an insurance receivable at the same time that it recognizes the liability, measured on the same basis of the liability. These standards are effective for financial statements for fiscal years beginning after December 15, 2010. Therefore, the Foundation adopted these standards at the beginning of 2011. The adoption of these accounting standards did not have a significant impact on the consolidated financial statements.

In August 2010, accounting standards relating to the disclosure of charity care for health care entities were amended to require the entity to measure charity care based on the direct and indirect costs of providing the charity care. These amendments are effective for financial statements for fiscal years beginning after December 15, 2010. Therefore, the Foundation adopted these standards at the beginning of 2011. The adoption of these accounting standards did not have a significant impact on the consolidated financial statements.

(n) New accounting pronouncements

In July 2011, the Financial Accounting Standards Board ("FASB") issued accounting standards that require changes in financial statement presentation and enhanced disclosures by health care entities that recognize significant amounts of patient service revenue at the time services are rendered without taking account of patients' ability to pay. These standards require health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, these entities will be required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. These standards are effective for fiscal years ending after December 15, 2012, and therefore the Foundation expects to adopt these standards at the beginning of 2012. The Foundation is currently assessing the impact of adopting these accounting standards.

(o) Fundraising costs

For the years ended December 31, 2011 and 2010, expenses totaling \$342,598 and \$319,077 respectively, were associated with fundraising and are classified in the consolidated statements of activities under marketing and public relations.

(p) Events occurring after reporting date

The Foundation has evaluated events and transactions that occurred between December 31, 2011 and May 29, 2012 which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(3) Credit risk and other concentrations

Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution.

The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

The Foundation provides rehabilitation treatment for individuals with alcohol and other chemical dependencies under various payor programs. Accordingly, the concentration of accounts receivable and revenue from Blue Cross/Magellan, private insurance companies, and individuals as of and for the years ended December 31, 2011 and 2010, is as follows:

	<u>2011</u>		<u>2010</u>	
	<u>AR</u>	<u>Revenue</u>	<u>AR</u>	<u>Revenue</u>
Other private insurance	34 %	46 %	50 %	38 %
Individuals	26	29	38	26
Blue Cross/Magellan	<u>40</u>	<u>25</u>	<u>12</u>	<u>36</u>
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(4) Assets and liabilities measured at fair value

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation's management has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measurement at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

- (i) *Mutual funds*: Valued at the net asset value of shares held by the Foundation at year end.
- (ii) *Equity securities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- (iii) *Contributions receivable*: Valued at the net realizable value of the contributions receivable outstanding at year-end.

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2011 and 2010:

	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in interest program	\$ <u>92,365</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>92,365</u>
Mutual funds:				
Fixed income	402,395	-	-	402,395
Domestic index	67,004	-	-	67,004
International	<u>57,384</u>	<u>-</u>	<u>-</u>	<u>57,384</u>
	<u>526,783</u>	<u>-</u>	<u>-</u>	<u>526,783</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

Equity securities:				
Consumer	121,046	-	-	121,046
Industrial and energy	158,914	-	-	158,914
Information	54,082	-	-	54,082
Healthcare	81,408	-	-	81,408
Telecommunications and utilities	54,430	-	-	54,430
Other	<u>55,676</u>	<u>-</u>	<u>-</u>	<u>55,676</u>
	<u>525,556</u>	<u>-</u>	<u>-</u>	<u>525,556</u>
Beneficial trust	<u>504,838</u>	<u>-</u>	<u>-</u>	<u>504,838</u>
Contributions receivable, net	<u>-</u>	<u>-</u>	<u>98,764</u>	<u>98,764</u>
Total	<u>\$ 1,649,542</u>	<u>\$ -</u>	<u>\$ 98,764</u>	<u>\$ 1,748,306</u>

