Guest House, Inc.

Financial Report
June 30, 2016

Guest House, Inc.

Contents

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Guest House, Inc.

We have audited the accompanying financial statements of Guest House, Inc. (the "Organization"), which comprise the balance sheet as of June 30, 2016 and 2015 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guest House, Inc. as of June 30, 2016 and 2015 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

December 8, 2016

Guest House, Inc.

Balance Sheet

	June 30, 2016	June 30, 2015
Assets		
Current Assets		
Cash and cash equivalents	$ 1,888,075	$ 803,966
Investments and pledged assets (Note 11)	25,712,016	26,551,874
Receivables:		
Patient - Net	682,311	472,053
Other	6,419	47,220
Assets held for sale (Note 3)	-	402,097
Prepaid expenses and other current assets	116,388	86,210
Total current assets	28,405,209	28,363,420
Land, Buildings, and Equipment - Net (Note 3)	12,457,928	12,809,735
Contributions Receivable - Net (Note 2)	242,101	313,424
Total assets	**$ 41,105,238**	**$ 41,486,579**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 96,878	$ 394,454
Bank line of credit	2,880,000	7,707,000
Annuities payable	37,852	43,635
Deferred revenue	109,274	127,835
Accrued compensation and other	101,024	175,924
Total current liabilities	3,225,028	8,448,848
Other Long-term Liabilities		
Annuities payable - Net of current portion	170,577	244,702
Accrued pension (Note 8)	5,182,220	2,733,384
Total liabilities	8,577,825	11,426,934
Net Assets		
Unrestricted	28,894,905	26,258,072
Temporarily restricted (Note 10)	1,192,176	1,366,241
Permanently restricted (Note 10)	2,440,332	2,435,332
Total net assets	32,527,413	30,059,645
Total liabilities and net assets	**$ 41,105,238**	**$ 41,486,579**

Guest House, Inc.

Statement of Activities and Changes in Net Assets

	Year Ended							
	June 30, 2016				June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	$ 1,733,241	$ 1,661,693	$ 5,000	$ 3,399,934	$ 2,019,173	$ 709,780	$ 8,000	$ 2,736,953
Net patient service revenue (Note 6)	3,394,500	-	-	3,394,500	2,531,217	-	-	2,531,217
Cost assurance program	443,557	-	-	443,557	461,898	-	-	461,898
Interest and dividend income	875,942	144,758	-	1,020,700	1,042,534	174,983	-	1,217,517
Miscellaneous income	104,676	-	-	104,676	138,234	-	-	138,234
Total revenue and support	6,551,916	1,806,451	5,000	8,363,367	6,193,056	884,763	8,000	7,085,819
Net Assets Released from Restrictions	1,806,451	(1,806,451)	-	-	884,763	(884,763)	-	-
Total revenue, support, and net assets released from restrictions	8,358,367	-	5,000	8,363,367	7,077,819	-	8,000	7,085,819
Expenses								
Therapy programs	4,422,200	-	-	4,422,200	4,290,901	-	-	4,290,901
Other programs	14,908	-	-	14,908	21,775	-	-	21,775
Facilities support	813,754	-	-	813,754	866,889	-	-	866,889
General and administrative	1,039,063	-	-	1,039,063	1,663,748	-	-	1,663,748
Development	694,168	-	-	694,168	1,232,345	-	-	1,232,345
Total expenses	6,984,093	-	-	6,984,093	8,075,658	-	-	8,075,658
Increase (Decrease) in Net Assets - Before other changes in net assets	1,374,274	-	5,000	1,379,274	(997,839)	-	8,000	(989,839)
Gain on Curtailment and Settlement of Postretirement Benefit Plan (Note 8)	-	-	-	-	63,949	-	-	63,949
Other Changes in Benefit Plan Assets and Obligations (Note 8)	(2,436,724)	-	-	(2,436,724)	(1,294,063)	-	-	(1,294,063)
Gain on Sale of Rochester Property	4,766,683	-	-	4,766,683	-	-	-	-
Realized and Unrealized Losses on Investments	(1,067,400)	(174,065)	-	(1,241,465)	(930,512)	(161,215)	-	(1,091,727)
Increase (Decrease) in Net Assets	2,636,833	(174,065)	5,000	2,467,768	(3,158,465)	(161,215)	8,000	(3,311,680)
Net Assets - Beginning of year	26,258,072	1,366,241	2,435,332	30,059,645	29,416,537	1,527,456	2,427,332	33,371,325
Net Assets - End of year	**$ 28,894,905**	**$ 1,192,176**	**$ 2,440,332**	**$ 32,527,413**	**$ 26,258,072**	**$ 1,366,241**	**$ 2,435,332**	**$ 30,059,645**

See Notes to Financial Statements.

