Consolidated Financial Statements
June 30, 2014

Marc Community Resources, Inc. and Affiliates

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Marc Community Resources, Inc. and Affiliates
Mesa, Arizona

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Marc Community Resources, Inc. (a nonprofit organization) and Affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 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.

Auditor's 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 from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marc Community Resources, Inc. and Affiliates as of June 30, 2014 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Marc Community Resources, Inc. and Affiliates June 30, 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter-Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules on pages 25-32 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 taken as a whole.

Eide Bailly LLP

Phoenix, Arizona
March 6, 2015

	2014	2013
Assets		
Cash and cash equivalents	$ 6,340,097	$ 6,711,517
Consumer trust funds	70,052	66,252
Accounts receivable, net	1,771,983	2,028,266
Due from related parties	71,765	91,553
Contributions receivable, net	428,871	281,335
Prepaid expenses and other	232,828	188,580
Investments	697,416	455,329
Investments in affiliates	538,774	565,408
Property and equipment, net	25,886,497	24,566,428
Bond issuance costs, net	189,744	227,689
Deposits	125,778	76,806
Total assets	$ 36,353,805	$ 35,259,163
Liabilities and Net Assets		
Liabilities		
Consumer trust funds	$ 70,052	$ 66,252
Accounts payable	987,600	717,594
Accrued liabilities	2,291,504	2,480,258
Deferred revenue	477,103	733,576
Derivative financial instrument	504,863	566,143
Notes payable	399,263	512,029
Bonds payable	6,864,146	6,845,536
Total liabilities	11,594,531	11,921,388
Net Assets		
Unrestricted	18,980,546	18,174,561
Temporarily restricted	5,768,728	5,153,214
Permanently restricted	10,000	10,000
Total net assets	24,759,274	23,337,775
Total liabilities and net assets	$ 36,353,805	$ 35,259,163

Marc Community Resources, Inc. and Affiliates
Consolidated Statements of Activities
Year Ended June 30, 2014
(With Summarized Comparative Totals for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2014	Totals 2013
Revenue, Support and Gains (Losses)					
Governmental					
Arizona Department of Economic Security	$ 10,857,009	$ -	$ -	$ 10,857,009	$ 9,782,715
Arizona Department of Health Services	14,409,521	-	-	14,409,521	13,935,808
Arizona Department of Transportation	31,350	-	-	31,350	47,700
East Valley Dial-A-Ride	-	-	-	-	393,666
City of Mesa	29,500	-	-	29,500	9,499
Total governmental revenue	25,327,380	-	-	25,327,380	24,169,388
Other					
Service contracts	505,719	-	-	505,719	455,174
Service fees	730,000	-	-	730,000	787,500
United Way contributions	-	52,031	-	52,031	57,812
Other contributions	211,471	890,802	-	1,102,273	2,350,219
Interest income	18,294	58	-	18,352	15,223
Gain (loss) on disposition of property and equipment	8,982	-	-	8,982	(36,048)
Rental income	585,591	-	-	585,591	562,667
Loss from investments in affiliates	(377,848)	-	-	(377,848)	(153,770)
Change in value of derivative financial instrument	61,280	-	-	61,280	288,281
Other	813,254	-	-	813,254	878,367
Total other revenue and gains (losses)	2,556,743	942,891	-	3,499,634	5,205,425
Total revenue, support and gains (losses)	27,884,123	942,891	-	28,827,014	29,374,813
Net assets released from restrictions	465,769	(465,769)	-	-	-
Expenses					
Program services					
Residential	6,365,884	-	-	6,365,884	6,404,756
Employment services	4,601,411	-	-	4,601,411	4,218,178
Day services	5,218,226	-	-	5,218,226	4,492,579
Home services	4,600,914	-	-	4,600,914	4,764,384
Other housing	537,328	-	-	537,328	1,238,359
Outpatient clinic	1,593,856	-	-	1,593,856	1,718,075
Total program services	22,917,619	-	-	22,917,619	22,836,331
Supporting activities					
Management and general	4,356,934	-	-	4,356,934	3,572,567
Fundraising	130,962	-	-	130,962	89,384
Total supporting activities	4,487,896	-	-	4,487,896	3,661,951
Total expenses	27,405,515	-	-	27,405,515	26,498,282
Change in Net Assets	944,377	477,122	-	1,421,499	2,876,531
Net Assets, Beginning of Year	18,174,561	5,153,214	10,000	23,337,775	20,461,244
Net Assets, End of Year	$ 19,118,938	$ 5,630,336	$ 10,000	$ 24,759,274	$ 23,337,775

Consolidated Statements of Functional Expenses
Year Ended June 30, 2014
(With Summarized Comparative Totals for the Year Ended June 30, 2013)

	Program Services								Supporting Activities			
	Residential	Employment Services	Day Services	Home Services	Other Housing	Outpatient Clinic	Total Program Services 2014	Total Program Services 2013	Management and General	Fundraising	Total Supporting Activities 2014	Total Supporting Activities 2013
Salaries	$ 3,784,461	$ 2,748,449	$ 2,998,734	$ 2,830,085	$ 14,613	$ 1,131,881	$13,508,223	$ 13,414,395	$ 2,294,894	$ 65,332	$ 2,360,226	$ 1,915,926
Employee-Related Expenses	704,844	457,424	546,010	468,962	1,863	181,017	2,360,120	2,390,607	710,951	39,466	750,417	570,566
Occupancy	643,300	236,229	532,280	190,021	213,154	78,411	1,893,395	1,880,812	222,446	4,517	226,963	202,074
Professional Fees	172,001	48,954	149,374	568,023	34,411	46,758	1,019,521	1,416,007	245,960	8,535	254,495	246,243
Transportation	325,579	162,464	337,269	102,425	5	5,405	933,147	987,323	102,624	2,976	105,600	69,825
Supplies	175,840	244,745	157,421	92,285	23,492	33,989	727,772	635,882	211,012	2,801	213,813	244,569
Equipment Rental	19,185	53,347	52,886	16,064	-	12,678	154,160	153,963	32,241	1,296	33,537	39,334
Depreciation	236,028	355,429	329,252	226,127	227,427	47,892	1,422,155	1,202,178	148,489	2,284	150,773	189,832
Other Expenses	304,646	294,370	115,000	106,922	22,363	55,825	899,126	755,164	388,317	3,755	392,072	183,582
Total expenses	$ 6,365,884	$ 4,601,411	$ 5,218,226	$ 4,600,914	$ 537,328	$ 1,593,856	$22,917,619	$ 22,836,331	$ 4,356,934	$ 130,962	$ 4,487,896	$ 3,661,951