2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in interest program	<u>\$ 121,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,197</u>
Mutual funds:				
Fixed income	314,004	-	-	314,004
Domestic index	68,244	-	-	68,244
International	<u>59,116</u>	<u>-</u>	<u>-</u>	<u>59,116</u>
	<u>441,364</u>	<u>-</u>	<u>-</u>	<u>441,364</u>
Equity securities:				
Consumer	131,673	-	-	131,673
Industrial and energy	152,150	-	-	152,150
Information	110,350	-	-	110,350
Healthcare	65,148	-	-	65,148
Telecommunications and utilities	45,168	-	-	45,168
Other	<u>44,270</u>	<u>-</u>	<u>-</u>	<u>44,270</u>
	<u>548,759</u>	<u>-</u>	<u>-</u>	<u>548,759</u>
Beneficial trust	<u>546,104</u>	<u>-</u>	<u>-</u>	<u>546,104</u>
Contributions receivable, net	<u>-</u>	<u>-</u>	<u>386,655</u>	<u>386,655</u>
Total	<u>\$ 1,657,424</u>	<u>\$ -</u>	<u>\$ 386,655</u>	<u>\$ 2,044,079</u>

The interest rate swap, within the fair value hierarchy, is considered a Level 2 liability and is measured at fair value on a recurring basis.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

The following table provides a summary of changes in fair value of the Foundation's Level 3 assets for the year ended December 31, 2011 and 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	<u>Contributions receivable, net</u>
Balance at December 31, 2009	\$ 490,506
New contributions	389,925
Contributions received	(420,045)
Decrease in allowance for uncollectible pledges	105,744
Decrease in contribution discount	10,700
Write-off of pledges	<u>(190,175)</u>
Balance at December 31, 2010	386,655
New contributions	32,415
Contributions received	(302,048)
Decrease in allowance for uncollectible pledges	16,008
Decrease in contribution discount	13,189
Write-off of pledges	<u>(47,455)</u>
Balance at December 31, 2011	\$ <u>98,764</u>

(5) Contributions receivable

The Foundation solicits pledges of support from board members and others for contributions to be used for the Campaign for Recovery or other purposes. The pledges are discounted when recorded to reflect the present value of expected future collections due after one year. Contributions receivable are reported as temporarily restricted net assets in the accompanying consolidated financial statements and are scheduled to be received as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 149,211	\$ 425,387
Receivable in one to five years	<u>44,030</u>	<u>84,942</u>
	193,241	510,329
Less allowance for uncollectible pledges	88,648	104,656
Less discount	<u>5,829</u>	<u>19,018</u>
	\$ <u>98,764</u>	\$ <u>386,655</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(6) Investments

A summary of the fair value of investments as of December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Cash held in interest program	\$ 92,365	\$ 121,197
Mutual funds	526,783	441,364
Equity securities	<u>525,556</u>	<u>548,759</u>
	<u>\$ 1,144,704</u>	<u>\$ 1,111,320</u>

At December 31, 2011, the fair value of invested assets assigned to permanently restricted endowment net asset balances required to be maintained in perpetuity had a \$36,263 deficiency. At December 31, 2010 no deficiency existed.

(7) Beneficial interest in perpetual trust

The Foundation is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights and claims to such income therefrom. Net realized and unrealized gains or losses related to the beneficial interest are reported as changes in permanently restricted net assets based on the explicit donor stipulation. The fair value of the beneficial interest was \$504,838 and \$546,104 at December 31, 2011 and 2010, respectively, and is included in permanently restricted net assets in the accompanying consolidated financial statements.