Guest House, Inc.

Statement of Cash Flows

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 2,467,768	$ (3,311,680)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	502,155	450,866
Gain on sale of Rochester property	(4,766,683)	-
Realized and unrealized loss on investments	1,241,465	1,091,727
Accrued pension	2,448,836	1,284,868
Postretirement healthcare benefit obligation	-	2,483,945
Bad debt expense	-	1,561
Contributions restricted for long-term use	(5,000)	(8,000)
(Gain) loss on disposal of assets	(5,035)	1,200
Changes in operating assets and liabilities which (used) provided cash:		
Patient receivable	(210,258)	46,022
Contributions receivable	71,323	(281,437)
Other receivable	40,801	(23,083)
Prepaid expenses and other	(30,178)	(14,609)
Accounts payable	(297,576)	(573,021)
Annuities payable	(79,908)	(22,107)
Deferred revenue	(18,561)	(76,656)
Accrued compensation	(74,900)	(242,349)
Net cash provided by operating activities	1,284,249	807,247
Cash Flows from Investing Activities		
Purchase of property and equipment	(169,592)	(6,527,692)
Proceeds from sale of property and equipment	5,193,059	-
Purchases of investments	(4,221,913)	(10,568,886)
Proceeds from sales and maturities of investments	3,820,306	10,004,928
Net cash provided by (used in) investing activities	4,621,860	(7,091,650)
Cash Flows from Financing Activities		
Proceeds from bank line of credit	-	6,382,000
Repayments on bank line of credit	(4,827,000)	-
Proceeds from contributions restricted for investment in endowment	5,000	8,000
Net cash (used in) provided by financing activities	(4,822,000)	6,390,000
Net Increase in Cash and Cash Equivalents	1,084,109	105,597
Cash and Cash Equivalents - Beginning of year	803,966	698,369
Cash and Cash Equivalents - End of year	**$ 1,888,075**	**$ 803,966**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 144,255**	**$ 104,994**

Note 1 - Nature of Activities and Significant Accounting Policies

Guest House, Inc. (the "Organization"), located in Lake Orion, Michigan, is a nonstock, nonprofit corporation. The Organization operates a state-licensed residential treatment facility in Lake Orion, Michigan, treating clergy and male and female religious with alcohol and chemical dependency and other related disorders. The Organization also operates a short-term residential facility in Lake Orion. During 2015, the Organization closed its Rochester, Minnesota treatment facility, the former site of the men's program. The men's program was relocated to the Lake Orion campus.

Significant accounting policies are as follows:

Cash and Cash Equivalents - The Organization considers all highly liquid temporary investments purchased with an original maturity date of three months or less, including investments in money market funds, to be cash equivalents other than the cash and cash equivalents that are considered to be part of the investment portfolio.

Concentration of Credit Risk Arising from Deposit Accounts - The Organization maintains cash balances at a bank whose accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts was $34,103 and $54,366 at June 30, 2016 and 2015, respectively.

Investments and Assets Pledged - Investments and assets pledged include money market funds, mutual funds, debt securities, common stock, and private equity securities that are measured at fair market value as described in Note 11. In addition, investments include cash and certificates of deposit totaling approximately $168,000 and $166,000 as of June 30, 2016 and 2015, respectively, that are managed as part of the investment portfolio.

