

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

Consolidated Financial Statements and Schedules

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)



CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Cumberland Heights Foundation, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditors' 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 consolidated financial statement presentation.

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 Cumberland Heights Foundation, Inc. and Affiliate as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and statements of activities of the individual entities 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 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.

LBMC, PC

Brentwood, Tennessee
May 17, 2019

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidated Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 13,372,594	\$ 10,102,563
Accounts receivable for services, less allowance for doubtful accounts of \$934,457 in 2018 and \$906,872 in 2017	4,827,834	4,678,325
Contributions receivable, less allowance for uncollectible pledges of \$2,285 in 2018 and \$18,000 in 2017	193,005	101,662
Other current assets	600,138	320,398
Short-term investments	<u>2,332,746</u>	<u>-</u>
Total current assets	21,326,317	15,202,948
Property and equipment, net	22,793,338	20,323,917
Contributions receivable, excluding current portion	914,850	79,450
Investments	<u>4,076,175</u>	<u>4,134,622</u>
	\$ <u>49,110,680</u>	\$ <u>39,740,937</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current installments of long-term debt	\$ 2,566,750	\$ 866,750
Accounts payable	834,268	330,708
Accrued expenses	<u>1,563,083</u>	<u>1,299,476</u>
Total current liabilities	4,964,101	2,496,934
Long-term debt, excluding current installments	<u>3,955,646</u>	<u>1,647,398</u>
Total liabilities	<u>8,919,747</u>	<u>4,144,332</u>
Net assets:		
Without donor restrictions	35,964,446	31,950,244
With donor restrictions	<u>4,226,487</u>	<u>3,646,361</u>
Total net assets	<u>40,190,933</u>	<u>35,596,605</u>
	\$ <u>49,110,680</u>	\$ <u>39,740,937</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidated Statements of Activities and Changes in Net Assets

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions:		
Revenue:		
Patient service revenue, net	\$ 32,637,830	\$ 31,419,169
Contributions	225,199	237,500
Investment income (loss)	(38,680)	81,131
Other	<u>780,795</u>	<u>655,139</u>
Total revenue	33,605,144	32,392,939
Satisfaction of restrictions	<u>2,520,462</u>	<u>896,272</u>
Total revenue without donor restrictions	<u>36,125,606</u>	<u>33,289,211</u>
Expenses:		
Program services:		
Clinical services	18,005,998	16,741,506
Ancillary services	<u>5,805,618</u>	<u>5,370,276</u>
Total program services	23,811,616	22,111,782
Supporting services:		
Administrative and fiscal	5,668,901	5,305,940
Marketing and public relations	<u>2,630,887</u>	<u>2,575,924</u>
Total supporting services	8,299,788	7,881,864
Gain on interest rate swap agreement	<u>-</u>	<u>(43,698)</u>
Total expenses	<u>32,111,404</u>	<u>29,949,948</u>
Increase in net assets without donor restrictions	<u>4,014,202</u>	<u>3,339,263</u>
Changes in net assets with donor restrictions:		
Contributions	3,259,907	1,173,964
Investment income (loss)	(159,319)	314,302
Net assets released from restrictions	<u>(2,520,462)</u>	<u>(896,272)</u>
Increase in net assets with donor restrictions	<u>580,126</u>	<u>591,994</u>
Increase in net assets	4,594,328	3,931,257
Net assets at beginning of year	<u>35,596,605</u>	<u>31,665,348</u>
Net assets at end of year	\$ <u>40,190,933</u>	\$ <u>35,596,605</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 4,594,328	\$ 3,931,257
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,461,527	1,362,034
Provision for doubtful accounts	1,201,740	1,379,985
Provision for uncollectible pledges	(15,715)	1,750
Loss on sale of property and equipment	18,138	(650)
Net (gain) loss on investments	257,776	(350,232)
Gain on interest rate swap agreement	-	(43,698)
(Increase) decrease in operating assets:		
Accounts receivable for services	(1,351,249)	(953,416)
Contributions receivable	(911,028)	107,228
Other current assets	(279,740)	(89,980)
Increase (decrease) in operating liabilities:		
Accounts payable	503,560	(281,632)
Accrued expenses	<u>263,607</u>	<u>208,424</u>
Total adjustments	<u>1,148,616</u>	<u>1,339,813</u>
Net cash provided by operating activities	<u>5,742,944</u>	<u>5,271,070</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	7,700	650
Purchases of property and equipment	(3,956,786)	(1,719,650)
Proceeds from sale of investments	57,458	56,653
Purchases of investments	<u>(2,589,533)</u>	<u>(610,712)</u>
Net cash used by investing activities	<u>(6,481,161)</u>	<u>(2,273,059)</u>
Cash flows from financing activities:		
Repayments on long-term debt	(1,991,752)	(4,483,776)
Proceeds from long-term debt	<u>6,000,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>4,008,248</u>	<u>(4,483,776)</u>
Increase (decrease) in cash and cash equivalents	3,270,031	(1,485,765)
Cash and cash equivalents at beginning of year	<u>10,102,563</u>	<u>11,588,328</u>
Cash and cash equivalents at end of year	\$ <u>13,372,594</u>	\$ <u>10,102,563</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>192,244</u>	\$ <u>130,704</u>