(8) Investment income

The following schedule summarizes the investment income (loss) in the consolidated statements of activities for 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 38,325	\$ 37,347
Net gain (loss) on investments	(29,012)	123,640
Fees paid	<u>(21,052)</u>	<u>(16,831)</u>
	<u>\$ (11,739)</u>	<u>\$ 144,156</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(9) Property and equipment

A summary of property and equipment as of December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 348,442	\$ 348,442
Buildings and improvements	21,415,559	21,240,282
Machinery and equipment	3,166,884	2,933,549
Transportation equipment	207,654	170,158
Furniture and fixtures	1,038,762	1,038,762
Construction in progress	<u>440,380</u>	<u>10,495</u>
	26,617,681	25,741,688
Accumulated depreciation	<u>(11,348,653)</u>	<u>(10,351,889)</u>
	<u>\$ 15,269,028</u>	<u>\$ 15,389,799</u>

Construction in progress primarily consists of amounts incurred relating to the renovation of certain property. At December 31, 2011, the estimated cost to complete was approximately \$537,000.

(10) Line of credit

At December 31, 2011, the Foundation had a \$950,000 revolving line of credit, payable on demand, which matures August 31, 2012. There were borrowings of \$52,953 on the line at December 31, 2011. There were no borrowings on the line as of December 31, 2010. Borrowings under the line bear interest, payable monthly, at an annual interest rate equal to the one-month LIBOR plus 2.750 percentage points over the index, but not less than a 4.05% floor. The rate was 4.05% at December 31, 2011. The line of credit is secured by accounts receivable.

The line of credit agreement is cross-collateralized with the long-term debt (see Note 11). The security agreement with the bank contains certain financial covenants, including requirements for the maintenance of specified current ratios and minimum levels of debt service coverage. The Foundation was in compliance with all debt covenants as of December 31, 2011.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(11) Long-term debt

A summary of long-term debt as of December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Note payable in connection with \$9,991,000 Series 2007 Health Facilities Bonds issued by the Metropolitan Government of Nashville and Davidson County, Tennessee; due in scheduled principal installments as summarized by year below, plus interest at a variable rate based on the 30-day LIBOR rate (1.43481% at December 31, 2011) through May 15, 2017.	\$ 4,402,156	\$ 5,500,000
Less current installments	<u>104,308</u>	<u>1,088,688</u>
Long-term debt, excluding current installments	<u>\$ 4,297,848</u>	<u>\$ 4,411,312</u>

A summary of future maturities of long-term debt as of December 31, 2011 is as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 104,308
2013	121,666
2014	130,462
2015	139,893
2016	150,006
2017 and later years	<u>3,755,821</u>
	<u>\$ 4,402,156</u>

The long-term note payable is secured by a first mortgage of the Foundation's property and the loan agreement requires maintenance of certain covenants (see Note 10).

(12) Capital lease obligation

The Foundation entered into a capital lease arrangement during 2011 to finance the acquisition of certain equipment. The Foundation's obligation as of December 31, 2011 is as follows:

Minimum lease payments payable	\$ 58,304
Less: portion representing interest	<u>2,105</u>
Capital lease obligation	56,199
Less: current portion	<u>23,289</u>
Long-term portion	<u>\$ 32,910</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

Future minimum annual lease payments payable under the capital lease obligation as of December 31, 2011 are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 24,667
2013	26,910
2014	<u>6,727</u>
Total current minimum lease payments	<u>\$ 58,304</u>

Equipment utilized under capital lease obligation at December 31, 2011 amounted to approximately \$71,500.

(13) Interest rate swap agreement

In May 2007, the Foundation entered into an interest rate swap agreement with a commercial bank to reduce the impact of changes in interest rates on its taxable revenue bond Series 2007. Under the interest rate swap agreement, which is classified as a cash flow hedge, the Foundation pays interest at a fixed rate of 3.39% and receives interest at 70% of the one-month LIBOR plus 1.24%. The existing agreement terminates in May 2017 and has an original notional amount of \$9,991,000. The current notional amount is \$4,380,148 as of December 31, 2011. Notional amounts do not quantify risk or represent assets or liabilities of the Foundation, but are used in the determination of cash settlements under the agreement. At December 31, 2011 and 2010, the fair value of the agreement was \$575,154 and \$482,173, respectively, and is reported as a long-term liability in the consolidated statements of financial position. The change in the estimated fair value of the interest rate swap agreement of \$92,981 and \$59,954 during the years ended December 31, 2011 and 2010, respectively, is reported as a loss in the consolidated statements of activities.