Land, Buildings, and Equipment - Land, buildings, and equipment are recorded at cost on the date of purchase or at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. Additions and improvements in excess of $2,000 are capitalized. Costs of maintenance and repairs are charged to expense when incurred.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Charitable Gift Annuity - The Organization receives irrevocable charitable gift annuities for which the Organization serves as trustee. Assets held by the trusts are included in investments. Contribution revenue is recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments made to the beneficiaries. The liabilities are adjusted during the term of the trusts for advances in the actuarial value accretion of the discount and other changes affecting the estimates of future benefits. Any new annuity agreements are calculated using the 2000 Mortality Tables, using discount rates ranging from 3.8 percent to 8.0 percent.

Revenue Recognition - The Organization uses the accrual basis of accounting in the preparation of its financial statements and, accordingly, records patient service revenue at basic daily rates when services are performed. Net patient service revenue represents patient service revenue less underwritten accounts and subsidized free care.

The Organization has a cost assurance program whereby dioceses/orders contractually commit to making monthly or annual payments to the Organization for a period of five years. Revenue is recognized ratably over the term of the contract. The payments by the dioceses/orders are based on the number of persons in the dioceses/orders who are eligible to receive services from the Organization. In return, the Organization has committed to provide primary care services, at no incremental cost, to any eligible person from the diocese/order during the contractual period.

Subsidized Free Care - The Organization provides care to patients who meet certain criteria without charge or at an amount less than the established rates. Because the Organization does not pursue collection of amounts determined to qualify as subsidized free care, the amounts offset the associated revenue recorded as part of patient services revenue. The amount reflects the cost of free or discounted services.

Contributions and Pledges Receivable - Contributions received by the Organization are recognized as a contribution receivable and contribution revenue when the contribution commitment has been received and all significant conditions of the contribution have been met. Contribution revenue is classified as unrestricted, temporarily restricted, or permanently restricted based upon the existence of donor-imposed restrictions. Contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as restricted support and as a release of restriction. Restrictions related to the capital campaign were released when the construction related to the campaign was substantially complete.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The unamortized discount represents the adjustment required to record pledges expected to be received in future years at their current value. Amortization of the discount is recorded as additional contribution revenue and is used in accordance with donor-imposed restrictions over the period of the pledge. The discounts on those amounts are computed using appropriate interest rates to the years in which the promises are received and the years in which the pledges are expected to be fulfilled.

Classification of Net Assets - Net assets of the Organization are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings and gains on donor-restricted endowments are classified as temporarily restricted until they have been appropriated and spent by the Organization. Earnings, gains, and losses on all other restricted net assets are classified as unrestricted unless specifically restricted by the donor.

Permanently restricted net assets as of June 30, 2016 and 2015 consist of endowment contributions that are required to be held in perpetuity. Temporarily restricted net assets as of June 30, 2016 and 2015 consist entirely of the accumulated earnings and gains on the endowment assets.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between program and support services based on estimates, as determined by management. Although the methods of allocation are considered reasonable, other methods could be used that would produce a different amount.

Tax Status - The Organization is a 501(c)(3) corporation and therefore is not subject to federal income tax. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Upcoming Accounting Changes

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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 ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including moving from three classes of net assets down to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organizations' year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the financial statements.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The lease new guidance will be effective for the Organization's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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 balance sheet.

The Organization also has a pension plan which relies on assumptions related to the discount rate, expected long-term return on plan assets, and life expectancies to determine the costs and liabilities associated with the plan. Due to the level of risk associated with these assumptions, it is at least reasonably possible that changes in assumptions will occur in the near term, and that such changes could materially affect the amounts reported in the balance sheet.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including December 8, 2016, which is the date the financial statements were available to be issued.

Note 2 - Contributions Receivable

During 2014, Guest House, Inc. commenced a new five-year capital campaign. During fiscal years 2016 and 2015, Guest House, Inc. recorded net capital campaign contributions of $1,658,281 and $664,427, respectively.