See accompanying notes to the consolidated financial statements.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(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. (the "Affiliate") is a separate organization that was formed to provide medical and outpatient services to the patients of the Foundation. Due to the Foundation's economic interest in Cumberland Heights Professional Associates, Inc. and since the Foundation and the Affiliate share a common board of directors, the Affiliate has been included in the consolidated financial statements of the Foundation.

(2) Summary of significant accounting policies

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

(a) Recently adopted accounting pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies the current net asset classification requirements and improves the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The standard is effective for years beginning after December 15, 2017. Total net assets did not change as a result of adoption of this ASU. The effect of the adoption on net asset classifications in the 2017 comparative information is as follows:

	<u>2017</u>
As originally stated:	
Net assets:	
Unrestricted	\$ 31,950,244
Temporarily restricted	3,084,100
Permanently restricted	<u>562,261</u>
Total net assets	\$ <u>35,596,605</u>

	<u>2017</u>
As restated:	
Net assets:	
Without donor restrictions	\$ 31,950,244
With donor restrictions	<u>3,646,361</u>
Total net assets	\$ <u>35,596,605</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(b) Principles of consolidation

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

(c) 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 Affiliate and changes therein are classified and reported as follows:

Without donor restrictions - Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donor's stipulations results in the release of such restrictions.

With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and Affiliate and/or the passage of time. Net assets with donor restrictions are designated by donors for specific purposes, and include unconditional pledges, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Directors (the "Board") for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the Foundation to use distributions from the related investments as needed in the year of receipt.

All contributions are considered to be available for 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 donor restricted support.

(d) Cash and cash equivalents

Cash and cash equivalents include cash and all highly liquid investments with a maturity of three months or less when purchased.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(e) Short-term investments

The Foundation invests in debt securities, which typically mature in one year or less, are held to maturity and valued at market, which approximates fair value. The aggregate fair value of the short-term investments at December 31, 2018 was \$2,332,746 and are Board designated for the construction of ARCH Academy (see Note 9). The Foundation did not have any short-term investments at December 31, 2017.

(f) Receivables and credit policies

The Foundation and Affiliate 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 Affiliate 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 make 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.

(g) 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 net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Investment income that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 donor restricted net assets, depending on the nature of the restrictions. Interest and dividend income for donor restricted net assets held in perpetuity are reported as an increase in net assets without donor restrictions. Unrealized gains and losses on net assets with donor restrictions held in perpetuity are reported as increases or decreases in donor restricted net assets, based on the donor's explicit instructions.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(h) 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 - 5
Machinery and equipment	3 - 5
Buildings and improvements	3 - 30

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.

(i) Income taxes

The Foundation and Affiliate 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 Affiliate had no material uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

As of December 31, 2018 and 2017, 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 Affiliate file separate U.S. Federal information tax returns.