	2014	2013
Operating Activities		
Change in net assets	$ 1,421,499	$ 2,876,531
Adjustments to reconcile net assets to net cash provided by operating activities		
Amortization of discount on long-term contributions receivable	(7,384)	(17,933)
Amortization of bond issuance costs	19,973	37,884
Net unrealized gain on investments	(104,207)	(44,583)
Change in value on derivative financial instruments	(61,280)	(288,281)
Net (gains) losses from investments in affiliates	26,634	62,140
Depreciation	1,572,928	1,392,011
Donated property and equipment	(242,687)	(214,136)
(Gain) loss on disposition of property and equipment	(8,982)	36,048
Change in allowance for doubtful accounts	51,514	(32,479)
Change in allowance for uncollectible contributions receivable	(32,766)	(35,665)
Capital advances restricted for long-term purposes	(658,287)	(1,940,875)
Change in assets and liabilities		
Accounts receivable	204,769	(391,060)
Due from related parties	19,788	(42,876)
Contributions receivable	(107,386)	288,314
Prepaid expenses and other	(44,248)	45,342
Deposits	(48,972)	81,810
Accounts payable	270,006	(28,285)
Accrued liabilities	(188,754)	269,137
Deferred revenue	(256,473)	542,511
Net Cash from Operating Activities	1,825,685	2,595,555
Cash Flows from Investing Activities		
Purchases of investments	(137,880)	(53,030)
Proceeds from disposition of property and equipment	68,099	-
Purchases of property and equipment	(2,709,427)	(3,042,779)
Receipt of dividends	-	10,488
Net Cash used for Investing Activities	(2,779,208)	(3,085,321)
Cash Flows from Financing Activities		
Collections of capital advances restricted for long-term purposes	658,287	1,940,875
Proceeds from line of credit	-	260,987
Payments on line of credit	-	(260,987)
Payments on notes payable	(112,766)	(205,844)
Bond issuance cost	17,972	-
Proceeds from borrowings on bonds payable	6,959,165	-
Payments on bonds payable	(6,940,555)	(182,336)
Net Cash from Financing Activities	582,103	1,552,695
Net Change in Cash and Cash Equivalents	(371,420)	1,062,929
Cash and Cash Equivalents, Beginning of Year	6,711,517	5,648,588
Cash and Cash Equivalents, End of Year	$ 6,340,097	$ 6,711,517

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations

Marc Community Resources, Inc. and Affiliates (Marc Community) is a nonprofit corporation, incorporated in the state of Arizona on August 6, 1957 to provide places of residence, employment services, training, education, rehabilitation, and behavioral health services for developmentally disabled children and adults, as well as people with severe mental illness. Marc Community provides services throughout primarily Maricopa County, Arizona. During the year ended June 30, 2010, Marc Community acquired Advocates for the Disabled, Inc. (Advocates) by an action by the Board of Directors of Advocates granting Marc Community the sole power to appoint directors to the Advocates' Board.

TecMarc, Inc. (TecMarc) is an Arizona corporation and was incorporated in March 2008 to conduct the business of information technology sales and support and property management services. TecMarc has 1,000 shares of authorized common stock, all of which have been issued to Marc Community at $1 per share.

The Foundation for People with Disabilities (the Foundation) is a nonprofit corporation, incorporated in the state of Arizona on January 29, 1988, to provide housing for disabled individuals in residential settings and employment training facilities throughout Maricopa County. Marc Community is the sole member of the Foundation's Board of Directors. During the year ended June 30, 2010, the Foundation transferred substantially all of its property to Marc Community to facilitate the completion of bond financing.

The Village at Oasis Park — Phase I, Inc. (the Village) is a nonprofit corporation and was incorporated in the state of Arizona in October 2009 to provide housing for disabled individuals. The Village's Board of Directors consists of the Executive Committee of Marc Community and other individuals selected by the Executive Committee of Marc Community.

The Village at Oasis Park — Phase II, Inc. (the Village II) is a nonprofit corporation and was incorporated in the state of Arizona in August 2010 to provide housing for disabled individuals. The Village II's Board of Directors consists of the Executive Committee of Marc Community and other individuals selected by the Executive Committee of Marc Community.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Marc Community, Advocates, TecMarc, the Foundation, the Village, and the Village II (collectively, the Organization). All significant inter-organization transactions have been eliminated in consolidation.

Prior Year Summarized Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or by function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investments

The Organization reports investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. Investments at June 30, 2014 and 2013 totaled approximately $697,000 and $455,000, respectively, all of which were invested in mutual funds. Net investment income is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of the items. The carrying value of promises to give due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value. The fair values of bonds and notes payable are based on the stated interest rates, and approximate their carrying values.

Property and Equipment

Purchased property and equipment over $5,000 is stated at cost. Property acquired by gift is stated at estimated fair value at the date of the contribution. Depreciation is provided using the straight-line method over estimated useful lives ranging from four to twenty-five years. In the absence of donor restrictions on how gifts of long-lived assets must be used, the Organization does not imply time restrictions on such contributions.

Deferred Revenue

Deferred revenue relates to contract monies received by the Organization for programs to be completed or undertaken subsequent to the Organization's current fiscal year.

Governmental Revenue

The Organization has contracts with state governmental agencies and various insurance companies to provide services to clients with developmental disabilities and severe mental illness. Revenue from these contracts is recognized as the services are performed.

Contributions

Contributions of cash or other assets are recognized as revenue when received at the estimated fair value on the date of contribution. Promises to give are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give that are received with conditions are not recognized until those conditions are substantially met, unless the likelihood that the Organization will not fulfill the conditions is remote, in which case the contribution is recognized when the promise is made. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organization's Board of Directors.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements.

Fundraising Costs

All fundraising costs are expensed in the period incurred.

Income Tax Status

Marc Community, Advocates, the Foundation, the Village, and the Village II are organized as Arizona nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). They qualify for charitable contributions under Section 170. Marc Community, Advocates the Foundation and the Village have been determined not to be a private foundation under Section 509(a)(2), 509(a)(1), 509(a)(3) and 509(a)(3), respectively. Management has determined the Village II is not a private foundation in accordance with Section 509(a)(3). The organizations are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Advocates, the Foundation, the Village and the Village II have determined they have no unrelated business taxable income and have not filed the Exempt Organization Business Income Tax Returns (IRS Form 990-T), or its Arizona equivalent, Form 99-T. Marc Community has unrelated business taxable income and has filed the Exempt Organization Business Income Tax Returns (IRS Form 990-T), and its Arizona equivalent, Form 99-T.

TecMarc accounts for income taxes under the liability method pursuant to income tax accounting guidance. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities using the enacted rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established against the deferred tax asset for the uncertainty of TecMarc's ability to use the net operating tax loss carryforwards in the future.

Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The organizations would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Marc Community and TecMarc's income tax filings required by federal and state authorities are no longer subject to tax examination for years ending before June 30, 2011.

Income Taxes

The components of the income tax provision (benefit) are as follows:

	2014	2013
Current:		
Federal	$ -	$ -
State	-	-
	-	-
Deferred:		
Federal	(23,000)	(24,000)
State	(11,000)	(10,000)
Valuation allowance	34,000	34,000
	-	-
Total provision	$ -	$ -

The Organization's actual income tax (benefit) expense for the years 2014 and 2013 differs from the expected amount computed by applying the statutory federal income tax rate of 15% to net (loss) income before income taxes for the following reasons:

	2014	2013
Computed tax (benefit) expense at 15%	$ (23,000)	$ (24,000)
State taxes	(11,000)	(10,000)
Change in valuation allowance	34,000	34,000
	$ -	$ -

Deferred tax assets and liabilities are comprised of the following as of June 30:

	2014	2013
Deferred tax assets:		
Net operating loss	$ 192,000	$ 158,000
Deferred tax liabilities:		
Fixed assets	$ (1,000)	$ (1,000)
Net deferred tax asset before valuation allowance	191,000	157,000
Valuation allowance	(191,000)	(157,000)
Net deferred tax assets	$ -	$ -

As of June 30, 2014, the Organization has estimated federal and state net operating loss carryforwards (NOLs) of $880,000 and $855,000 for federal and state income tax purposes that begin to expire in the years 2028 and 2015, respectively. The valuation allowance increased by $34,000 each year in 2014 and 2013.

For financial reporting purposes, a valuation allowance of $191,000 and $157,000 at June 30, 2014 and 2013, respectively, has been established to offset deferred tax assets mainly relating to NOLs and research and development credits. Pursuant to income tax accounting guidance, the Organization has established a valuation allowance against the entire net deferred tax assets. As a result, the Organization will continue to evaluate tax assets and provide a valuation allowance until it is more likely than not to realize the tax benefit.

The Organization does not expect a significant change with respect to unrecognized tax benefits within the next 12 months.