Total outstanding pledges, including the capital campaign, at June 30 are comprised of the following:

	2016	2015
Contributions collectible in less than one year	$ 44,475	$ 71,625
Contributions collectible in one to five years	173,423	186,799
Contributions collectible thereafter	40,000	60,000
Less allowance for uncollectible amounts	(15,797)	(5,000)
Net contributions receivable	$ 242,101	$ 313,424

Note 3 - Land, Buildings, and Equipment

The cost of land, buildings, and equipment consists of the following:

	2016	2015
Land	$ 204,400	$ 204,400
Buildings and equipment	16,182,540	15,484,133
Vehicles	337,469	351,475
Furniture and fixtures	674,329	655,128
Construction in progress	-	607,989
Total cost	17,398,738	17,303,125
Less accumulated depreciation	(4,940,810)	(4,493,390)
Net land, buildings, and equipment	$ 12,457,928	$ 12,809,735

Depreciation expense for the years ended June 30, 2016 and 2015 is $502,155 and $450,866, respectively.

During fiscal year 2015, the Organization announced plans to close its Rochester, Minnesota treatment facility, the site of the men's treatment program. A new facility was constructed at the Lake Orion, Michigan campus for the women's program, which opened during fiscal year 2015. The current facility on the Lake Orion, Michigan campus was renovated for the men's program, after the development of the new facility.

In April 2016, the Organization's Rochester, Minnesota treatment facility was sold. The carrying value of the property was $427,451 with a total sale price of $5,194,134.

Note 4 - Bank Line of Credit

During January 2014, the Organization entered into a $6,000,000 revolving line of credit to fund the development of the new facility and the building improvements underway at the Lake Orion campus. In December 2014, the line of credit was amended to increase the borrowing limit to $8,000,000. The balance on the line of credit was $2,880,000 at June 30, 2016 and $7,707,000 at June 30, 2015. The line of credit matures on January 31, 2017 and bears interest at 1.75 percent above LIBOR. At June 30, 2016 and 2015, the effective interest rate was 2.23 percent and 1.94 percent, respectively. The line of credit is collateralized by substantially all of the investments of the Organization.

The Organization capitalized $46,887 in interest for the year ended June 30, 2015 to be amortized over the life of the building and building improvements. Interest expense for the years ended June 30, 2016 and 2015 was $144,255 and $58,099, respectively.

Note 5 - Operating Leases

The Organization leases certain vehicles and equipment. The leases expire at various dates through 2018 and each lease requires a monthly payment ranging from $412 to $1,090.

The total lease expense related to all of these leases for the years ended June 30, 2016 and 2015 was $26,300 and $26,200, respectively.

Future payments due under these operating leases are as follows:

Years Ending June 30		Amount
2017		$ 15,334
2018		1,280
	Total	$ 16,614

Note 6 - Net Patient Service Revenue

Net patient service revenue on the statement of activities and changes in net assets is comprised of basic daily rate and counseling and medical revenue less underwritten accounts and subsidized free care. The detail for net patient service revenue for all locations is as follows:

	2016	2015
Patient service revenue:		
Basic daily rate	$ 3,194,881	$ 2,373,691
Counseling and medical	1,512,139	1,133,811
Gross patient service revenue	4,707,020	3,507,502
Underwritten accounts	(373,259)	(627,882)
Subsidized free care	(939,261)	(348,403)
Net patient service revenue	$ 3,394,500	$ 2,531,217

Note 7 - Underwritten Accounts and Subsidized Free Care

Included in underwritten accounts are allowances and adjustments to patient service revenue account balances recognized during the year related to patient service accounts not eligible for defined subsidized free care programs. The underwritten accounts for the years ended June 30, 2016 and 2015 totaled $373,259 and $627,882, respectively.

Subsidized free care offsets the associated revenue recorded as part of the patient service revenue. For the years ended June 30, 2016 and 2015, the subsidized free care totaled $939,261 and $348,403, respectively.

Note 8 - Pension and Other Postretirement Benefit Plans

The Organization has provided pension benefits for all full-time employees under a noncontributory defined benefit pension plan. The plan provides defined benefits based on years of service and final average salary. Entry to this plan was frozen to new participants and benefits were frozen for current participants as of December 31, 2007.