(j) 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 AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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 which are based on the ratio of total costs to total gross charges were approximately \$676,000 and \$611,000 in 2018 and 2017, respectively.

(k) Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restriction.

If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as increases in net assets without donor restrictions.

(l) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred and amounted to \$482,609 and \$510,599 during 2018 and 2017, respectively.

(m) 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.

(n) Fundraising costs

For the years ended December 31, 2018 and 2017, expenses totaling \$343,684 and \$353,795, respectively, were associated with fundraising and are classified in the consolidated statements of activities under marketing and public relations.

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(o) New accounting pronouncement

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09"), which will eliminate the transaction and industry-specific revenue recognition guidance under current generally accepted accounting principles ("GAAP") and replace it with a principles-based approach. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The five step model defined by ASU 2014-09 requires the entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The FASB has also issued several ASUs to provide entities further clarity on the application of ASU 2014-09. ASU 2014-09 additionally enhances the required disclosures surrounding the nature, amount, timing and uncertainty of revenues and the associated cash flows. ASU 2014-09 may be applied retrospectively to each period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). ASU 2014-09, as amended, is effective beginning January 1, 2019 and management of the Foundation is currently evaluating the impact adoption will have on its consolidated financial statements and disclosures.

(p) Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statements in order for them to conform to the 2018 presentation. These reclassifications had no effect on net assets or changes in net assets as previously reported.

(q) Events occurring after reporting date

The Organizations have evaluated events and transactions that occurred between December 31, 2018 and May 17, 2019 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 AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(3) Credit risk and other concentrations

The Foundation generally maintains cash and cash equivalents on deposit at banks in excess of federally insured amounts. All cash and cash equivalents balances in excess of FDIC insurance are secured under repurchase agreements or other deposit arrangements. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash and cash equivalents.

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 as of and for the years ended December 31, 2018 and 2017, is summarized as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Accounts Receivable</u>	<u>Revenue</u>	<u>Accounts Receivable</u>	<u>Revenue</u>
Blue Cross/Magellan	35 %	39 %	33 %	43 %
Other private insurance	37	48	37	44
Individuals	<u>28</u>	<u>13</u>	<u>30</u>	<u>13</u>
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(4) Assets and liabilities measured at fair value

FASB Accounting Standards Codification ("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.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

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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.

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, 2018 and 2017.

- (i) *Mutual funds*: Valued at the net asset value of shares held by the Foundation at year end based on quoted prices in an active market.
- (ii) *Equity securities*: Valued at the closing price reported on the active market on which the individual securities are traded.

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.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2018 and 2017:

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in interest program	\$ <u>130,073</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>130,073</u>
Mutual funds:				
Fixed income	1,214,563	-	-	1,214,563
Domestic index	131,592	-	-	131,592
International	<u>156,440</u>	<u>-</u>	<u>-</u>	<u>156,440</u>
	<u>1,502,595</u>	<u>-</u>	<u>-</u>	<u>1,502,595</u>
Equity securities:				
Consumer	464,557	-	-	464,557
Industrial and energy	361,283	-	-	361,283
Information	195,733	-	-	195,733
Healthcare	357,934	-	-	357,934
Telecommunications and utilities	297,918	-	-	297,918
Other	<u>273,783</u>	<u>-</u>	<u>-</u>	<u>273,783</u>
	<u>1,951,208</u>	<u>-</u>	<u>-</u>	<u>1,951,208</u>
Beneficial interest in perpetual trust	<u>492,299</u>	<u>-</u>	<u>-</u>	<u>492,299</u>
Total	\$ <u>4,076,175</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,076,175</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held in interest program	\$ <u>22,309</u>	\$ -	\$ -	\$ <u>22,309</u>
Mutual funds:				
Fixed income	1,180,879	-	-	1,180,879
Domestic index	147,977	-	-	147,977
International	<u>187,345</u>	-	-	<u>187,345</u>
	<u>1,516,201</u>	-	-	<u>1,516,201</u>
Equity securities:				
Consumer	623,939	-	-	623,939
Industrial and energy	499,441	-	-	499,441
Information	238,246	-	-	238,246
Healthcare	307,020	-	-	307,020
Telecommunications and utilities	60,109	-	-	60,109
Other	<u>305,096</u>	-	-	<u>305,096</u>
	<u>2,033,851</u>	-	-	<u>2,033,851</u>
Beneficial interest in perpetual trust	<u>562,261</u>	-	-	<u>562,261</u>
Total	\$ <u>4,134,622</u>	\$ -	\$ -	\$ <u>4,134,622</u>

The beneficial interest in perpetual trust consists primarily of mutual funds and equity securities.

