Consolidated Financial Statements
June 30, 2013

Marc Community Resources, Inc. and Affiliates

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 statement of financial position of Marc Community Resources, Inc. (a nonprofit organization) and Affiliates (collectively, the Organization) as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marc Community Resources, Inc. and Affiliates as of June 30, 2013 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.

1850 N. Central Ave., Ste. 400 | Phoenix, AZ 85004-4624 | T 602.264.5844 | F 602.277.4845 | EOE

Report on Summarized Comparative Information
We have previously audited Marc Community Resources, Inc. and Affiliates June 30, 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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 24-31 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
October 25, 2013

	2013	2012
Assets		
Cash and cash equivalents	$ 6,711,517	$ 5,648,588
Consumer trust funds	66,252	70,752
Accounts receivable, net	2,028,266	1,604,727
Due from related parties	91,553	48,677
Contributions receivable, net	281,335	516,051
Prepaid expenses and other	188,580	233,922
Investments	455,329	357,716
Investments in affiliates	565,408	638,036
Property and equipment, net	24,566,428	22,184,961
Bond issuance costs, net	227,689	265,573
Deposits	76,806	158,616
Total assets	$ 35,259,163	$ 31,727,619
Liabilities and Net Assets		
Liabilities		
Consumer trust funds	$ 66,252	$ 70,752
Accounts payable	717,594	745,879
Accrued liabilities	2,480,258	2,211,121
Deferred revenue	733,576	191,065
Derivative financial instrument	566,143	854,424
Notes payable	512,029	165,262
Bonds payable	6,845,536	7,027,872
Total liabilities	11,921,388	11,266,375
Net Assets		
Unrestricted	18,174,561	17,442,482
Temporarily restricted	5,153,214	3,008,762
Permanently restricted	10,000	10,000
Total net assets	23,337,775	20,461,244
Total liabilities and net assets	$ 35,259,163	$ 31,727,619

Marc Community Resources, Inc. and Affiliates
Consolidated Statements of Activities
Year Ended June 30, 2013
(With Summarized Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2013	Totals 2012
Revenue and Gains (Losses)					
Governmental					
Arizona Department of Economic Security	$ 9,782,715	$ -	$ -	$ 9,782,715	$ 9,573,701
Arizona Department of Health Services	13,935,808	-	-	13,935,808	14,522,046
Arizona Department of Transportation	47,700	-	-	47,700	-
East Valley Dial-A-Ride	393,666	-	-	393,666	-
City of Mesa	9,499	-	-	9,499	10,000
Total governmental revenue	24,169,388	-	-	24,169,388	24,105,747
Other					
Service contracts	455,174	-	-	455,174	438,925
Service fees	787,500	-	-	787,500	400,298
United Way contributions	-	57,812	-	57,812	52,812
Other contributions	119,582	2,230,637	-	2,350,219	2,060,611
Interest income	15,167	56	-	15,223	8,304
Gain (loss) on disposition of property and equipment	(36,048)	-	-	(36,048)	(204,912)
Rental income	562,667	-	-	562,667	457,989
Income from investments in affiliates	(153,770)	-	-	(153,770)	(27,889)
Other	850,032	-	-	850,032	664,553
Total other revenue and gains (losses)	2,600,304	2,288,505	-	4,888,809	3,850,691
Total operating revenue and operating gains (losses) before supporting lines of business	26,769,692	2,288,505	-	29,058,197	27,956,438
Gross profit (loss) on supporting lines of business	28,335	-	-	28,335	65,295
Total revenue and gains (losses)	26,798,027	2,288,505	-	29,086,532	28,021,733
Net assets released from restrictions	144,053	(144,053)	-	-	-
Expenses					
Program services					
Residential	6,404,756	-	-	6,404,756	6,540,686
Employment services	4,218,178	-	-	4,218,178	4,025,461
Day services	4,492,579	-	-	4,492,579	4,022,720
Home services	4,764,384	-	-	4,764,384	5,194,714
Other housing	243,075	-	-	243,075	218,965
Outpatient clinic	1,718,075	-	-	1,718,075	2,017,890
Total program services	21,841,047	-	-	21,841,047	22,020,436
Supporting activities					
Management and general	3,572,567	-	-	3,572,567	3,890,225
Fundraising	89,384	-	-	89,384	73,857
Supporting lines of business	995,284	-	-	995,284	4,885
Total supporting activities	4,657,235	-	-	4,657,235	3,968,967
Total expenses	26,498,282	-	-	26,498,282	25,989,403
Excess of Revenue Over Expenses Before Other Charges	443,798	2,144,452	-	2,588,250	2,032,330
Other Charges					
Unrealized gain (loss) on derivative financial instrument	288,281	-	-	288,281	(395,739)
Change in Net Assets	732,079	2,144,452	-	2,876,531	1,636,591
Net Assets, Beginning of Year	17,442,482	3,008,762	10,000	20,461,244	18,824,653
Net Assets, End of Year	$ 18,174,561	$ 5,153,214	$ 10,000	$ 23,337,775	$ 20,461,244