(14) Net assets

As of December 31, 2011 and 2010, the Board of Directors had designated \$242,025 and \$234,963, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The primary objective of the Foundation's endowment funds is the preservation of capital. Secondly, the endowment funds should provide reasonable growth of principal within the unfolding market environment, as well as an adequate level of income to supplement the financial needs of the Foundation. The monies of the endowment funds are to be invested in a portfolio that is comprised of equity securities (50-70%), fixed income securities (30-50%) and cash reserves (0-10%).

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

Composition of and changes in endowment net assets for the year ended December 31, 2011 were as follows:

	<u>2011</u>	<u>2010</u>
Board-designated endowment net assets, beginning of year	\$ 234,963	\$ 235,327
Net change during year	<u>7,062</u>	<u>(364)</u>
Board-designated endowment net assets, end of year	\$ <u>242,025</u>	\$ <u>234,963</u>

Endowment net asset composition by type of fund as of December 31, 2011 and is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 902,679	\$ 504,838	\$ 1,407,517
Board-designated endowment funds	<u>242,025</u>	<u>-</u>	<u>-</u>	<u>242,025</u>
Total funds	\$ <u>242,025</u>	\$ <u>902,679</u>	\$ <u>504,838</u>	\$ <u>1,649,542</u>
Endowment net assets, beginning of year	\$ 234,963	\$ 876,357	\$ 546,104	\$ 1,657,424
Contributions	17,525	64,846	-	82,371
Amounts appropriated for expenditure	(9,469)	(32,750)	(34,230)	(76,449)
Investment income, net	<u>(994)</u>	<u>(5,774)</u>	<u>(7,036)</u>	<u>(13,804)</u>
Endowment net assets, end of year	\$ <u>242,025</u>	\$ <u>902,679</u>	\$ <u>504,838</u>	\$ <u>1,649,542</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

Endowment net asset composition by type of fund as of December 31, 2010 and is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 876,357	\$ 546,104	\$ 1,422,461
Board-designated endowment funds	<u>234,963</u>	<u>-</u>	<u>-</u>	<u>234,963</u>
Total funds	\$ <u>234,963</u>	\$ <u>876,357</u>	\$ <u>546,104</u>	\$ <u>1,657,424</u>
Endowment net assets, beginning of year	\$ 235,327	\$ 572,784	\$ 683,417	\$ 1,491,528
Contributions	10,010	77,090	-	87,100
Reclassifications	-	177,843	(177,843)	-
Amounts appropriated for expenditure	(27,366)	(12,775)	(15,246)	(55,387)
Investment income, net	<u>16,992</u>	<u>61,415</u>	<u>55,776</u>	<u>134,183</u>
Endowment net assets, end of year	\$ <u>234,963</u>	\$ <u>876,357</u>	\$ <u>546,104</u>	\$ <u>1,657,424</u>

Temporarily restricted net assets as of December 31, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Men's facility	\$ 803	\$ 121,851
Patient assistance (including endowment net assets of \$902,679 at December 31, 2011)	1,287,415	708,424
Other specific operational programs	<u>202,225</u>	<u>1,226,708</u>
	\$ <u>1,490,443</u>	\$ <u>2,056,983</u>

Permanently restricted net assets are held in perpetuity with the unrealized gain (loss) reflected as permanently restricted net assets and the income from assets expendable to support certain programs. A summary of the permanently restricted net assets for which the related income is expendable as of December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Olcott Foundation	\$ <u>504,838</u>	\$ <u>546,104</u>

During 2010, management determined that \$177,843 of permanently restricted net assets should be reclassified to temporarily restricted net assets in order to comply with the donor's intended use for the gift.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

The endowment funds are primarily invested in equity and fixed income securities. As determined by the restrictions imposed by the donors and the guidelines established by the endowment committee, the permanently restricted endowment is generally expended at a rate between 3% and 5% of the calendar year end principal balance.