(5) Contributions receivable

The Foundation solicits pledges of support from board members and others for contributions to be used for specific 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 net assets with donor restrictions in the accompanying consolidated financial statements and are scheduled to be received as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 195,290	\$ 119,662
Receivable in one to five years	<u>997,434</u>	<u>85,279</u>
	1,192,724	204,941
Less allowance for uncollectible pledges	(2,285)	(18,000)
Less discount	<u>(82,584)</u>	<u>(5,829)</u>
	\$ <u>1,107,855</u>	\$ <u>181,112</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(6) Investments

A summary of the fair value of investments with donor restrictions as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash held in interest program	\$ 130,073	\$ 22,309
Mutual funds	1,502,595	1,516,201
Equity securities	<u>1,951,208</u>	<u>2,033,851</u>
	<u>\$ 3,583,876</u>	<u>\$ 3,572,361</u>

(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 and receives annual cash distributions from the trust. 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 \$492,299 and \$562,261 at December 31, 2018 and 2017, respectively, and is included in donor 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 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 110,745	\$ 90,066
Net gain on investments	(257,776)	350,232
Fees paid	<u>(50,968)</u>	<u>(44,865)</u>
	<u>\$ (197,999)</u>	<u>\$ 395,433</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(9) Property and equipment

A summary of property and equipment as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,150,857	\$ 1,150,857
Buildings and improvements	30,731,954	30,260,708
Machinery and equipment	1,743,537	2,181,336
Transportation equipment	297,741	289,190
Furniture and fixtures	1,078,230	925,936
Construction in progress	<u>3,209,081</u>	<u>425,638</u>
	38,211,400	35,233,665
Accumulated depreciation and amortization	<u>(15,418,062)</u>	<u>(14,909,748)</u>
	<u>\$ 22,793,338</u>	<u>\$ 20,323,917</u>

Depreciation and amortization expense amounted to approximately \$1,462,000 and \$1,362,000 for the years ended December 31, 2018 and 2017, respectively.

Construction in progress primarily consists of amounts incurred relating to the ARCH Academy project. At December 31, 2018, the estimated cost to complete all projects was approximately \$7,160,000.

(10) Liquidity and availability

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. As part of the Foundations's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial assets available for general expenditures within one year of the statement of financial position are as follows:

Cash and cash equivalents	\$ 9,815,528
Patient accounts receivable	<u>4,827,834</u>
	<u>\$ 14,643,362</u>

None of the above assets are subject to donor or other restrictions. Cash and cash equivalents above excludes \$3,557,066 of proceeds from the new note payable to bank (see Note 12) to be used in connection with the construction of the ARCH Academy as discussed in Note 9. The Foundation also has a \$950,000 line of credit that could be utilized (see Note 11).

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(11) Line of credit

At December 31, 2018, and 2017, the Foundation had a \$950,000 revolving line of credit, payable on demand, which mature August 25, 2019. There were no borrowings on the line at December 31, 2018 and 2017. Borrowings under the line bear interest, payable monthly, at an annual interest rate equal to the one-month LIBOR plus 1.50 percentage points over the index. The line of credit is secured by accounts receivable.

The line of credit agreement is cross-collateralized with the related long-term debt (see Note 12). The security agreements with the bank contain certain financial covenants, including requirements for the maintenance of specified current ratios, minimum levels of debt service coverage and minimum earnings before interest, depreciation and amortization ("EBIDA").