Marc Community Resources, Inc. and Affiliates
Consolidated Statements of Functional Expenses
Year Ended June 30, 2013
(With Summarized Comparative Totals for the Year Ended June 30, 2012)

	Program Services								Supporting Activities				
	Residential	Employment Services	Day Services	Home Services	Other Housing	Outpatient Clinic	Total Program Services 2013	Total Program Services 2012	Management and General	Fundraising	Supporting Lines of Business	Total Supporting Activities 2013	Total Supporting Activities 2012
Salaries	$ 3,832,931	$ 2,562,179	$ 2,617,116	$ 2,810,971	$ -	$ 1,232,113	$13,055,310	$ 12,673,240	$ 1,880,531	$ 35,395	$ 359,085	$ 2,275,011	$ 2,038,015
Employee-Related Expenses	739,795	420,660	474,794	489,424	-	208,666	2,333,339	2,329,194	546,278	24,288	57,268	627,834	400,565
Occupancy	634,987	207,888	530,164	221,415	128,858	81,409	1,804,721	1,919,138	197,999	4,075	76,091	278,165	312,044
Professional Fees	252,939	25,936	80,788	790,245	-	67,497	1,217,405	1,561,212	230,778	15,465	198,602	444,845	247,202
Transportation	295,853	118,441	263,347	95,096	10	9,258	782,005	688,135	68,137	1,688	205,318	275,143	74,672
Supplies	144,179	228,842	159,393	62,343	2,162	20,872	617,791	818,145	242,305	2,264	18,090	262,659	382,032
Equipment Rental	21,237	45,990	56,378	16,196	-	14,162	153,963	151,659	37,895	1,439	-	39,334	34,577
Depreciation	253,274	384,912	216,206	186,277	63,773	28,509	1,132,951	1,145,097	187,577	2,255	69,228	259,060	213,329
Other Expenses	229,561	223,330	94,393	92,417	48,272	55,589	743,562	734,616	181,067	2,515	11,602	195,184	266,531
Total expenses	$ 6,404,756	$ 4,218,178	$ 4,492,579	$ 4,764,384	$ 243,075	$ 1,718,075	$21,841,047	$ 22,020,436	$ 3,572,567	$ 89,384	$ 995,284	$ 4,657,235	$ 3,968,967

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	$ 2,876,531	$ 1,636,591
Adjustments to reconcile net assets to net cash provided by operating activities		
(Amortization of) increase in discount on long-term contributions receivable	(17,933)	27,763
Amortization of bond issuance costs	37,884	37,884
Net unrealized (gain) loss on investments	(44,583)	10,383
Unrealized loss on derivative financial instruments	(288,281)	395,739
Net (gains) losses from investments in affiliates	62,140	27,889
Depreciation	1,392,011	1,358,426
Donated property and equipment	(214,136)	(194,400)
Loss on disposition of property and equipment	36,048	204,912
Change in allowance for doubtful accounts	(32,479)	(30,845)
Change in allowance for uncollectible contributions receivable	(35,665)	(11,400)
Change in assets and liabilities		
Accounts receivable	(391,060)	(316,559)
Contributions receivable	288,314	(185,453)
Due from related parties	(42,876)	29,863
Prepaid expenses and other	45,342	(52,119)
Deposits	81,810	(114,859)
Accounts payable	(28,285)	(412,642)
Accrued liabilities	269,137	449,513
Deferred revenue	542,511	55,157
Capital advances restricted for long-term purposes	(1,940,875)	(1,438,712)
Net Cash from Operating Activities	2,595,555	1,477,131
Cash Flows from Investing Activities		
Purchases of investments	(53,030)	(66,350)
Proceeds from sales of investments	-	76,472
Proceeds from disposition of property and equipment	-	103,793
Purchases of property and equipment	(3,042,779)	(2,798,953)
Receipt of dividends	10,488	29,400
Net Cash used for Investing Activities	(3,085,321)	(2,655,638)
Cash Flows from Financing Activities		
Collections of capital advances restricted for long-term purposes	1,940,875	1,438,712
Proceeds from line of credit	260,987	-
Payments on line of credit	(260,987)	-
Proceeds from borrowings on notes payable	-	20,027
Payments on notes payable	(205,844)	(104,238)
Payments on bonds payable	(182,336)	(173,810)
Net Cash from Financing Activities	1,552,695	1,180,691
Net Change in Cash and Cash Equivalents	1,062,929	2,184
Cash and Cash Equivalents, Beginning of Year	5,648,588	5,646,404
Cash and Cash Equivalents, End of Year	$ 6,711,517	$ 5,648,588

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. The acquisition of Advocates has been accounted for in a manner similar to the pooling of interests method.

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.

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, 2012 from which the summarized information was derived.

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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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, 2013 and 2012 totaled approximately $455,000 and $358,000, respectively, all of which were invested in mutual funds.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments include investments, long-term promises to give, deposits, notes payable, bonds payable, and a swap agreement. For these financial instruments, carrying values approximate fair value.

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.

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.

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.

Fundraising Costs

All fundraising costs are expensed in the period incurred.

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.

Reclassifications

Certain reclassifications have been made to the 2012 summarized comparative totals to conform to the 2013 presentation. The reclassifications had no impact on the change in net assets.