The Organization also had a postretirement healthcare plan and provided life insurance benefits covering substantially all full-time employees. The postretirement plan paid up to $245.25 per month per member toward a Medicare Supplemental Plan. Effective June 15, 2012, all future benefits under the postretirement healthcare plan were curtailed or effectively eliminated. In addition, the plan was partially settled during the year ended June 30, 2012. The life insurance policies of inactive participants had their benefits settled when the Organization paid $239,382 to an insurance company for the coverage. In June 2012, 38 inactive participants received cash settlements totaling $76,000 in place of current healthcare coverage. As a result of the curtailment and partial settlement, a curtailment gain of $2,375,857 was recognized during the year ended June 30, 2012. During the year ended June 30, 2013, the remaining participants had their benefits settled for cash payments totaling $174,000. During the year ended June 30, 2015, the Organization received a ruling from the IRS indicating that remaining assets in the plan could be reverted back to the Organization without triggering a taxable event. The Organization liquidated the account during 2015; no funds remain as of June 30, 2015. The Organization recognized a gain related to investment gains of the remaining assets of the postretirement plan of $63,949 for the year ended June 30, 2015.

Obligations and Funded Status

	Pension Benefits	
	2016	2015
Projected benefit obligation	$ 19,833,757	$ 18,620,606
Fair value of plan assets	14,651,537	15,887,222
Funded status at end of year	$ (5,182,220)	$ (2,733,384)

The accumulated benefit obligation for the defined benefit pension plan is the same as the projected benefit obligation as of June 30, 2016 and 2015 since the plan was frozen as of December 31, 2007.

Amounts recognized in the balance sheet consist of the following:

	Pension Benefits	
	2016	2015
Noncurrent liabilities	$ 5,182,220	$ 2,733,384

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

Amounts not yet recognized in net periodic benefit cost consist of the following:

	Pension Benefits	
	2016	2015
Net loss	$ 6,927,142	$ 4,490,418

The estimated net loss for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year is $244,442.

Net Periodic Benefit Cost (Gain) and Benefits Paid

	Pension Benefits	
	2016	2015
Net periodic benefit cost (gain)	$ 12,112	$ (9,195)
Benefits paid	980,316	986,960

Other Changes in Plan Assets and Benefit Obligations

	Pension Benefits	
	2016	2015
Net loss	$ 2,559,750	$ 1,495,874
Amortization of net loss	(123,026)	(201,811)
Total recognized in change in net assets	$ 2,436,724	$ 1,294,063
Total recognized in net periodic benefit cost and change in net assets	$ 2,436,724	$ 1,284,868

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30 are as follows:

	Pension Benefits	
	2016	2015
Discount rate	3.50 %	4.50 %

Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30 are as follows:

	Pension Benefits	
	2016	2015
Discount rate	4.50 %	4.25 %
Expected long-term return on plan assets	6.00	6.00

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes adjusted for anticipated market movements.

Pension Plan Assets

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Organization, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

Investments are permitted in money market funds and mutual funds, including both equity and fixed-income funds.

The target allocation of plan assets is 60 percent equity funds and 40 percent bond funds.

The fair values of the Organization's pension plan assets at June 30, 2016 and 2015 by major asset classes are as follows:

Fair Value Measurements at June 30, 2016

	Total at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - Equity (a)	$ 14,651,537	$ 14,651,537	$ -	$ -

Fair Value Measurements at June 30, 2015

	Total at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - Equity (a)	$ 15,887,222	$ 15,887,222	$ -	$ -

(a) The pension plan's investment in a balanced mutual fund invests in both equity and fixed-income investments.

Contributions

The Organization did not contribute to the pension plan in 2016 and does not expect to contribute to its pension plan in 2017.

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	Pension Benefits
2017	$ 1,061,826
2018	1,067,470
2019	1,077,935
2020	1,083,399
2021	1,088,489
2022-2026	5,476,242

Note 9 - Employees' Retirement Plan

Beginning on January 1, 2008, the Organization began offering its eligible employees the opportunity to participate in the 403(b) retirement plan. The Organization is required to contribute 3.67 percent of salary for full-time employees. In addition, the Organization makes discretionary contributions ranging from 0 percent to 7.33 percent of salary for full-time employees depending on length of service and age of the employee. The Organization's total contribution was $72,902 and $64,080 for the years ended June 30, 2016 and 2015, respectively.