The Organization files income tax returns with federal and state jurisdictions. The Organization is not currently under audit in any jurisdiction.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited, determined by specific identification and estimates of time spent and benefits derived.

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2013 summarized comparative totals to conform to the 2014 presentation. The reclassifications had no impact on the change in net assets.

Note 2 - Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Accounts receivable are considered past due 30 days after the invoice date. Accounts receivable past due 30 days or more totaled approximately $308,000 and $133,000 at June 30, 2014 and 2013, respectively. The Organization does not require collateral on accounts receivable balances and does not generally charge interest on past due balances.

Changes in the allowance for doubtful accounts were as follows for the years ended June 30:

	2014	2013
Allowance for doubtful accounts, beginning of year	$ 67,919	$ 100,398
Provision for realization losses	94,138	(82,329)
Adjustment to allowance	(42,624)	49,850
Allowance for doubtful accounts, end of year	$ 119,433	$ 67,919

Note 3 - Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2014	2013
Receivable in less than one year	$ 479,189	$ 323,339
Receivable in one to five years	81,136	129,600
Total contributions receivable	560,325	452,939
Less - unamortized discount	(11,285)	(18,669)
Subtotal	549,040	434,270
Less - allowance for uncollectable contributions	(120,169)	(152,935)
Total contributions receivable, net	$ 428,871	$ 281,335

Contributions receivable due in more than one year were discounted using rates of approximately 5%.

Administrative and Day Services Program Building

Contributions receivable at June 30, 2014 and 2013 included two promises to give related to the administrative and day services program building capital campaign in previous years totaling approximately $60,000 and $90,000, respectively (net of unamortized discount on long-term promises to give totaling approximately $6,000 and $12,000 at June 30, 2014 and 2013, respectively).

Employment Building

Contributions receivable at June 30, 2014 and 2013 included one promise to give related to the employment building capital campaign from previous years totaling approximately $63,000 and $63,000, respectively (net of unamortized discount on long-term promises to give totaling approximately $5,000 and $7,000 at June 30, 2014 and 2013, respectively).

Note 4 - Conditional Promises to Give

During the years ended June 30, 2007 and 2006, the Organization received conditional promises to give as part of agreements with Value Options (Magellan replaced Value Options as the RBHA contracted for Maricopa County during the year ended June 30, 2008. Magellan was replaced by Mercy Maricopa Integrated Care during the year ended June 30, 2014). Under the 2007 agreement, unrestricted title to two single-family residences, with an estimated value of $607,000 at the date of the agreements, will be transferred to the Organization if certain conditions are met. Under the 2006 agreement, unrestricted title to one single-family residence, with an estimated value of $300,000 at the date of the agreement, will be transferred to the Organization if certain conditions are met. The condition for the transfer of title is that the Organization functions as landlord of the residences for a period of twenty-five years. During this period, the Organization will collect rent from the tenants and will be responsible for repairs and maintenance on the residences. Once all conditions have been met, the Organization will recognize the fair value of the property in the consolidated financial statements.

During the year ended June 30, 2002, the Organization received a conditional promise to give as part of an agreement with Value Options. Under the agreement, unrestricted title to a 12-unit apartment building will be transferred to the Organization if certain conditions are met; the estimated value of the property was $450,000 at June 30, 2002. The condition for the transfer of title is that the Organization functions as landlord of the building for a period of fifteen years. During this period, the Organization will collect rent from the tenants and will be responsible for repairs and maintenance on the building. Under a separate agreement with Magellan, the Organization provides services to the tenants of the building. Once all conditions have been met, the Organization will recognize the fair value of the property in the consolidated financial statements.

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2014	2013
Land	$ 4,379,177	$ 4,369,097
Buildings	24,270,930	21,367,693
Leasehold improvements	1,652,610	1,632,364
Vehicles	1,501,755	1,496,799
Furniture and equipment	2,177,659	2,043,169
Construction in progress	1,631,834	2,137,538
Total property and equipment	35,613,965	33,046,660
Less - accumulated depreciation	(9,727,468)	(8,480,232)
Property and equipment, net	$ 25,886,497	$ 24,566,428

Depreciation expense for the years ended June 30, 2014 and 2013 totaled approximately $1,573,000 and $1,392,000, respectively.

In November 2008, the City of Mesa transferred title to one residential property and one commercial property to the Organization. Approximately $270,000 of temporarily restricted contribution revenue was recognized by the Organization during the year ended June 30, 2009 related to the transfer of these properties. The transfer agreements stipulated that the properties must be used in qualifying programs for five years from the date of the transfers. In addition, the Organization was required to sign two promissory notes to the City of Mesa totaling $399,000, which will be forgiven at the end of the five year period if the Organization has used the properties as required. The notes do not accrue interest and the Organization is not required to make any payments. Since the Organization believes that the probability of triggering any payments on this note is highly remote, the $399,000 has not been recorded as a liability in the accompanying consolidated statement of financial position. During the year ended June 30, 2014, the Organization released the restriction on these properties as the five year qualifying period ended.

In June 2010, the City of Mesa transferred title to two residential properties to the Organization. The transfer agreements stipulate that the properties must be used as affordable rental housing and that the properties cannot be sold without written approval from the City of Mesa for twenty years from the date of the transfers. Approximately $233,000 of temporarily restricted contribution revenue was recognized by the Organization during the year ended June 30, 2010 related to the transfer of these properties.

In April 2011, the City of Mesa transferred title to four residential properties to the Organization. The transfer agreements stipulate that the properties must be used as affordable rental housing and that the properties cannot be sold without written approval from the City of Mesa for twenty years from the date of the transfers. Approximately $355,000 of temporarily restricted contribution revenue was recognized by the Organization during the year ended June 30, 2011 related to the transfer of these properties.

Note 6 - Investments in Affiliates

The balance of investments in and receivables from affiliates consisted of the following at June 30:

	2014	2013
Partners in Recovery, LLC		
Original investment in Partners in Recovery, LLC (PIR)	$ 105,915	$ 105,915
Marc Community's share of accumulated PIR net income	182,078	444,493
	287,993	550,408
FCS Premier, LLC		
Original investment in FCS Premier, LLC (FCS)	55,000	55,000
Due from FCS	341,664	300,000
Marc Community's share of accumulated FCS net losses	(389,640)	(345,743)
Losses in excess of investment and receivables	(7,024)	(9,257)
	-	-
Behavioral Health Information Network of AZ (BHINAz)		
Original investment in BHINAz	300,000	-
Marc's share of accumulated BHINAz net income	(64,219)	-
	235,781	-
Western Health and Wellness		
Original investment in Western Health and Wellness	15,000	15,000
Total investments in affiliates	$ 538,774	$ 565,408

Partners in Recovery, LLC

During the year ended June 30, 2009, Marc Community entered into an investment in PIR, a nonprofit organization, in order to provide behavioral health services. PIR is one of four Provider Network Organizations (PNO) that is contracted with the Regional Behavioral Health Authority (RBHA) to provide behavioral health services to adults in Maricopa County. The RBHA contracted by the Arizona Department of Health Services for Maricopa County changed during the year ended June 30, 2014 from Magellan Health Services of Arizona, Inc. (Magellan) to Mercy Maricopa Integrated Care (Mercy Maricopa). Marc Community had a 50% membership interest in PIR for the year ended June 30, 2013. This membership interest decreased to 33.3% during the year ended June 30, 2014 when a new member was added to PIR. While Marc Community does not have control of PIR, it does have the ability to exercise significant influence over PIR and has an ongoing economic interest in the net assets of PIR. Accordingly, the Organization reports Marc Community's interest in the net assets of PIR, as well as any change in the net assets of PIR, in a manner similar to the equity method of accounting for investments in common stock.