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 an organization described in Section 501(c)(3). They qualify for charitable contributions under Section 170, and have been determined not to be private foundations under Section 509(a), with the exception of the Foundation which is a private foundation. 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. Marc Community files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Management believes that it has appropriate support for any tax positions taken affecting the organization's annual filing requirements, 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.

TecMarc is a limited liability company (LLC). The taxable income of TecMarc is reported on the shareholders' tax returns and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

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.

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 90 days or more totaled approximately $104,000 and $45,000 at June 30, 2013 and 2012, 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:

	2013	2012
Allowance for doubtful accounts, beginning of year	$ 100,398	131,243
Provision for realization losses	(82,329)	(1,221)
Adjustment to allowance	49,850	(29,624)
Allowance for doubtful accounts, end of year	$ 67,919	$ 100,398

Note 3 - Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2013	2012
Receivable in less than one year	$ 323,339	$ 522,905
Receivable in one to five years	129,600	218,348
Total contributions receivable	452,939	741,253
Less - unamortized discount	(18,669)	(36,602)
Subtotal	434,270	704,651
Less - allowance for uncollectable contributions	(152,935)	(188,600)
Total contributions receivable, net	$ 281,335	$ 516,051

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, 2013 and 2012 included two promises to give related to the administrative and day services program building capital campaign in previous years totaling approximately $90,000 and $133,000, respectively (net of unamortized discount on long-term promises to give totaling approximately $12,000 and $18,000 at June 30, 2013 and 2012, respectively).

Employment Building

Contributions receivable at June 30, 2013 and 2012 included one promise to give related to the employment building capital campaign from previous years totaling approximately $63,000 and $190,000, respectively (net of unamortized discount on long-term promises to give totaling approximately $7,000 and $19,000 at June 30, 2013 and 2012, 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). 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:

	2013	2012
Land	$ 4,369,097	$ 4,369,097
Buildings	21,534,547	18,650,341
Leasehold improvements	1,465,510	934,670
Vehicles	1,496,799	1,433,830
Furniture and equipment	2,043,169	1,360,163
Construction in progress	2,137,538	2,574,625
Total property	33,046,660	29,322,726
Less - accumulated depreciation	(8,480,232)	(7,137,765)
Property, net	$ 24,566,428	$ 22,184,961

Depreciation expense for the years ended June 30, 2013 and 2012 totaled approximately $1,392,000 and $1,358,000, 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.

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:

	2013	2012
Partners in Recovery, LLC		
Original investment in Partners in Recovery, LLC (PIR)	$ 105,915	$ 105,915
Marc Center's share of accumulated PIR net income	444,493	511,035
FCS Premier, LLC		
Original investment in FCS Premier, LLC (FCS)	50,000	50,000
Due from FCS	300,000	253,064
Marc Center's share of accumulated FCS net losses	(345,743)	(274,109)
Losses in excess of investment and receivables	(4,257)	(28,955)
BuildMarc, LLC		
Original investment in BuildMarc, LLC (BuildMarc)	-	12,250
TecMarc's share of accumulated BuildMarc net income	-	8,836
Western Health and Wellness		
Original investment in Western Health and Wellness	15,000	-
Total investments in affiliates	$ 565,408	$ 638,036

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 are contracted with Magellan Health Services of Arizona, Inc. (Magellan) to provide behavioral health services to adults in Maricopa County. Magellan is the Regional Behavioral Health Authority (RBHA) contracted by the Arizona Department of Health Services for Maricopa County. Marc Community has a 50% membership interest in 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, 2013 and 2012 was approximately $550,000 and $617,000, 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 ($67,000) and $58,000 for the years ended June 30, 2013 and 2012, respectively.

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

	2013 Audited	2012 Audited
Statements of financial position		
Total assets	$ 5,957,335	$ 4,931,681
Total liabilities	$ 4,856,520	$ 3,697,783
Unrestricted net assets	1,100,815	1,233,898
Total liabilities and unrestricted net assets	$ 5,957,335	$ 4,931,681
Statements of activities		
Revenue	$ 22,374,784	$ 19,098,725
Expenses		
Program services	21,221,397	17,095,059
Supporting activities	1,286,470	1,887,095
Total expenses	22,507,867	18,982,154
Change in unrestricted net assets	(133,083)	116,571
Marc Center's ownership percentage	50%	50%
Marc Center's share of change in net assets	$ (66,542)	$ 58,286

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.

Marc Community has recorded its 50% share of FCS' losses. For the years ended June 30, 2013 and 2012, respectively, Marc Community recorded a net (loss) of approximately ($78,000) and ($44,000) and reduced their receivable by the same amount. The remaining balance of approximately $4,000 and $29,000, 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, 2013 and 2012.