Note 10 - Donor-restricted Endowments

The Organization's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified based on those donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until it is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Organization

(7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,192,176	$ 2,440,332	$ 3,632,508

Note 10 - Donor-restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 1,366,241	$ 2,435,332	$ 3,801,573
Investment return:				
Investment income	-	144,758	-	144,758
Net depreciation (realized and unrealized)	-	(174,065)	-	(174,065)
Total investment return	-	(29,307)	-	(29,307)
Contributions	-	-	5,000	5,000
Appropriation of endowment assets for expenditure	-	(144,758)	-	(144,758)
Endowment net assets - End of year	$ -	$ 1,192,176	$ 2,440,332	$ 3,632,508

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,366,241	$ 2,435,332	$ 3,801,573

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 1,527,456	$ 2,427,332	$ 3,954,788
Investment return:				
Investment income	-	174,983	-	174,983
Net deppreciation (realized and unrealized)	-	(161,215)	-	(161,215)
Total investment return	-	13,768	-	13,768
Contributions	-	-	8,000	8,000
Appropriation of endowment assets for expenditure	-	(174,983)	-	(174,983)
Endowment net assets - End of year	$ -	$ 1,366,241	$ 2,435,332	$ 3,801,573

Note 10 - Donor-restricted Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, there are no deficiencies in unrestricted net assets as of June 30, 2016 and 2015.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Russell 3000 Index and other prominent indices, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return, over five-year rolling periods, of approximately 8.50 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year the interest and dividend income earned during the year. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 8.50 percent annually. Annually, the Organization is entitled to withdraw up to 4.5 percent of the endowment fund's average monthly market value over the past 36 months. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 11 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2016 and 2015, and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments totaling $22,632,642 are pledged as collateral for the promissory note to a financial institution, which is disclosed in Note 4.

Note 11 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2016
Assets - Investments:					
Money market mutual funds	$ 109,445	$ -	$ -	$ -	$ 109,445
Mutual funds - U.S. fixed-income securities	6,573,143	-	-	-	6,573,143
Mutual funds - International fixed-income securities	996,840	-	-	-	996,840
Mutual funds - U.S. equity securities	11,871,787	-	-	-	11,871,787
Mutual funds - International equity securities	5,158,291	-	-	-	5,158,291
Mutual funds - Real estate equity	652,722	-	-	-	652,722
Private equity measured at NAV	-	-	-	181,632	181,632
Total assets	$ 25,362,228	$ -	$ -	$ 181,632	$ 25,543,860

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2015
Assets - Investments:					
Money market mutual funds	$ 221,515	$ -	$ -	$ -	$ 221,515
Mutual funds - U.S. fixed income securities	5,912,756	-	-	-	5,912,756
Mutual funds - International fixed-income securities	1,100,271	-	-	-	1,100,271
Mutual funds - U.S. equity securities	12,744,122	-	-	-	12,744,122
Mutual funds - International equity securities	5,211,605	-	-	-	5,211,605
Mutual funsd - Real estate securities	951,625	-	-	-	951,625
Private equity measured at NAV	-	-	-	243,496	243,496
Total assets	$ 26,141,894	$ -	$ -	$ 243,496	$ 26,385,390

Note 11 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Organization holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	June 30, 2016	June 30, 2015	June 30, 2016		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity fund	$ 181,632	$ 243,496	$ 15,303	N/A	N/A

The private equity funds class includes an investment in a limited partnership that invests in a series of multi-manager private capital funds of diversified multi-asset investments. The Organization's interest in the limited partnership cannot be redeemed prior to termination of the partnership.

Note 12 - Self Insurance

The Organization funds its employees' health benefit plan on a partially self-insured basis, providing coverage for employees' medical claims. The Organization's maximum loss is limited to $12,700 for family and $6,350 for individual per year, per employee covered under the plan. The estimated and recorded liability for claims incurred and claims incurred but not reported is included in accrued payroll and related expenses. For the years ended June 30, 2016 and 2015, the following information applies to the Organization's plan:

	2016	2015
Health insurance expenses	$ 522,159	$ 338,684
Amount of claims paid by the employer	58,792	66,766

Note 13 - Related Party Transactions

For the year ended June 30, 2015, the Organization incurred management fees expense totaling $182,400. The management services were performed by a member of the board of trustees. There were no amounts owed at June 30, 2015. There was no management fees expense incurred during 2016.