(12) Long-term debt

A summary of long-term debt as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Note payable to bank due in monthly installments of \$83,333 plus interest at a fixed rate of 3.17% per annum through March 21, 2023, with a required lump-sum payment of \$1,000,000 in March 2019 (see below).	\$ 5,250,000	\$ -
Note payable to bank due in monthly installments of \$8,333 plus interest at a fixed rate of 2.68% per annum through May 28, 2019, and paid in full September 2018.	-	141,666
Note payable to bank due in monthly installments of \$16,333 plus interest at a fixed rate of 2.96% per annum through August 1, 2020, and paid in full August 2018.	-	533,334
Note payable to bank due in monthly installments of \$16,667 plus interest at a fixed rate of 2.75% per annum through August 1, 2020.	607,813	899,564

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

Note payable to bank due in monthly installments of \$22,917 plus interest at a fixed rate of 2.90% per annum through April 1, 2021.

	<u>664,583</u>	<u>939,584</u>
Total	6,522,396	2,514,148
Less current installments	<u>2,566,750</u>	<u>866,750</u>
Long-term debt, excluding current installments	<u>\$ 3,955,646</u>	<u>\$ 1,647,398</u>

A summary of future maturities of long-term debt as of December 31, 2018 is as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 2,566,750
2020	1,566,750
2021	1,138,896
2022	1,000,000
2023	<u>250,000</u>
	<u>\$ 6,522,396</u>

In March 2018, the Foundation entered into a note payable to a bank in connection with \$6,000,000 Series 2018 Revenue Bonds issued by the Industrial Development Board of Cheatham County for purpose of constructing a recovery treatment and rehabilitation center in Pegram, Tennessee. The notes payable to the banks are secured by a first mortgage of the Foundation's property, a negative pledge and the Foundation's equipment, respectively. Certain loan agreements also require maintenance of certain covenants (see Note 11).

(13) Net assets

As of December 31, 2018 and 2017, the Board of Directors had designated \$908,611 and \$882,177, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Organizations. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

Net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Patient assistance (including endowment net assets of \$3,167,564 and \$2,690,183 at December 31, 2018 and 2017, respectively)	\$ 2,723,510	\$ 2,885,097
ARCH Academy	749,824	-
Other specific operational programs	<u>260,854</u>	<u>199,003</u>
	<u>\$ 3,734,188</u>	<u>\$ 3,084,100</u>

Some net assets with donor restrictions are held in perpetuity with the unrealized gain (loss) reflected as net assets with donor restrictions and the income from assets expendable to support certain programs. A summary of the net assets with donor restrictions for which the related income is expendable as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Olcott Foundation	\$ <u>492,299</u>	\$ <u>562,261</u>

(14) Natural classification of expenses

A summary of the natural classification of expenses for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>				
	<u>Clinical Services</u>	<u>Ancillary Services</u>	<u>Administrative and fiscal</u>	<u>Marketing and public relations</u>	<u>Total</u>
Salaries and temporary labor	\$ 13,165,417	\$ 3,175,675	\$ 2,650,478	\$ 1,253,515	\$ 20,245,085
Contract services	520,484	620,452	217,729	61,757	1,420,422
Provision for doubtful accounts	1,201,740	-	-	-	1,201,740
Depreciation and amortization	815,978	263,475	262,626	119,448	1,461,527
Interest, excluding swap agreement	107,331	34,657	34,544	15,712	192,244
General insurance	14,304	-	377,555	-	391,859
Utilities	207,781	16,428	706,798	16,517	947,524
Food service	-	977,606	-	-	977,606
Supplies	468,703	242,020	16,844	3,242	730,809
Rent	583,576	416	2,466	-	586,458
Other	<u>920,684</u>	<u>474,889</u>	<u>1,399,861</u>	<u>1,160,696</u>	<u>3,956,130</u>
	<u>\$ 18,005,998</u>	<u>\$ 5,805,618</u>	<u>\$ 5,668,901</u>	<u>\$ 2,630,887</u>	<u>\$ 32,111,404</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