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

	2013 (Unaudited)	2012 (Unaudited)
Balance Sheet		
Current assets	$ 82,779	$ 67,950
Fixed assets	90,628	139,567
Total assets	$ 173,407	$ 207,517
Current liabilities	$ 69,456	$ 86,056
Due to members	689,724	561,460
Notes payable	105,712	108,219
Total liabilities	864,892	755,735
Members' deficit	(691,485)	(548,218)
Total liabilities and members deficit	$ 173,407	$ 207,517
Statement of Operations		
Total revenue	$ 825,642	$ 732,813
Cost of sales	(299,583)	(249,290)
Operating expenses	(686,521)	(577,611)
Other income and expense	7,196	5,133
Net loss	$ (153,266)	$ (88,955)

BuildMarc, LLC

During the year ended June 30, 2010, TecMarc entered into an investment in BuildMarc, LLC (BuildMarc) in order to provide construction services and jobs for people with disabilities. TecMarc has a 49% membership interest in BuildMarc. While TecMarc does not have control of BuildMarc, it does have the ability to exercise significant influence over BuildMarc and has an ongoing economic interest in the members' equity of BuildMarc. Accordingly, the Organization reports TecMarc's interest in the members' equity of BuildMarc, as well as any changes in the members' equity of BuildMarc, in a manner similar to the equity method of accounting for investments in common stock.

TecMarc's investment in BuildMarc at June 30, 2013 and 2012 was approximately $0 and $21,000, respectively, which includes TecMarc's original investment in BuildMarc of approximately $12,000, plus TecMarc's share of BuildMarc's net loss of approximately ($11,000) and ($42,000) for the years ended June 30, 2013 and 2012, respectively. During the year ended June 30, 2013, BuildMarc made a final closing distribution to TecMarc in the amount of $10,500, and ended its operations in 2013.

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

	2013 Unaudited	2012 Unaudited
Balance sheet		
Total assets	$ -	$ 99,634
Total liabilities	$ -	$ 56,601
Members' equity	-	43,033
Total liabilities and members' equity	$ -	$ 99,634
Statement of operations		
Net sales	$ 61,225	$ 184,687
Cost of sales	82,614	237,999
Gross profit (loss)	(21,389)	(53,312)
Operating expenses and other	348	31,785
Net loss	(21,737)	(85,097)
TecMarc's ownership percentage	49%	49%
TecMarc's share of net loss	$ (10,651)	$ (41,698)

Note 7 - Bond Issuance Costs

Bond issuance costs consist of legal costs, underwriting fees, printing, and other costs incurred to obtain, secure, and rate the bonds described in Note 11. These issuance costs totaled approximately $376,000 and are being amortized over the 10-year term of the bond using the straight-line method (which approximates the effective interest method). Amortization of the bond issuance costs was approximately $38,000 for each of the years ended June 30, 2013 and 2012 and is included in interest expense.

Note 8 - 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, 2013) 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 2014.

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, 2013) 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 December 2013.

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, 2013, the Organization was in compliance with these requirements.

Note 9 - 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 (0.19428% at June 30, 2013) plus a margin of 2.125%. The net effect of the swap is to fix the interest rate on $7,500,000 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, 2013 and 2012 was a liability totaling approximately $566,000 and $854,000, respectively. The unrealized holding gain on this interest rate swap was approximately $288,000 for the year ended June 30, 2013. The unrealized holding loss on this interest rate swap was approximately $396,000 for the year ended June 30, 2012.

Note 10 - Notes Payable

Notes payable consisted of the following at June 30:

	2013	2012
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	$ 28,096
Note payable to a finance company; due in monthly installments of approximately $4,000, including interest at approximately 6.4%; final payment in June 2013; collateralized by software and equipment.	-	43,226
Note payable to the Arizona Community Foundation; principal balance due at maturity with no interest accrued; maturing in July 2012. Note payable balance paid in full in July 2012.	-	75,000
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.	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.	15,213	18,940
Total notes payable	$ 512,029	$ 165,262

Annual principal payment on notes payable are schedules as follows:

Year Ending June 30	
2014	$ 112,770
2015	112,874
2016	116,949
2017	119,620
2018	49,816
Total notes payable	$ 512,029

Interest expense for the years ended June 30, 2013 and 2012 totaled approximately $342,000 and $357,000, respectively, which includes interest on the notes payable above and on the bonds payable (Note 11). In addition, approximately $38,000 of interest expense for both years ended June 30, 2013 and 2012 was amortization on the bond issuance costs (Note 7).

Note 11 - Bonds Payable

In July 2009, the Organization entered into loan agreements with the Industrial Development Authority of the County of Maricopa to issue Community Services Facilities Revenue Bonds, Series 2009A (Series 2009A) in the amount of $7,500,000 for a term of ten years, and to issue Community Services Facilities Revenue Bonds, Series 2009B (Series 2009B) in the amount of $1,620,929 for a term of eleven years and six months. Series 2009A and Series 2009B (collectively, "the Bonds") are collateralized by certain real property as set forth in the agreements. The Organization borrowed the full amount of $7,500,000 under Series 2009A, and approximately $6,845,000 and $7,028,000 was outstanding at June 30, 2013 and 2012, respectively. As of June 30, 2013, no amounts had been borrowed under Series 2009B.