(15) Natural classification of expenses

A summary of the natural classification of expenses for the years ended December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Salaries and temporary labor	\$ 12,010,422	\$ 13,964,684
Contract services	1,010,927	1,157,078
Provision for doubtful accounts	425,485	951,723
Depreciation and amortization	996,764	1,081,828
Interest, including swap agreement	321,898	341,587
General insurance	433,746	477,832
Utilities	601,225	617,724
Food service	670,284	722,906
Supplies	473,112	533,967
Other	<u>3,067,095</u>	<u>3,212,716</u>
	<u>\$ 20,010,958</u>	<u>\$ 23,062,045</u>

(16) Profit-sharing plan

Eligible employees of the Foundation may participate in the Cumberland Heights 401(k) Retirement Plan (the "Plan"). Employees are generally eligible after they reach age 20 1/2 and are employed for six months. From January through October 2010, the Foundation matched salary deferral contributions 100% up to 3% of compensation and 50% for the next 2% of compensation. Effective October 2010, the Foundation discontinued all matching contributions. The Foundation made contributions of \$164,739 to the Plan in 2010.

(17) Advertising expenses

Advertising costs of \$766,436 and \$541,804 were expensed during 2011 and 2010, respectively.

(18) Lease commitments

The Foundation leases office space and various office equipment under operating leases. Rent expense under these leases amounted to \$475,266 and \$566,057 in 2011 and 2010, respectively.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

A summary of future minimum payments under these leases as of December 31, 2011 is as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 268,828
2013	190,288
2014	77,272
2015	<u>37,816</u>
	<u>\$ 574,204</u>

(19) Contingencies

Healthcare Industry

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Foundation and Affiliates are in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act ("collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Organization's operations.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

Litigation

The Foundation is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material adverse effect on the Foundation's consolidated financial position or results of operations. As these matters develop, it is reasonably possible management's estimate of their effect could change and an accrual for additional liabilities could be required.

(20) Related party transactions

The Foundation sometimes purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. Additionally, the Foundation receives pledges from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors.

(21) Supplemental disclosures of cash flow statement information

	<u>2011</u>	<u>2010</u>
Interest paid	\$ <u>228,917</u>	\$ <u>281,633</u>
Equipment acquired under capital lease	\$ <u>76,770</u>	\$ <u>-</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES
Consolidating Statement of Financial Position

December 31, 2011

Assets	Cumberland Heights Foundation, Inc.	Cumberland Heights Professional Associates, Inc.	Creative Recovery Communities, Inc.	Eliminating Entries		Consolidated
				Debit	Credit	
Current assets:						
Cash	\$ 946,688	\$ 56,955	-	\$ -	-	\$ 1,003,643
Accounts receivable for services, net	3,269,256	129,202	-	-	-	3,398,458
Receivable from related parties	1,553,437	-	-	(a)	1,553,437	-
Current portion of pledges receivable, net	60,563	-	-	-	-	60,563
Other current assets	266,674	7,945	-	-	-	274,619
Restricted cash	60,189	-	-	-	-	60,189
Total current assets	6,156,807	194,102	-	-	1,553,437	4,797,472
Property and equipment, net	15,269,028	-	-	-	-	15,269,028
Pledges receivable, excluding current portion	38,201	-	-	-	-	38,201
Investments	1,144,704	-	-	-	-	1,144,704
Beneficial interest in perpetual trust	504,838	-	-	-	-	504,838
Total assets	\$ 23,113,578	\$ 194,102	\$ -	\$ -	1,553,437	\$ 21,754,243
Liabilities and Net Assets (Deficit)						
Current liabilities:						
Line of credit	\$ 52,953	\$ -	\$ -	\$ -	-	\$ 52,953
Current installments of long term debt	104,308	-	-	-	-	104,308
Current installments of capital lease obligation	23,289	-	-	-	-	23,289
Payable to related parties	-	1,553,437	-	(a)	1,553,437	-
Accounts payable	270,260	5,166	-	-	-	275,426
Accrued expenses	880,495	43,505	-	-	-	924,000
Total current liabilities	1,331,305	1,602,108	-	1,553,437	-	1,379,976
Long term debt, excluding current installments	4,297,848	-	-	-	-	4,297,848
Capital lease obligation, excluding current installments	32,910	-	-	-	-	32,910
Fair market value of interest rate swap agreement	575,154	-	-	-	-	575,154
Total liabilities	6,237,217	1,602,108	-	1,553,437	-	6,285,888
Net assets						
Unrestricted	14,881,080	(1,408,006)	-	-	-	13,473,074
Temporarily restricted	1,490,443	-	-	-	-	1,490,443
Permanently restricted	504,838	-	-	-	-	504,838
Total net assets (deficit)	16,876,361	(1,408,006)	-	-	-	15,468,355
Total net assets (deficit)	\$ 23,113,578	\$ 194,102	\$ -	\$ 1,553,437	\$ -	\$ 21,754,243