	2017				
	Clinical Services	Ancillary Services	Administrative and fiscal	Marketing and public relations	Total
Salaries and temporary labor	\$ 12,105,306	\$ 2,949,145	\$ 2,485,270	\$ 1,179,010	\$ 18,718,731
Contract services	572,658	450,686	201,000	68,735	1,293,079
Provision for doubtful accounts	1,379,985	-	-	-	1,379,985
Depreciation and amortization	757,256	242,934	245,317	116,527	1,362,034
Interest, excluding swap agreement	72,668	23,312	23,541	11,182	130,703
General insurance	8,615	-	485,603	-	494,218
Utilities	169,592	14,331	499,520	12,257	695,700
Food service	-	971,524	-	-	971,524
Supplies	435,368	217,087	22,615	3,252	678,322
Rent	423,372	1,251	4,734	-	429,357
Other	<u>816,686</u>	<u>500,006</u>	<u>1,338,340</u>	<u>1,184,961</u>	<u>3,839,993</u>
	<u>\$ 16,741,506</u>	<u>\$ 5,370,276</u>	<u>\$ 5,305,940</u>	<u>\$ 2,575,924</u>	<u>\$ 29,993,646</u>

(15) 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 three months. The Foundation matches salary deferral contributions equal to 100% of salary contributions up to 5% of compensation. The Foundation made contributions of \$407,337 and \$355,131 to the Plan in 2018 and 2017, respectively.

(16) Lease commitments

The Foundation leases office space and various office equipment under operating leases. Rent expense under these leases amounted to \$586,458 and \$429,357 in 2018 and 2017, respectively.

A summary of approximate future minimum payments under these leases as of December 31, 2018 is as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 450,000
2020	440,000
2021	290,000
2022	200,000
2023	105,000
2024 and later years	<u>135,000</u>
	<u>\$ 1,620,000</u>

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(17) Endowment

Overview: The Foundation's endowment funds consist of funds that hold investments in securities traded on the public market. The endowments include certain net assets with donor restrictions. As required by GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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%).

Composition of and changes in endowment net assets by type of fund as of December 31, 2018 and is as follows:

	<u>With Donor Restrictions</u>			Total Net Endowment Assets
	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual in Nature</u>	
Donor-restricted endowment funds	\$ -	\$ 2,675,266	\$ 492,299	\$ 3,167,565
Board-designated endowment funds	<u>908,610</u>	<u>-</u>	<u>-</u>	<u>908,610</u>
Total funds	<u>\$ 908,610</u>	<u>\$ 2,675,266</u>	<u>\$ 492,299</u>	<u>\$ 4,076,175</u>
Endowment net assets, beginning of year	\$ 882,178	\$ 2,690,183	\$ 562,261	\$ 4,134,622
Contributions	90,451	166,336	-	256,787
Amounts appropriated for expenditure	(25,339)	(62,018)	(29,878)	(117,235)
Gain on investment, net	<u>(38,680)</u>	<u>(119,235)</u>	<u>(40,084)</u>	<u>(197,999)</u>
Endowment net assets, end of year	\$ 908,610	\$ 2,675,266	\$ 492,299	\$ 4,076,175

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

Composition of and changes in endowment net assets by type of fund as of December 31, 2017 and is as follows:

	<u>With Donor Restrictions</u>			Total Net Endowment Assets
	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual in Nature</u>	
Donor-restricted endowment funds	\$ -	\$ 2,690,183	\$ 562,261	\$ 3,252,444
Board-designated endowment funds	<u>882,178</u>	<u>-</u>	<u>-</u>	<u>882,178</u>
Total funds	\$ <u>882,178</u>	\$ <u>2,690,183</u>	\$ <u>562,261</u>	\$ <u>4,134,622</u>
Endowment net assets, beginning of year	\$ 711,997	\$ 2,009,055	\$ 509,279	\$ 3,230,331
Contributions	109,590	501,372	-	610,962
Amounts appropriated for expenditure	(20,540)	(64,152)	(17,412)	(102,104)
Gain on investment, net	<u>81,131</u>	<u>243,908</u>	<u>70,394</u>	<u>395,433</u>
Endowment net assets, end of year	\$ <u>882,178</u>	\$ <u>2,690,183</u>	\$ <u>562,261</u>	\$ <u>4,134,622</u>

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 donor restricted endowment funds are generally expended at a rate between 3% and 5% of the calendar year end principal balance.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce a moderate return while assuming a moderate level of investment risk.