Interest on the Bonds is payable monthly under variable interest rate provisions. Series 2009A is due in monthly principal amounts of approximately $13,000 to $20,000 with a final balloon payment in July 2019. Series 2009A bears interest at 65% of the one-month LIBOR rate (.19428% at June 30, 2013) plus 2.125%. Series 2009A is subject to an interest rate swap agreement (Note 9). Series 2009B bears interest at an annual floating rate equal to the sum of 65% of the prime rate (3.25% at June 30, 2013) plus .65%, but not less than 3.90% annually.

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

Year Ending June 30	
2014	$ 191,288
2015	200,672
2016	210,518
2017	220,842
2018	231,686
Thereafter	5,790,530
Total bonds payable	$ 6,845,536

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, 2013, the Organization was in compliance with those requirements.

Note 12 - Restricted Net Assets

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

	2013	2012
Restrictions on donated property (Note 5)	$ 1,271,062	$ 1,148,167
Housing for very low income residents	3,795,213	1,778,712
Time restrictions on contributions receivable	57,812	52,812
Other	29,127	29,071
Total temporarily restricted net assets	$ 5,153,214	$ 3,008,762

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 13 - Cash Flow Information

Supplemental Disclosure of Cash Flow Information

Cash paid for interest was approximately $304,000 and $319,000, for the years ended June 30, 2013 and 2012, respectively.

During the year ended June 30, 2013 and 2012, the Organization acquired property through notes payable of approximately $553,000 and $20,000, respectively.

Note 14 - 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	
2014	$ 619,812
2015	450,897
2016	325,473
2017	182,854
2018	87,494
Thereafter	436,219
Total future minimum lease payments	$ 2,102,749

Rent expense for the years ended June 30, 2013 and 2012 totaled approximately $814,000 and $770,000, respectively.

The Organization is in the process of constructing a building. The total cost to complete the project as of June 30, 2013 is approximately $1,170,000.

Note 15 - Concentrations

Revenue

The Organization received significant portions of its total revenue for the years ended June 30, 2013 and 2012 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:

	2013		2012	
	Total Revenue	Accounts Receivable	Total Revenue	Accounts Receivable
DES	34%	$ 861,000	34%	$ 835,577
RBHA	48%	338,125	52%	136,159
Total	82%	$ 1,199,125	86%	$ 971,736

Revenue from DES and RBHA makes up approximately 98% of the governmental revenue as reported in the consolidated statement of activities for both years ended June 30, 2013 and 2012.

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 16 - 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, 2013 and 2012. Due to uncertainties in state funding, the Organization stopped matching contributions in October 2009. However, the Organization continued to accrue matching contributions during 2011 in anticipation of making the contributions when economically feasible, and approximately $0 and $165,000 of unpaid matching contributions were included in accrued liabilities in the consolidated statement of financial position at June 30, 2013 and 2012, respectively.

The Organization has a non-qualified deferred compensation plan (the Non-Qualified 457b Plan) covering certain executives. The Non-Qualified 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 $28,030 and $61,350 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, the present value of the vested post-retirement benefits was $121,000 and $114,000, respectively, and these liabilities are included in accrued liabilities in the consolidated statement of financial position. While the Organization had set aside approximately $121,000 and $114,000 at June 30, 2013 and 2012, respectively, in a separate account, these funds remain available to general creditors of the Organization.

Note 17 - Related Party Transactions

Related party transactions not elsewhere disclosed are as follows:

During the years ended June 30, 2013 and 2012, Marc Community received construction services from BuildMarc in the amount of approximately $43,000 and $201,000, respectively, of which $0, and $7,000, was included in accounts payable at June 30, 2013 and 2012, respectively.

During the years ended June 30, 2013 and 2012, 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 $753,000 and $434,500, for the years ended June 30, 2013 and 2012, respectively, of which approximately $91,000 and $91,500 was in due from related parties at June 30, 2013 and 2012, 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 $42,500 and $13,500 at June 30, 2013 and 2012, respectively. Additionally, Marc Community has guaranteed a $250,000 promissory note, which had a balance of approximately $106,000 and $156,000 at June 30, 2013 and 2012, 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, 2013 and 2012.

Note 18 - 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 19 - Fair Value Measurements

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

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

Investments are valued at the net asset value of shares held by the Organization. Net asset value is based on quoted market prices for identical assets.

Derivative Financial Instrument

The Organization's derivative financial instrument described in Note 9 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:

	2013			
	Level 1	Level 2	Level 3	Total
Investments	$ 430,329	$ 25,000	$ -	$ 455,329
Derivative financial instrument	-	(566,143)	-	(566,143)

	2012			
	Level 1	Level 2	Level 3	Total
Investments	$ 357,716	$ -	$ -	$ 357,716
Derivative financial instrument	-	(854,424)	-	(854,424)

Note 20 - Subsequent Events

Subsequent events were evaluated by management through October 25, 2013, the date on which the consolidated financial statements were available to be issued. There were no events or transactions occurring after June 30, 2013, but prior to October 25, 2013, that provided additional evidence about conditions that existed at June 30, 2013.