(a) To eliminate intercompany receivables and payables.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATES

Consolidating Statement of Activities

Year Ended December 31, 2011

	Cumberland Heights Foundation, Inc.	Cumberland Heights Professional Associates, Inc.	Creative Recovery Communities, Inc.	Eliminating Entries		Consolidated
				Debit	Credit	
Changes in unrestricted net assets:						
Public support & revenue	\$ 18,427,765	\$ 592,422	\$ -	\$ -	\$ -	\$ 19,020,187
Patient service revenue, net	282,371	-	-	-	-	282,371
Contributions	1,071	-	-	-	-	1,071
Investment income	332,825	120,000	-	120,000	-	332,825
Other	19,044,032	712,422	-	120,000	-	19,636,454
Total public support and revenue	1,039,747	-	118,671	-	-	1,158,418
Satisfaction of restrictions	20,083,779	712,422	118,671	120,000	-	20,794,872
Total unrestricted public support and revenue						
Expenses:						
Program services:						
Clinical services	8,096,655	807,916	-	-	-	8,904,571
Ancillary services	3,627,042	821	-	-	-	3,627,863
Total program services	11,723,697	808,737	-	-	-	12,532,434
Supporting services:						
Administrative and fiscal	4,949,659	51,825	22	-	(a) 120,000	4,881,506
Marketing and public relations	2,504,037	-	-	-	-	2,504,037
Total supporting services	7,453,696	51,825	22	-	120,000	7,385,543
Loss on interest rate swap agreement	92,981	-	-	-	-	92,981
Total expenses	19,270,374	860,562	22	-	120,000	20,010,958
Increase (decrease) in unrestricted net assets	813,405	(148,140)	118,649	120,000	120,000	783,914
Changes in temporarily restricted net assets:						
Contributions	563,422	-	-	-	-	563,422
Investment loss, net	(5,774)	-	-	-	-	(5,774)
Net assets released from restrictions	(1,005,517)	-	(118,671)	-	-	(1,124,188)
Decrease in temporarily restricted net assets	(447,869)	-	(118,671)	-	-	(566,540)
Changes in permanently restricted net assets						
Investment loss, net	(7,036)	-	-	-	-	(7,036)
Income distributed	(34,230)	-	-	-	-	(34,230)
Decrease in permanently restricted net assets	(41,266)	-	-	-	-	(41,266)
Increase (decrease) in net assets	324,270	(148,140)	(22)	120,000	120,000	176,108
Net assets (deficit) at the beginning of the year	16,552,091	(1,259,866)	22	40,745	40,745	15,292,247
Net assets (deficit) at the end of the year	\$ 16,876,361	\$ (1,408,006)	\$ -	\$ 160,745	\$ 160,745	\$ 15,468,355

(a) To eliminate intercompany administrative fee income/expense.