Marc Community's investment in PIR at June 30, 2014 and 2013 was approximately $316,000 and $550,000, respectively, which includes Marc Community's original investment of approximately $106,000, plus Marc Community's share of PIR's change in net assets of approximately ($234,000) and ($67,000) for the years ended June 30, 2014 and 2013, respectively.

Summarized financial statement information of PIR as of and for the years ended June 30 is as follows:

	2014 Audited	2013 Audited
Statements of financial position		
Total assets	$ 5,504,819	$ 5,957,335
Total liabilities	$ 4,793,435	$ 4,856,520
Unrestricted net assets	711,384	1,100,815
Total liabilities and unrestricted net assets	$ 5,504,819	$ 5,957,335
Statements of activities		
Revenue	$ 23,344,353	$ 22,374,784
Expenses		
Program services	22,865,984	21,221,397
Supporting activities	972,800	1,286,470
Total expenses	23,838,784	22,507,867
Change in unrestricted net assets	(494,431)	(133,083)
Marc Community's ownership percentage 7/1/13 - 3/31/14	50%	50%
Marc Community's ownership percentage 4/1/14 - 6/30/14	33%	50%
Marc Community's share of change in net assets	$ (262,406)	$ (66,542)

FCS Premier, LLC

During the year ended June 30, 2010, Marc Community entered into an investment in FCS, a newly-formed Arizona limited liability company, in order to provide food services training opportunities for people with disabilities at a corporate office building. Marc Community has a 50% membership interest in FCS. While Marc Community does not have control of FCS, it does have the ability to exercise significant influence over FCS and has an ongoing economic interest in the net assets of FCS. Accordingly, the Organization reports Marc Community's interest in the net assets of FCS, as well as any changes in the net assets of FCS, in a manner similar to the equity method of accounting for investments in common stock. Marc Community's initial capital contribution was $50,000 and an additional $5,000 was paid in during the year ended June 30, 2013.

Marc Community has recorded its 50% share of FCS' losses. For the years ended June 30, 2014 and 2013, respectively, Marc Community recorded a net (loss) of approximately ($44,000) and ($78,000) and reduced their receivable by the same amount. The remaining balance of approximately $7,000 and $9,000, respectively, was recorded in accrued liabilities on the consolidated statement of financial position. There were no distributions to the members during the years ended June 30, 2014 and 2013.

Summarized financial statement information of FCS as of and for the year ended June 30 is as follows:

	2014 (Unaudited)	2013 (Unaudited)
Balance Sheet		
Current assets	$ 115,532	$ 82,779
Fixed assets	77,548	90,628
Total assets	$ 193,080	$ 173,407
Current liabilities	$ 61,575	$ 69,456
Due to members	858,545	689,724
Notes payable	52,237	105,712
Total liabilities	972,357	864,892
Members' deficit	(779,277)	(691,485)
Total liabilities and members deficit	$ 193,080	$ 173,407
Statement of Operations		
Total revenue	$ 811,562	$ 825,642
Cost of sales	(299,136)	(299,583)
Operating expenses	(640,219)	(686,521)
Other income and expense	40,000	7,196
Net loss	$ (87,793)	$ (153,266)

Behavioral Health Information Network of AZ

During the year ended June 30, 2014, Marc Community entered into an investment in Behavioral Health Information Network of AZ (BHINAz) in order to help bring together behavioral health providers, consumers and public agencies using technology. Marc Community has a 25% membership interest in BHINAz. While Marc Community does not have control of BHINAz, it does have the ability to exercise significant influence over BHINAz and has an ongoing economic interest in the members' equity of BHINAz. Accordingly, the Organization reports Marc Community's interest in the members' equity of BHINAz, as well as any changes in the members' equity of BHINAz, in a manner similar to the equity method of accounting for investments in common stock.

Marc Community's investment in BHINAz at June 30, 2014 and 2013 was approximately $236,000 and $0, respectively, which includes Marc Community's original investment in BHINAz of $300,000, plus Marc Community's share of BHINAz net loss of approximately ($64,000) and $0 for the years ended June 30, 2014 and 2013, respectively.

Summarized financial statement information of BHINAz as of and for the year ended June 30 is as follows:

	2014 Unaudited	2013 Unaudited
Balance sheet		
Total assets	$ 889,188	$ -
Total liabilities	$ 428,680	$ -
Members' equity	460,508	-
Total liabilities and members' equity	$ 889,188	$ -
Statement of operations		
Revenue	$ 64,000	$ -
Expenses	320,874	-
Net loss	(256,874)	-
Marc Community's ownership percentage	25%	0%
Marc Community's share of net loss	$ (64,219)	$ -

Note 7 - Notes Payable – Bank Line of Credit

The Organization has a $750,000 revolving line of credit with a bank which bears interest at the bank's prime rate (3.25% at June 30, 2014) with a 4% floor. The balance outstanding cannot exceed the balance of outstanding receivables (as defined). This line of credit is secured primarily by receivables and furniture and equipment of the Organization and expires in February 2015. The outstanding balance on the line of credit as of June 30, 2014 and 2013 was $0.

The Organization also has a $150,000 revolving line of credit with a bank which bears interest at the bank's prime rate (3.25% at June 30, 2014) with a 4% floor. The balance outstanding cannot exceed the balance of outstanding receivables (as defined). This line of credit is secured primarily by receivables and furniture and equipment of the Organization and expires in January 2015. The outstanding balance on the line of credit as of June 30, 2014 and 2013 was $0.

The lines of credit require the Organization to maintain certain financial ratios, such as current ratio, debt service coverage ratio, and debt to net worth ratio, as defined in the agreements. At June 30, 2014 and 2013, the Organization was in compliance with these requirements.

Note 8 - Derivative Financial Instrument: Interest Rate Swap

In July 2009, the Organization entered into an interest rate swap agreement that effectively converted approximately $7,500,000 of the Organization's LIBOR-based variable-rate debt to a fixed rate. The counterparty to the swap agreement is the bank (a major U.S. financial institution) that holds the Organization's LIBOR-based variable-rate bonds payable. Under the swap agreement, the Organization pays interest at a fixed rate of 4.8% and, in return, receives interest at a variable rate based on 65% of the one-month LIBOR rate (0.1524% at June 30, 2014) plus a margin of 1.75%. The net effect of the swap is to fix the interest rate on $6,900,000 of the Organization's LIBOR-based variable-rate bond payable at 4.8%.

The interest rate swap agreement qualifies as a cash flow hedge, and accordingly, the fair value of the interest rate swap agreement, which is adjusted regularly, is recorded in the Organization's consolidated statement of financial position as an asset or liability, as necessary, with a corresponding adjustment to other charges. The fair value of the Organization's interest rate swap at June 30, 2014 and 2013 was a liability totaling approximately $505,000 and $566,000, respectively. The unrealized holding gain on this interest rate swap was approximately $61,000 and $288,000 for the years ended June 30, 2014 and 2013, respectively.

Note 9 - Notes Payable

Notes payable consisted of the following at June 30:

	2014	2013
Note payable to a bank; due in monthly installments of approximately $3,000, including interest at approximately 6.75%; final payment in July, 2013; collateralized by vehicles and equipment.	$ -	$ 3,829
Note payable to a bank, due in monthly installments of approximately $10,000, including interest at approximately 3.49%, final payment in November 2017; collateralized by software and equipment.	387,914	492,987
Note payable to a finance company; due in monthly installments of approximately $381, including interest at approximately 5.24%; final payment in February 2017; collateralized by a vehicle.	11,349	15,213
Total notes payable	$ 399,263	$ 512,029

Annual principal payments on the notes payable are scheduled as follows:

Year Ending June 30,		
	$	112,874
2015		116,949
2016		119,624
2017		49,816
Total notes payable	$	399,263

Interest expense for the years ended June 30, 2014 and 2013 totaled approximately $316,000 and $342,000, respectively, which includes interest on the notes payable above and on the bonds payable (Note 10). In addition, approximately $20,000 and $38,000 of interest expense for the years ended June 30, 2014 and 2013, respectively, was amortization on bond issuance costs.