Supplementary Information
June 30, 2013

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	$ 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	98.00	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
Assets							
Cash and cash equivalents	$ 4,268,780	$ 375,260	$ 275,778	$ 168,515	$ 560,255	$ -	$ 5,648,588
Consumer trust funds	70,752	-	-	-	-	-	70,752
Accounts receivable, net	1,223,173	-	-	381,554	-	-	1,604,727
Due from related parties	2,252,076	16,548	-	-	-	(2,219,947)	48,677
Contributions receivable, net	176,051	-	-	200,000	140,000	-	516,051
Prepaid expenses and other	233,922	-	-	-	-	-	233,922
Investments	357,716	-	-	-	-	-	357,716
Investments in affiliates	617,950	21,086	-	-	-	(1,000)	638,036
Property and equipment, net	19,884,654	127,884	606	2,171,817	-	-	22,184,961
Bond issuance costs, net	265,573	-	-	-	-	-	265,573
Deposits	149,166	9,450	-	-	-	-	158,616
Total assets	$ 29,499,813	$ 550,228	$ 276,384	$ 2,921,886	$ 700,255	$ (2,220,947)	$ 31,727,619
Liabilities and Net Assets							
Liabilities							
Consumer trust funds	$ 70,752	$ -	$ -	$ -	$ -	$ -	$ 70,752
Accounts payable	743,646	2,233	-	-	-	-	745,879
Due to related parties	-	1,060,658	-	599,034	560,255	(2,219,947)	-
Accrued liabilities	1,693,605	36,092	-	481,424	-	-	2,211,121
Deferred revenue	189,019	2,046	-	-	-	-	191,065
Derivative financial instrument	854,424	-	-	-	-	-	854,424
Notes payable	165,262	-	-	-	-	-	165,262
Bonds payable	7,027,872	-	-	-	-	-	7,027,872
Total liabilities	10,744,580	1,101,029	-	1,080,458	560,255	(2,219,947)	11,266,375
Net Assets							
Unrestricted	17,554,254	(551,801)	237,313	202,716	-	-	17,442,482
Common stock	-	1,000	-	-	-	(1,000)	-
Total unrestricted	17,554,254	(550,801)	237,313	202,716	-	(1,000)	
Temporarily Restricted	1,200,979	-	29,071	1,638,712	140,000	-	3,008,762
Permanently Restricted	-	-	10,000	-	-	-	10,000
Total net assets (deficit)	18,755,233	(550,801)	276,384	1,841,428	140,000	(1,000)	20,461,244
Total liabilities and net assets	$ 29,499,813	$ 550,228	$ 276,384	$ 2,921,886	$ 700,255	$ (2,220,947)	$ 31,727,619

	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	393,666.00	-	-	-	-	-	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
Income (loss) from investments in affiliates	(143,173)	(10,597)	-	-	-	-	(153,770)
Other	850,674	2,091	-	244	-	(2,977)	850,032
Total other revenue and gains (losses)	2,839,638	(8,506)	396	744,245	1,316,013	(2,977)	4,888,809
Total operating revenue and operating gains (losses) before supporting lines of business	27,009,026	(8,506)	396	744,245	1,316,013	(2,977)	29,058,197
Supporting Lines of Business Revenue	-	94,723	-	-	-	(66,388)	28,335
Less Costs of Supporting Lines of Business	-	-	-	-	-	-	-
Gross profit (loss on supporting lines of business	-	94,723	-	-	-	(66,388)	28,335
Total revenue and gains (losses)	27,009,026	86,217	396	744,245	1,316,013	(69,365)	29,086,532
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	243,075	-	-	-	-	-	243,075
Outpatient clinic	1,718,075	-	-	-	-	-	1,718,075
Total program services	21,659,516	250,896	-	-	-	(69,365)	21,841,047
Supporting Activities							
Management and general	3,551,014	-	21,553	-	-	-	3,572,567
Fundraising	89,384	-	-	-	-	-	89,384
Supporting lines of business	873,516	-	-	119,036	2,732	-	995,284
Total supporting activities	4,513,914	-	21,553	119,036	2,732	-	4,657,235
Total expenses	26,173,430	250,896	21,553	119,036	2,732	(69,365)	26,498,282
Excess of Revenue Over Expenses (Expenses Over Revenue) Before Other Charges	835,596	(164,679)	(21,157)	625,209	1,313,281	-	2,588,250
Other Charges							
Unrealized gain (loss) on derivative financial instrument	288,281	-	-	-	-	-	288,281
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