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

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

Funds with Deficiencies: From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Cumulative deficiencies of this nature that are in excess of related net assets with donor restrictions are reported in net assets without donor restrictions. As of December 31, 2018 there was a deficiency of \$48,803. There were no such deficiencies as of December 31, 2017.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation disburses funds as needed within the guidelines of the endowments. Disbursements to the Foundation are used to assist with its programs and services according to donor restrictions.

(18) Contingencies

Self-insurance

Effective January 1, 2018, the Company is self-insured for employee medical insurance. The risk of loss retained by the Company is limited to \$55,000 for each employee's medical claims and \$1,674,232 in the aggregate annually. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss is reasonably estimated. Reserves related to employee medical benefits amounted to approximately \$230,000 as of December 31, 2018. The liability is included within accrued expenses on the accompanying consolidated statement of financial position.

Health care Industry

The delivery of personal and health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The Foundation and Affiliate are insured with respect to medical malpractice risk on a claims-made basis. The Foundation and Affiliate also maintain insurance for general liability, director and officer liability and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the Foundation and Affiliate indemnify certain officers and directors for actions taken on behalf of the Organizations. Management is not aware of any claims against the Organizations which would have a material financial impact.

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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, and Medicare 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 repayments for patient services previously billed. Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The Organizations' compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time. Management believes that the Organizations are in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Health care Reform

The health care industry in the United States is subject to fundamental changes due to ongoing health care reform efforts and related political, economic and regulatory influences. Notably, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") resulted in expanded health care coverage to millions of previously uninsured people beginning in 2014 and has resulted in significant changes to the U.S. health care system. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers as well as certain other changes to Medicare payment methodologies. This comprehensive health care legislation has resulted and will continue to result in extensive rulemaking by regulatory authorities, and also may be altered, amended, repealed, or replaced.

It is difficult to predict the full impact of the Affordable Care Act due to the complexity of the law and implementing regulations, as well as the Organizations' inability to foresee how CMS and other participants in the health care industry will respond to the choices available to them under the law. The Organizations also cannot accurately predict whether any new or pending legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on the Organizations' business. Similarly, while the Organizations can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the Organizations' business and the manner in which the Organizations are reimbursed by the federal health care programs, the Organizations cannot accurately predict today the impact of those regulations on the Organizations' business. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act or any amended or replacement legislation may increase costs, decrease revenues, expose the Organizations to expanded liability or require the Organizations to revise the ways in which it conducts business.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

Litigation

The Foundation and Affiliate are 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 consolidated 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.

(19) 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. Approximately \$560,000 of related party pledges were included in contributions receivable in the accompanying consolidated statement of financial position at December 31, 2018. Related party pledges were not considered material at December 31, 2017.

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidating Statement of Financial Position