Note 10 - Bonds Payable

In December 2013, the Organization entered into loan agreements with the Industrial Development Authority of the County of Maricopa to issue Direct Purchase Revenue Bonds, Series 2013A (Series 2013A) in the amount of $6,900,000 for a term of twenty-five years, and to issue Direct Purchase Revenue Bonds, Series 2013B (Series 2013B) in the amount of $2,815,000 for a term of twenty-five years. Series 2013A and Series 2013B (collectively, "the Bonds") are collateralized by certain real property as set forth in the agreements. The Organization borrowed $6,800,000 under Series 2013A, and approximately $6,700,000 was outstanding at June 30, 2014. The Organization borrowed approximately $160,000 under Series 2013B, and approximately $149,000 was outstanding at June 30, 2014. The issuance of these bonds paid off the balance of the Community Services Facilities Bond, Series 2009A which had an outstanding balance of approximately $6,845,000 at June 30, 2013.

Interest on the Bonds is payable monthly under variable interest rate provisions. Series 2013A is due in monthly principal amounts of approximately $17,000 to $35,000 through July 2039. Series 2013A bears interest at 65% of the one-month LIBOR rate (.1524% at June 30, 2014) plus 1.75%. Series 2013A is subject to an interest rate swap agreement (Note 8). Series 2013B is due in monthly principal payments starting in February 2017 in amounts of approximately $6,000 to $24,000 through July 2039. Series 2013B bears interest at 65% of the one-month LIBOR rate (.1524% at June 30, 2014) plus 1.75%.

Annual principal payments on the bonds payable are scheduled as follows:

Year Ending June 30,		
2015	$	212,741
2016		229,155
2017		240,086
2018		252,001
2019		227,094
Thereafter		5,703,069
Total bonds payable	$	6,864,146

The Organization is required to maintain certain net asset, liquidity, and indebtedness ratios, and must comply with other general covenants of the loan agreement. As of June 30, 2014, the Organization was in compliance with those requirements.

Note 11 - Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2014	2013
Restrictions on donated property (Note 5)	$ 1,234,012	$ 1,271,062
Housing for very low income residents	4,453,500	3,795,213
Time restrictions on contributions receivable	52,031	57,812
Other	29,185	29,127
Total temporarily restricted net assets	$ 5,768,728	$ 5,153,214

Permanently restricted net assets are to be maintained in perpetuity. The income from these funds is temporarily restricted for use in promoting independent living.

Note 12 - Cash Flow Information

Supplemental Disclosure of Cash Flow Information

Cash paid for interest was approximately $296,000 and $304,000, for the years ended June 30, 2014 and 2013, respectively.

During the year ended June 30, 2014 and 2013, the Organization acquired property through notes payable of approximately $0 and $553,000, respectively.

Note 13 - Commitments

The Organization leases office space, residential houses, vehicles, and equipment under various non-cancelable operating leases that expire at various dates through January 2030. Several leases have renewal options. The Organization also leases residential houses and equipment under various month-to-month leases.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms in excess of one year are scheduled as follows:

Year Ending June 30,	
2015	$ 706,996
2016	582,140
2017	401,978
2018	216,557
2019	179,528
Thereafter	451,601
Total future minimum lease payments	$ 2,538,800

Rent expense for the years ended June 30, 2014 and 2013 totaled approximately $897,000 and $814,000, respectively.

The Organization is in the process of several different construction projects. The total cost to complete these projects as of June 30, 2014 is approximately $650,000.

Note 14 - Concentrations

Revenue

The Organization received significant portions of its total revenue for the years ended June 30, 2014 and 2013 from the Arizona Department of Economic Security (DES) and the Arizona Department of Health Services (ADHS) through contracts that are renewed annually.

The percentages of total revenue and the amounts of accounts receivable (before the allowance for doubtful accounts) from DES and ADHS are as follows as of and for the years ended June 30:

	2014		2013	
	Total Revenue	Accounts Receivable	Total Revenue	Accounts Receivable
DES	38%	$ 949,551	34%	$ 861,000
RBHA	50%	360,897	48%	338,125
Total	88%	$ 1,310,448	82%	$ 1,199,125

Revenue from DES and RBHA makes up approximately 99% and 98% of the governmental revenue as reported in the consolidated statements of activities for the years ended June 30, 2014 and 2013, respectively.

Concentrations of Credit Risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not expect to experience any such losses.

Note 15 - Employee Benefit Plans

The Organization sponsors a defined contribution plan (the Plan) covering substantially all employees. The Plan provides for employer contributions based primarily on employee participation. The total contributions made to the Plan by the Organization were approximately $0 for the years ended June 30, 2014 and 2013. Due to uncertainties in state funding, the Organization stopped matching contributions in October 2009.

The Organization has a non-qualified deferred compensation plan (the Non-Qualified 457b Plan) covering certain executives. The Non-Qualified 457 Plan provides for employer contributions at the discretion of the Board of Directors of the Organization. Employee deferrals are limited to 85% of annual compensation. Total contributions made to the Non-Qualified 457b Plan by the Organization were approximately $138,000 and $28,000 for the years ended June 30, 2014 and 2013, respectively.

In May 2010, after the completion of an independent executive compensation wage study, the Organization established a second non-qualified deferred compensation retirement plan (the Non-Qualified 457f Plan) covering the current President and CEO (the Participant). Under the terms of the Non-Qualified 457f Plan, the Organization will distribute pre-defined post-retirement payments to the Participant over a 15-year period based on a 5-year vesting schedule beginning March 31, 2009. On June 30, 2014 and 2013, the approximate present value of the vested post-retirement benefits was $183,000 and $121,000, respectively, and these liabilities are included in accrued liabilities in the consolidated statement of financial position. While the Organization had set aside approximately $183,000 and $121,000 at June 30, 2014 and 2013, respectively, in a separate account, these funds remain available to general creditors of the Organization.

Note 16 - Related Party Transactions

Related party transactions not elsewhere disclosed are as follows:

During the years ended June 30, 2014 and 2013, Marc Community received construction services from BuildMarc in the amount of approximately $0 and $43,000, respectively.

During the years ended June 30, 2014 and 2013, Marc Community charged PIR for office space, programmatic services, and administrative services, including accounting and management services. Additionally, PIR reimbursed Marc Community for various expenses paid by Marc Community on behalf of PIR. Marc Community received a total of approximately $878,000 and $753,000, for the years ended June 30, 2014 and 2013, respectively, of which approximately $72,000 and $91,000 was in due from related parties at June 30, 2014 and 2013, respectively.

During the year ended June 30, 2011, Marc Community entered into an agreement with two banks to guarantee certain debts of FCS. Marc Community has guaranteed FCS's line of credit, which has a limit of approximately $50,000, and had a balance of approximately $25,000 and $42,500 at June 30, 2014 and 2013, respectively. Additionally, Marc Community has guaranteed a $250,000 promissory note, which had a balance of approximately $52,000 and $106,000 at June 30, 2014 and 2013, respectively.

During the year ended June 30, 2011, Marc Community entered into an agreement to guarantee PIR's line of credit, which has a limit of approximately $500,000 and had a balance of approximately $0 at both June 30, 2014 and 2013.

Note 17 - Contingencies

Periodically, the Organization is involved in legal proceedings arising in the normal course of operations. In the opinion of management based on consultations with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial to the Organization’s consolidated statements of financial position and consolidated statements of activities.

Note 18 - Fair Value Measurements

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments

A significant portion of the Organization's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

Derivative Financial Instrument

The Organization's derivative financial instrument described in Note 8 is recorded at fair value, which has been calculated based primarily on observable interest rates and yield curves for the term of the swap.