	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	$ 9,573,701	$ -	$ -	$ -	$ -	$ -	$ 9,573,701
Arizona Department of Health Services	14,522,046	-	-	-	-	-	14,522,046
City of Mesa	10,000	-	-	-	-	-	10,000
Total governmental revenue	24,105,747	-	-	-	-	-	24,105,747
Other							
Service contracts	438,925	-	-	-	-	-	438,925
Service fees	400,298	-	-	-	-	-	400,298
United Way contributions	52,812	-	-	-	-	-	52,812
Other contributions	274,298	-		1,646,313	140,000	-	2,060,611
Interest income	7,281	-	1,023	-	-	-	8,304
Loss on disposition of property	(204,912)	-	-	-	-	-	(204,912)
Rental income	457,989	-	-	-	-	-	457,989
Income (loss) from investments in affiliates	13,809	(41,698)	-	-	-	-	(27,889)
Other	664,553	-	-	-	-	-	664,553
Total other revenue and gains (losses)	2,105,053	(41,698)	1,023	1,646,313	140,000	-	3,850,691
Total operating revenue and operating gains (losses) before supporting lines of business	26,210,800	(41,698)	1,023	1,646,313	140,000	-	27,956,438
Supporting Lines of Business Revenue	-	109,227	-	-	-	(43,932)	65,295
Less Costs of Supporting Lines of Business	-	-	-	-	-	-	-
Gross profit (loss on supporting lines of business	-	109,227	-	-	-	(43,932)	65,295
Total revenue and gains (losses)	26,210,800	67,529	1,023	1,646,313	140,000	(43,932)	28,021,733
Expenses							
Program services							
Residential	6,540,686	-	-	-	-	-	6,540,686
Employment services	4,025,461	-	-	-	-	-	4,025,461
Day services	4,022,720	-	-	-	-	-	4,022,720
Home services	4,851,006	387,640	-	-	-	(43,932)	5,194,714
Other housing	218,965	-	-	-	-	-	218,965
Outpatient clinic	2,017,890	-	-	-	-	-	2,017,890
Total program services	21,676,728	387,640	-	-	-	(43,932)	22,020,436
Supporting Activities							
Management and general	3,888,891	-	1,334	-	-	-	3,890,225
Fundraising	73,857	-	-	-	-	-	73,857
Supporting lines of business	-	-	-	4,885	-	-	4,885
Total supporting activities	3,962,748	-	1,334	4,885	-	-	3,968,967
Total expenses	25,639,476	387,640	1,334	4,885	-	(43,932)	25,989,403
Excess of Revenue Over Expenses (Expenses Over Revenue) Before Other Charges	571,324	(320,111)	(311)	1,641,428	140,000	-	2,032,330
Unrealized gain on derivative financial instrument	(395,739)	-	-	-	-	-	(395,739)
Change in Net Assets	175,585	(320,111)	(311)	1,641,428	140,000	-	1,636,591
Issuance of Common Stock		1,000	-	-	-	(1,000)	-
Net Assets (Deficit), Beginning of Year	18,904,760	(556,802)	276,695	200,000	-	-	18,824,653
Transfer of Net Assets	(325,112)	325,112	-	-	-		-
Net Assets (Deficit), End of Year	$ 18,755,233	$ (550,801)	$ 276,384	$ 1,841,428	$ 140,000	$ (1,000)	$ 20,461,244

	Magellan						Non-Magellan		
	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 Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	Total
Revenue									
Magellan Revenue	$ 2,513,119	$ 4,434,794	$ 2,073,089	$ 3,250,712	$ 1,006,726	$ 13,278,440	$ -	$ -	$ 13,278,440
Magellan, 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 Magellan	-	-	-	-	-	-	-	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
Technology	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-

	Magellan						Non-Magellan		
	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 Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	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 Magellan	-	-	-	-	-	-	-	10,383,847	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	22,393,982
Administrative									
Salaries	267,701	396,091	174,461	151,639	90,757	1,080,649	-	-	1,080,649
Employee-related	85,898	127,095	55,980	42,041	29,121	340,135	-	-	340,135
Professional/outside services	65,366	96,716	42,599	29,949	22,161	256,791	-	-	256,791
Travel/transportation	54,051	79,973	35,225	14,629	18,324	202,202	-	-	202,202
Facility/occupancy	28,736	42,517	18,727	16,338	9,742	116,060	-	-	116,060
Depreciation	26,662	39,449	17,376	19,613	9,039	112,139	-	-	112,139
Technology	15,654	23,161	10,201	14,238	5,307	68,561	-	-	68,561
Other indirect expenses	36,512	54,024	23,795	27,603	12,379	154,313	-	143,323	297,636
Business activities unrelated to Magellan	-	-	-	-	-	-	-	1,630,127	1,630,127
Subtotal Administrative Expenses	580,580	859,026	378,364	316,050	196,830	2,330,850	-	1,773,450	4,104,300
Total Expenses	3,096,616	4,703,588	2,031,626	3,182,548	1,326,607	14,340,985	-	12,157,297	26,498,282
Increase (decrease) in Net Assets	$ 144,459	$ 91,907	$ 80,586	$ 137,124	$ (229,805)	$ 224,271	$ -	$ 2,652,260	$ 2,876,531
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		