December 31, 2018

Assets	Cumberland Heights Foundation, Inc.	Cumberland Heights Professional Associates, Inc.	Eliminating Entries		Consolidated
			Debit	Credit	
Current assets:					
Cash and cash equivalents	\$ 13,217,713	\$ 154,881	\$ -	\$ -	\$ 13,372,594
Accounts receivable for services, net	4,649,013	178,821	-	-	4,827,834
Receivable from related parties	38,789	-	(38,789) (a)	-	-
Contributions receivable, net	193,005	-	-	-	193,005
Other current assets	591,223	8,915	-	-	600,138
Short-term investments	2,332,746	-	-	-	2,332,746
Total current assets	21,022,489	342,617	(38,789)	-	21,326,317
Property and equipment, net	22,793,338	-	-	-	22,793,338
Contributions receivable, excluding current portion	914,850	-	-	-	914,850
Investments	4,076,175	-	-	-	4,076,175
	<u>\$ 48,806,852</u>	<u>\$ 342,617</u>	<u>\$ (38,789)</u>	<u>\$ -</u>	<u>\$ 49,110,680</u>
Liabilities and Net Assets					
Current liabilities:					
Current installments of long term debt	\$ 2,566,750	\$ -	\$ -	\$ -	\$ 2,566,750
Accounts payable	823,312	49,745	-	(a) (38,789)	834,268
Accrued expenses	1,496,540	66,543	-	-	1,563,083
Total current liabilities	4,886,602	116,288	-	(38,789)	4,964,101
Long-term debt, excluding current installments	3,955,646	-	-	-	3,955,646
Total liabilities	8,842,248	116,288	-	(38,789)	8,919,747
Net assets					
Without donor restrictions	35,738,117	226,329	-	-	35,964,446
With donor restrictions	4,226,487	-	-	-	4,226,487
Total net assets	39,964,604	226,329	-	-	40,190,933
	<u>\$ 48,806,852</u>	<u>\$ 342,617</u>	<u>\$ -</u>	<u>\$ (38,789)</u>	<u>\$ 49,110,680</u>

(a) To eliminate intercompany receivables and payables.

See independent auditors' report

CUMBERLAND HEIGHTS FOUNDATION, INC. AND AFFILIATE

Consolidating Statement of Activities

Year ended December 31, 2018

			<u>Eliminating Entries</u>		
	<u>Cumberland Heights Foundation, Inc.</u>	<u>Cumberland Heights Professional Associates, Inc.</u>	<u>Debit</u>	<u>Credit</u>	<u>Consolidated</u>
Changes in net assets without donor restrictions:					
Public support and revenue:					
Revenue, net	\$ 31,770,559	\$ 867,271	\$ -	\$ -	\$ 32,637,830
Contributions	225,199	-	-	-	225,199
Investment income (loss)	(38,680)	-	-	-	(38,680)
Other	<u>780,779</u>	<u>120,016</u>	<u>(a) 120,000</u>	<u>-</u>	<u>780,795</u>
Total unrestricted revenue	32,737,857	987,287	120,000	-	33,605,144
Satisfaction of restrictions	<u>2,520,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,520,462</u>
Total revenue without donor restrictions	<u>35,258,319</u>	<u>987,287</u>	<u>120,000</u>	<u>-</u>	<u>36,125,606</u>
Expenses:					
Program services:					
Clinical services	16,815,741	1,190,257	-	-	18,005,998
Ancillary services	<u>5,801,455</u>	<u>4,163</u>	<u>-</u>	<u>-</u>	<u>5,805,618</u>
Total program services	22,617,196	1,194,420	-	-	23,811,616
Supporting services:					
Administrative and fiscal	5,783,430	5,471	-	(a) 120,000	5,668,901
Marketing and public relations	<u>2,630,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,630,887</u>
Total supporting services	8,414,317	5,471	-	120,000	8,299,788
Total expenses	<u>31,031,513</u>	<u>1,199,891</u>	<u>-</u>	<u>120,000</u>	<u>32,111,404</u>
Increase in net assets without donor restrictions	<u>4,226,806</u>	<u>(212,604)</u>	<u>120,000</u>	<u>120,000</u>	<u>4,014,202</u>
Changes in net assets with donor restrictions:					
Contributions	3,259,907	-	-	-	3,259,907
Investment income (loss)	(159,319)	-	-	-	(159,319)
Net assets released from restrictions	<u>(2,520,462)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,520,462)</u>
Increase in net assets with donor restrictions	<u>580,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,126</u>
Increase in net assets	<u>4,806,932</u>	<u>(212,604)</u>	<u>120,000</u>	<u>120,000</u>	<u>4,594,328</u>
Net assets at beginning of year	<u>35,157,672</u>	<u>438,933</u>	<u>-</u>	<u>-</u>	<u>35,596,605</u>
Net assets at end of year	\$ <u>39,964,604</u>	\$ <u>226,329</u>	\$ <u>120,000</u>	\$ <u>120,000</u>	\$ <u>40,190,933</u>

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

See independent auditors' report