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

The following tables set forth by level within the fair value hierarchy related to the Organization's assets and liabilities that are measured at fair value as of June 30:

	2014			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 697,416	$ -	$ -	$ 697,416
Pooled funds held at a community foundation	-	27,049	-	27,049
Derivative financial instrument	-	(504,863)	-	(504,863)

	2013			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 430,329	$ -	$ -	$ 430,329
Pooled funds held at a community foundation	-	25,000	-	25,000
Derivative financial instrument	-	(566,143)	-	(566,143)

Note 19 - Subsequent Events

Subsequent events were evaluated by management through March 6, 2015, the date on which the consolidated financial statements were available to be issued. There were no events or transactions occurring after June 30, 2014, but prior to March 6, 2015, that provided additional evidence about conditions that existed at June 30, 2014.

Supplementary Information
June 30, 2014

Marc Community Resources, Inc. and Affiliates

	Marc Community Resources, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Village at Oasis Park Phase II, Inc.	Eliminations	Consolidated
Assets							
Cash and cash equivalents	$ 5,991,749	$ 29,175	$ 222,455	$ 88,268	$ 8,450	$ -	$ 6,340,097
Consumer trust funds	70,052	-	-	-	-	-	70,052
Accounts receivable, net	1,604,161	40,930	-	69	126,823	-	1,771,983
Due from related parties	1,597,297	5,664	-	-	-	(1,531,196)	71,765
Contributions receivable, net	428,871	-	-	-	-	-	428,871
Prepaid expenses and other	230,885	71	-	-	1,872	-	232,828
Investments	670,367	-	27,049	-	-	-	697,416
Investments in affiliates	539,774	-	-	-	-	(1,000)	538,774
Property and equipment, net	20,613,362	53,919	-	2,740,510	2,478,706	-	25,886,497
Bond issuance costs, net	189,744	-	-	-	-	-	189,744
Deposits	110,288	4,727	-	10,763	-	-	125,778
Total assets	$ 32,046,550	$ 134,486	$ 249,504	$ 2,839,610	$ 2,615,851	$ (1,532,196)	$ 36,353,805
Liabilities and Net Assets							
Liabilities							
Consumer trust funds	$ 70,052	$ -	$ -	$ -	$ -	$ -	$ 70,052
Accounts payable	981,582	3,943	-	-	2,075	-	987,600
Due to related parties	-	979,327	-	5,147	546,722	(1,531,196)	-
Accrued liabilities	2,201,797	26,359	-	2,033	61,315	-	2,291,504
Deferred revenue	477,103	-	-	-	-	-	477,103
Derivative financial instrument	504,863	-	-	-	-	-	504,863
Notes payable	399,263	-	-	-	-	-	399,263
Bonds payable	6,864,146	-	-	-	-	-	6,864,146
Total liabilities	11,498,806	1,009,629	-	7,180	610,112	(1,531,196)	11,594,531
Net Assets							
Unrestricted	19,261,701	(876,143)	210,319	493,230	(108,561)	-	18,980,546
Common stock	-	1,000	-	-	-	(1,000)	-
Total unrestricted	19,261,701	(875,143)	210,319	493,230	(108,561)	(1,000)	18,980,546
Temporarily restricted	1,286,043	-	29,185	2,339,200	2,114,300	-	5,768,728
Permanently restricted	-	-	10,000	-	-	-	10,000
Total net assets (deficit)	20,547,744	(875,143)	249,504	2,832,430	2,005,739	(1,000)	24,759,274
Total liabilities and net assets	$ 32,046,550	$ 134,486	$ 249,504	$ 2,839,610	$ 2,615,851	$ (1,532,196)	$ 36,353,805

	Marc Community Resources, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Village at Oasis Park Phase II, Inc.	Eliminations	Consolidated
Assets							
Cash and cash equivalents	$ 6,271,337	$ 97,003	$ 231,686	$ 37,081	$ 74,410	$ -	$ 6,711,517
Consumer trust funds	66,252	-	-	-	-	-	66,252
Accounts receivable, net	1,479,352	21,811	-	181,657	345,446	-	2,028,266
Due from related parties	1,957,297	1,176	-	12,044	-	(1,878,964)	91,553
Contributions receivable, net	281,335	-	-	-	-	-	281,335
Prepaid expenses and other	188,519	61	-	-	-	-	188,580
Investments	430,329	-	25,000	-	-	-	455,329
Investments in affiliates	566,408	-	-	-	-	(1,000)	565,408
Property and equipment, net	19,793,263	90,613	363	2,814,489	1,867,700	-	24,566,428
Bond issuance costs, net	227,689	-	-	-	-	-	227,689
Deposits	58,901	9,175	-	8,730	-	-	76,806
Total assets	$ 31,320,682	$ 219,839	$ 257,049	$ 3,054,001	$ 2,287,556	$ (1,879,964)	$ 35,259,163
Liabilities and Net Assets							
Liabilities							
Consumer trust funds	$ 66,252	$ -	$ -	$ -	$ -	$ -	$ 66,252
Accounts payable	713,892	3,702	-	-	-	-	717,594
Due to related parties	-	896,499	98	498,342	484,025	(1,878,964)	-
Accrued liabilities	2,004,144	35,118	1,724	89,022	350,250	-	2,480,258
Deferred revenue	733,576	-	-	-	-	-	733,576
Derivative financial instrument	566,143	-	-	-	-	-	566,143
Notes payable	512,029	-	-	-	-	-	512,029
Bonds payable	6,845,536	-	-	-	-	-	6,845,536
Total liabilities	11,441,572	935,319	1,822	587,364	834,275	(1,878,964)	11,921,388
Net Assets							
Unrestricted	18,550,236	(716,480)	216,100	127,437	(2,732)	-	18,174,561
Common stock	-	1,000	-	-	-	(1,000)	-
Total unrestricted	18,550,236	(715,480)	216,100	127,437	(2,732)	(1,000)	18,174,561
Temporarily Restricted	1,328,874	-	29,127	2,339,200	1,456,013	-	5,153,214
Permanently Restricted	-	-	10,000	-	-	-	10,000
Total net assets (deficit)	19,879,110	(715,480)	255,227	2,466,637	1,453,281	(1,000)	23,337,775
Total liabilities and net assets	$ 31,320,682	$ 219,839	$ 257,049	$ 3,054,001	$ 2,287,556	$ (1,879,964)	$ 35,259,163