	Magellan						Non-Magellan		
	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 Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	Total
Revenue									
Magellan Revenue	$ 2,537,427	$ 4,930,531	$ 2,508,720	$ 2,942,009	$ 948,382	$ 13,867,069	$ -	$ -	$ 13,867,069
Magellan, prior year adjust	-	-	-	-	-	-	-	85,696	85,696
Client Fees (Co-Pays)	-	-	603	-	-	603	-	-	603
Other Revenue	343,473	339,464	(3,166)	53,729	73,046	806,546	-	576,846	1,383,392
Interest Income	-	-	-	-	-	-	-	8,311	8,311
Business Activities Unrelated to Magellan	-	-	-	-	-	-	8,283	12,272,640	12,280,923
Total Revenue	2,880,900	5,269,995	2,506,157	2,995,738	1,021,428	14,674,218	8,283	12,943,493	27,625,994
Expenses									
Clinical Services Expenses:									
Wages:									
BHT	602,554	1,064,633	-	-	421,826	2,089,013	3,193	-	2,092,206
BH professional	54,080	45,006	490,727	-	15,002	604,815	-	-	604,815
BH paraprofessional	104,000	14,820	-	-	4,940	123,760	-	-	123,760
Nurse practitioner	-	-	383,351	-	-	383,351	-	-	383,351
CSA vocational specialists	-	-	-	1,359,985	-	1,359,985	-	-	1,359,985
Subtotal labor	760,634	1,124,459	874,078	1,359,985	441,768	4,560,924	3,193	-	4,564,117
Employee-related	179,154	282,511	223,764	206,507	97,806	989,742	301	-	990,043
Professional/outside services	29,012	1,034,173	88,979	9,959	182,379	1,344,502	-	-	1,344,502
Travel/transportation	90,321	66,158	7,746	85,471	47,652	297,348	-	-	297,348
Facility/occupancy	269,473	181,834	87,634	53,925	104,504	697,370	-	-	697,370
Depreciation	128,005	130,625	14,172	182,393	22,407	477,602	-	-	477,602
Technology	58,902	25,959	26,189	7,998	6,435	125,483	-	-	125,483
Other clinical services expenses	121,081	142,572	70,093	279,246	45,399	658,391	94	-	658,485
Subtotal Clinical Services Expenses	1,636,582	2,988,291	1,392,655	2,185,484	948,350	9,151,362	3,588	-	9,154,950
Clinical Support Expenses:									
Wages:									
Program supervision	99,236	115,969	182,203	148,026	29,422	574,856	211	-	575,067
Clinical supervision	270,462	364,535	20,495	136,563	105,202	897,257	68	-	897,325
Program administrative support	83,077	120,294	150,276	-	27,204	380,851	67	-	380,918
Subtotal wages	452,775	600,798	352,974	284,589	161,828	1,852,964	346	-	1,853,310

	Magellan						Non-Magellan		
	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 Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	Total
Clinical Support Expenses (Continued)									
Employee-Related	31,069	41,226	24,221	43,242	11,104	150,862	24	-	150,886
Professional/Outside Services	55,126	73,148	42,975	-	19,703	190,952	42	-	190,994
Travel/Transportation	635	843	495	-	227	2,200	-	-	2,200
Facility/Occupancy	25,029	33,212	19,512	(13,921)	8946	72,778	19	-	72,797
Depreciation	25,244	33,497	19,680	25,618	9,023	113,062	19	-	113,081
Technology	32,599	43,257	25,414	1,675	11,651	114,596	4	-	114,600
Other Clinical Support Expenses	20,803	27,604	16,217	58,473	7,435	130,532	16	-	130,548
Subtotal Clinical Support Expenses	643,280	853,585	501,488	399,676	229,917	2,627,946	470	-	2,628,416
Business Activities Unrelated to Magellan	-	-	-	-	-	-	-	10,319,015	10,319,015
Total Clinical Services and Clinical Support Expenses	2,279,862	3,841,876	1,894,143	2,585,160	1,178,267	11,779,308	4,058	10,319,015	22,102,381
Administrative									
Salaries	276,974	506,665	240,946	158,211	98,202	1,280,998	796	-	1,281,794
Employee-related	56,619	103,572	49,254	29,689	20,074	259,208	163	-	259,371
Professional/outside services	22,280	40,757	19,382	22,236	7,899	112,554	64	-	112,618
Travel/transportation	8,770	16,042	7,629	5,454	3,109	41,004	25	-	41,029
Facility/occupancy	39,283	71,859	34,173	22,272	13,928	181,515	113	-	181,628
Depreciation	24,166	44,206	21,022	20,747	8,568	118,709	69	-	118,778
Technology	29,354	53,696	25,535	25,284	10,407	144,276	84	-	144,360
Other indirect expenses	49,898	91,277	43,407	34,287	17,691	236,560	143	-	236,703
Business activities unrelated to Magellan	-	-	-	-	-	-	-	1,510,741	1,510,741
Subtotal Administrative Expenses	507,344	928,074	441,348	318,180	179,878	2,374,824	1,457	1,510,741	3,887,022
Total Expenses	2,787,206	4,769,950	2,335,491	2,903,340	1,358,145	14,154,132	5,515	11,829,756	25,989,403
Increase (decrease) in Net Assets	$ 93,694	$ 500,045	$ 170,666	$ 92,398	$ (336,717)	$ 520,086	$ 2,768	$ 1,113,737	$ 1,636,591
FTE's - Clinical Services (by program)	32.00	88.00	18.00	64.00	22.00	224.00	0.87		
FTE's - Clinical Support (by program)	9.23	11.43	6.47	5.07	3.26	35.46	0.50		
FTE's - Administrative (by program)	5.30	9.69	4.61	3.15	1.88	24.63	0.02		