	Marc Community Resources, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Village at Oasis Park Phase II, Inc.	Eliminations	Consolidated
Revenue and Gains (Losses)							
Governmental							
Arizona Department of Economic Security	$ 10,857,009	$ -	$ -	$ -	$ -	$ -	$ 10,857,009
Arizona Department of Health Services	14,409,521	-	-	-	-	-	14,409,521
Arizona Department of Transportation	31,350	-	-	-	-	-	31,350
City of Mesa	29,500	-	-	-	-	-	29,500
Total governmental revenue	25,327,380	-	-	-	-	-	25,327,380
Other							
Service contracts	505,719	-	-	-	-	-	505,719
Service fees	730,000	-	-	-	-	-	730,000
United Way contributions	52,031	-	-	-	-	-	52,031
Other contributions	442,661	-	-	446,379	659,612	(446,379)	1,102,273
Interest income	15,636	-	2,698	18	-	-	18,352
Gain on disposition of property	8,982	-	-	-	-	-	8,982
Rental income	477,025	-	-	85,876	22,690	-	585,591
Loss from investments in affiliates	(370,531)	-	-	-	-	(7,317)	(377,848)
Change in value of derivative financial instrument	61,280	-	-	-	-	-	61,280
Other	777,694	103,557	-	1,768	922	(70,687)	813,254
Total other revenue and gains (losses)	2,700,497	103,557	2,698	534,041	683,224	(524,383)	3,499,634
Total revenue and gains (losses)	28,027,877	103,557	2,698	534,041	683,224	(524,383)	28,827,014
Expenses							
Program services							
Residential	6,365,884	-	-	-	-	-	6,365,884
Employment services	4,601,411	-	-	-	-	-	4,601,411
Day services	5,218,226	-	-	-	-	-	5,218,226
Home services	4,415,698	263,220	-	-	-	(78,004)	4,600,914
Other housing	238,314	-	-	168,248	130,766	-	537,328
Outpatient clinic	1,593,856	-	-	-	-	-	1,593,856
Total program services	22,433,389	263,220	-	168,248	130,766	(78,004)	22,917,619
Supporting Activities							
Management and general	4,794,892	-	8,421	-	-	(446,379)	4,356,934
Fundraising	130,962	-	-	-	-	-	130,962
Total supporting activities	4,925,854	-	8,421	-	-	(446,379)	4,487,896
Total expenses	27,359,243	263,220	8,421	168,248	130,766	(524,383)	27,405,515
Change in Net Assets	668,634	(159,663)	(5,723)	365,793	552,458	-	1,421,499
Net Assets (Deficit), Beginning of Year	19,879,110	(715,480)	255,227	2,466,637	1,453,281	(1,000)	23,337,775
Net Assets (Deficit), End of Year	$ 20,547,744	$ (875,143)	$ 249,504	$ 2,832,430	$ 2,005,739	$ (1,000)	$ 24,759,274

	Marc Community Resources, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Village at Oasis Park Phase II, Inc.	Eliminations	Consolidated
Revenue and Gains (Losses)							
Governmental							
Arizona Department of Economic Security	$ 9,782,715	$ -	$ -	$ -	$ -	$ -	$ 9,782,715
Arizona Department of Health Services	13,935,808	-	-	-	-	-	13,935,808
Arizona Department of Transportation	47,700	-	-	-	-	-	47,700
East Valley Dial-A-Ride	393,666	-	-	-	-	-	393,666
City of Mesa	9,499	-	-	-	-	-	9,499
Total governmental revenue	24,169,388	-	-	-	-	-	24,169,388
Other							
Service contracts	455,174	-	-	-	-	-	455,174
Service fees	787,500	-	-	-	-	-	787,500
United Way contributions	57,812	-	-	-	-	-	57,812
Other contributions	333,717	-	-	700,489	1,316,013	-	2,350,219
Interest income	14,825	-	396	2	-	-	15,223
Loss on disposition of property	(36,048)	-	-	-	-	-	(36,048)
Rental income	519,157	-	-	43,510	-	-	562,667
Loss from investments in affiliates	(143,173)	(10,597)	-	-	-	-	(153,770)
Change in value of derivative financial instrument	288,281	-	-	-	-	-	288,281
Other	850,674	96,814	-	244	-	(69,365)	878,367
Total other revenue and gains (losses)	3,127,919	86,217	396	744,245	1,316,013	(69,365)	5,205,425
Total revenue and gains (losses)	27,297,307	86,217	396	744,245	1,316,013	(69,365)	29,374,813
Expenses							
Program services							
Residential	6,404,756	-	-	-	-	-	6,404,756
Employment services	4,218,178	-	-	-	-	-	4,218,178
Day services	4,492,579	-	-	-	-	-	4,492,579
Home services	4,582,853	250,896	-	-	-	(69,365)	4,764,384
Other housing	1,116,591	-	-	119,036	2,732	-	1,238,359
Outpatient clinic	1,718,075	-	-	-	-	-	1,718,075
Total program services	22,533,032	250,896	-	119,036	2,732	(69,365)	22,836,331
Supporting Activities							
Management and general	3,551,014	-	21,553	-	-	-	3,572,567
Fundraising	89,384	-	-	-	-	-	89,384
Total supporting activities	3,640,398	-	21,553	-	-	-	3,661,951
Total expenses	26,173,430	250,896	21,553	119,036	2,732	(69,365)	26,498,282
Change in Net Assets	1,123,877	(164,679)	(21,157)	625,209	1,313,281	-	2,876,531
Net Assets (Deficit), Beginning of Year	18,755,233	(550,801)	276,384	1,841,428	140,000	(1,000)	20,461,244
Net Assets (Deficit), End of Year	$ 19,879,110	$ (715,480)	$ 255,227	$ 2,466,637	$ 1,453,281	$ (1,000)	$ 23,337,775

	RBHA						Non-RBHA		
	Outpatient				Residential				
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total RBHA Contract	Non-RBHA Comprehensive Service Provider	Business Activities Unrelated to RBHA	Total
Revenue									
RBHA Revenue	$ 2,513,119	$ 4,434,794	$ 2,073,089	$ 3,250,712	$ 1,006,726	$ 13,278,440	$ -	$ -	$ 13,278,440
RBHA, prior year adjust	-	-	-	-	-	-	-	85,696	85,696
Client Fees (Co-Pays)	-	-	512	-	-	512	-	-	512
Other Revenue	727,956	360,701	38,611	68,960	90,076	1,286,304	-	1,434,749	2,721,053
Interest Income	-	-	-	-	-	-	-	14,825	14,825
Business Activities Unrelated to RBHA	-	-	-	-	-	-	-	13,274,287	13,274,287
Total Revenue	3,241,075	4,795,495	2,112,212	3,319,672	1,096,802	14,565,256	-	14,809,557	29,374,813
Expenses									
Clinical Services Expenses:									
Wages:									
BHT	893,277	1,312,013	-	-	376,145	2,581,435	-	-	2,581,435
BH professional	54,080	45,006	421,121	-	15,002	535,209	-	-	535,209
BH paraprofessional	104,000	14,820	-	-	4,940	123,760	-	-	123,760
Nurse practitioner	-	-	328,976	-	-	328,976	-	-	328,976
CSA vocational specialists	-	-	-	1,390,316	-	1,390,316	-	-	1,390,316
Supervision	270,427	366,880	155,523	317,875	86,411	1,197,116	-	-	1,197,116
Subtotal labor	1,321,784	1,738,719	905,620	1,708,191	482,498	6,156,812	-	-	6,156,812
Employee-related	236,735	293,440	191,090	224,178	76,154	1,021,597	-	-	1,021,597
Operations	166,843	252,992	189,624	244,719	61,348	915,526	-	-	915,526
Quality/Claims/Informatics	215,320	306,666	143,976	52,340	69,701	788,003	-	-	788,003
Professional/outside services	57,351	787,387	67,182	17,105	251,959	1,180,984	-	-	1,180,984
Travel/transportation	106,179	69,912	8,878	81,544	49,792	316,305	-	-	316,305
Facility/occupancy	225,417	151,299	65,660	82,528	69,525	594,429	-	-	594,429
Depreciation	91,481	119,777	11,150	210,195	23,819	456,422	-	-	456,422
Other clinical services expenses	94,926	124,370	70,082	245,698	44,981	580,057	-	-	580,057
Subtotal Clinical Services Expenses	2,516,036	3,844,562	1,653,262	2,866,498	1,129,777	12,010,135	-	-	12,010,135
Clinical Support Expenses:									
Wages:									
Program supervision	-	-	-	-	-	-	-	-	-
Clinical supervision	-	-	-	-	-	-	-	-	-
Program administrative support	-	-	-	-	-	-	-	-	-
Subtotal wages	-	-	-	-	-	-	-	-	-

	RBHA						Non-RBHA		
	Outpatient				Residential				
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total RBHA Contract	Non-RBHA Comprehensive Service Provider	Business Activities Unrelated to RBHA	Total
Clinical Support Expenses (Continued)									
Employee-Related	-	-	-	-	-	-	-	-	-
Professional/Outside Services	-	-	-	-	-	-	-	-	-
Travel/Transportation	-	-	-	-	-	-	-	-	-
Facility/Occupancy	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-	-
Other Clinical Support Expenses	-	-	-	-	-	-	-	-	-
Subtotal Clinical Support Expenses	-	-	-	-	-	-	-	-	-
Business Activities Unrelated to RBHA	-	-	-	-	-	-	-	10,656,433	10,656,433
Total Clinical Services and Clinical Support Expenses	2,761,908	3,403,517	1,655,550	3,235,245	1,081,311	12,137,531	-	10,656,433	22,793,964
Administrative									
Salaries	219,736	314,436	157,750	158,774	80,618	931,314	-	-	931,314
Employee-related	100,979	144,498	72,493	50,127	37,048	405,145	-	-	405,145
Professional/outside services	22,850	32,698	16,404	21,607	8,383	101,942	-	-	101,942
Travel/transportation	9,446	13,517	6,782	8,524	3,466	41,735	-	-	41,735
Facility/occupancy	22,756	32,564	16,337	15,108	8,349	95,114	-	-	95,114
Depreciation	17,842	25,531	12,809	14,276	6,546	77,004	-	-	77,004
Technology	13,457	19,256	9,661	11,756	4,937	59,067	-	-	59,067
Other indirect expenses	108,775	155,653	78,090	101,943	39,908	484,369	-	306,395	790,764
Business activities unrelated to RBHA	-	-	-	-	-	-	-	2,109,466	2,109,466
Subtotal Administrative Expenses	515,841	738,153	370,326	382,115	189,255	2,195,690	-	2,415,861	4,611,551
Total Expenses	3,277,749	4,141,670	2,025,876	3,617,360	1,270,566	14,333,221	-	13,072,294	27,405,515
Increase (decrease) in Net Assets	$ (129,218)	$ 363,785	$ 234,471	$ (86,036)	$ (115,418)	$ 267,584	$ -	$ 1,153,915	$ 1,421,499
FTE's - Clinical Services (by program)	20.37	86.91	13.51	50.00	22.24	193.03			
FTE's - Clinical Support (by program)	12.14	6.52	7.82	5.12	2.53	34.13			
FTE's - Administrative (by program)	5.82	8.33	4.18	3.53	2.14	24.00			

	RBHA						Non-RBHA		
	Outpatient				Residential				
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total RBHA Contract	Non-RBHA Comprehensive Service Provider	Business Activities Unrelated to RBHA	Total
Revenue									
RBHA Revenue	$ 2,513,119	$ 4,434,794	$ 2,073,089	$ 3,250,712	$ 1,006,726	$ 13,278,440	$ -	$ -	$ 13,278,440
RBHA, prior year adjust	-	-	-	-	-	-	-	85,696	85,696
Client Fees (Co-Pays)	-	-	512	-	-	512	-	-	512
Other Revenue	727,956	360,701	38,611	68,960	90,076	1,286,304	-	1,434,749	2,721,053
Interest Income	-	-	-	-	-	-	-	14,825	14,825
Business Activities Unrelated to RBHA	-	-	-	-	-	-	-	13,274,287	13,274,287
Total Revenue	3,241,075	4,795,495	2,112,212	3,319,672	1,096,802	14,565,256	-	14,809,557	29,374,813
Expenses									
Clinical Services Expenses:									
Wages:									
BHT	893,277	1,312,013	-	-	376,145	2,581,435	-	-	2,581,435
BH professional	54,080	45,006	421,121	-	15,002	535,209	-	-	535,209
BH paraprofessional	104,000	14,820	-	-	4,940	123,760	-	-	123,760
Nurse practitioner	-	-	328,976	-	-	328,976	-	-	328,976
CSA vocational specialists	-	-	-	1,390,316	-	1,390,316	-	-	1,390,316
Supervision	270,427	366,880	155,523	317,875	86,411	1,197,116	-	-	1,197,116
Subtotal labor	1,321,784	1,738,719	905,620	1,708,191	482,498	6,156,812	-	-	6,156,812
Employee-related	236,735	293,440	191,090	224,178	76,154	1,021,597	-	-	1,021,597
Operations	166,843	252,992	189,624	244,719	61,348	915,526	-	-	915,526
Quality/Claims/Informatics	215,320	306,666	143,976	52,340	69,701	788,003	-	-	788,003
Professional/outside services	57,351	787,387	67,182	17,105	251,959	1,180,984	-	-	1,180,984
Travel/transportation	106,179	69,912	8,878	81,544	49,792	316,305	-	-	316,305
Facility/occupancy	225,417	151,299	65,660	82,528	69,525	594,429	-	-	594,429
Depreciation	91,481	119,777	11,150	210,195	23,819	456,422	-	-	456,422
Other clinical services expenses	94,926	124,370	70,082	245,698	44,981	580,057	-	-	580,057
Subtotal Clinical Services Expenses	2,516,036	3,844,562	1,653,262	2,866,498	1,129,777	12,010,135	-	-	12,010,135
Clinical Support Expenses:									
Wages:									
Program supervision	-	-	-	-	-	-	-	-	-
Clinical supervision	-	-	-	-	-	-	-	-	-
Program administrative support	-	-	-	-	-	-	-	-	-
Subtotal wages	-	-	-	-	-	-	-	-	-

	RBHA						Non-RBHA	
	Outpatient				Residential			
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total RBHA Contract	Non-RBHA Comprehensive Service Provider	Business Activities Unrelated to RBHA
Clinical Support Expenses (Continued)								
Employee-Related	-	-	-	-	-	-	-	-
Professional/Outside Services	-	-	-	-	-	-	-	-
Travel/Transportation	-	-	-	-	-	-	-	-
Facility/Occupancy	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-
Other Clinical Support Expenses	-	-	-	-	-	-	-	-
Subtotal Clinical Support Expenses	-	-	-	-	-	-	-	-
Business Activities Unrelated to RBHA	-	-	-	-	-	-	-	10,383,847
Total Clinical Services and Clinical Support Expenses	2,516,036	3,844,562	1,653,262	2,866,498	1,129,777	12,010,135	-	10,383,847
Administrative								
Salaries	267,701	396,091	174,461	151,639	90,757	1,080,649	-	-
Employee-related	85,898	127,095	55,980	42,041	29,121	340,135	-	-
Professional/outside services	65,366	96,716	42,599	29,949	22,161	256,791	-	-
Travel/transportation	54,051	79,973	35,225	14,629	18,324	202,202	-	-
Facility/occupancy	28,736	42,517	18,727	16,338	9,742	116,060	-	-
Depreciation	26,662	39,449	17,376	19,613	9,039	112,139	-	-
Technology	15,654	23,161	10,201	14,238	5,307	68,561	-	-
Other indirect expenses	36,512	54,024	23,795	27,603	12,379	154,313	-	143,323
Business activities unrelated to RBHA	-	-	-	-	-	-	-	1,630,127
Subtotal Administrative Expenses	580,580	859,026	378,364	316,050	196,830	2,330,850	-	1,773,450
Total Expenses	3,096,616	4,703,588	2,031,626	3,182,548	1,326,607	14,340,985	-	12,157,297
Increase (decrease) in Net Assets	$ 144,459	$ 91,907	$ 80,586	$ 137,124	$ (229,805)	$ 224,271	$ -	$ 2,652,260
FTE's - Clinical Services (by program)	28.00	75.00	12.00	50.00	22.00	187.00	0.87	
FTE's - Clinical Support (by program)	8.65	11.96	6.15	5.09	3.13	34.98	0.50	
FTE's - Administrative (by program)	5.55	8.21	3.62	3.21	1.88	22.47	0.02	