EMMAUS HOMES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

Emmaus

Contents

RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Directors
Emmaus Homes, Inc.
St. Charles, Missouri

Report On Financial Statements

We have audited the accompanying consolidated financial statements of Emmaus Homes, Inc. and its subsidiaries, Emmaus Resident Trust Foundation, L.L.C. and Emmaus Properties, L.L.C., not-for-profit organizations, (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility For The Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 the Organization as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

November 10, 2015

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	June 30, 2015	June 30, 2014
Current Assets		
Cash and cash equivalents	$ 1,457,965	$ 2,435,572
Cash held for clients	187,103	180,424
Accounts receivable (net of allowance for doubtful accounts of $58,325 in 2015 and $122,442 in 2014)	3,156,025	2,317,995
Grants receivable	44,686	59,509
Unconditional promises to give	210,992	127,690
Prepaid expenses	212,155	192,856
Investments	311,977	1,172,772
Total Current Assets	5,580,903	6,486,818
Other Assets		
Assets restricted/designated for endowment	13,437,831	13,400,501
Annuities receivable	128,685	131,243
Other assets	161,455	121,532
Property and equipment	6,482,730	6,938,088
Property held for sale	748,694	—
Beneficial interests in perpetual trusts	3,869,798	3,945,927
Total Other Assets	24,829,193	24,537,291
Total Assets	$ 30,410,096	$ 31,024,109

Liabilities And Net Assets

	2015	2014
Current Liabilities		
Current maturities of long-term debt	$ 73,321	$ 25,972
Accounts payable	515,717	563,840
Accrued wages	1,625,460	1,426,689
Accrued self-insurance liability	240,000	203,000
Amounts held for clients	187,103	180,424
Total Current Liabilities	2,641,601	2,399,925
Other Long-Term Liabilities	88,876	—
Long-Term Debt	2,047,041	1,771,051
Total Liabilities	4,777,518	4,170,976
Net Assets		
Unrestricted:		
Operations	3,547,918	2,992,387
Investment in property and equipment	4,362,368	5,141,065
Board designated long-term investments	5,977,939	5,477,939
Board designated planning and capital	—	1,045,822
Total Unrestricted	13,888,225	14,657,213
Temporarily restricted	3,332,950	3,714,565
Permanently restricted	8,411,403	8,481,355
Total Net Assets	25,632,578	26,853,133
Total Liabilities And Net Assets	$ 30,410,096	$ 31,024,109

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,							
	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program Revenue								
Program service fees	$ 24,177,363	$ —	$ —	$ 24,177,363	$ 22,740,892	$ —	$ —	$ 22,740,892
Governmental program grants	133,971	12,375	—	146,346	117,204	—	—	117,204
Total Program Revenue	24,311,334	12,375	—	24,323,709	22,858,096	—	—	22,858,096
Support And Other Income (Losses)								
Contributions	585,060	269	1,911	587,240	643,638	6,069	700	650,407
Special events, net	53,626	5,100	—	58,726	88,970	2,969	—	91,939
Bequests	252,517	91,000	—	343,517	800,455	—	9,888	810,343
United Way	—	185,382	—	185,382	—	185,885	—	185,885
Grant income - nongovernment	30,500	15,000	—	45,500	35,000	—	—	35,000
Grants and awards for capital projects	391,235	—	—	391,235	—	—	—	—
Gift annuities	21	(2,558)	—	(2,537)	—	10,269	—	10,269
Other income	56,143	—	—	56,143	4,075	—	—	4,075
Change in value of beneficial interests in perpetual trusts	—	(397)	(75,732)	(76,129)	—	91,272	232,561	323,833
Investment income appropriated for operations	158,984	—	—	158,984	595,085	—	—	595,085
Total Support And Other Income (Losses)	1,528,086	293,796	(73,821)	1,748,061	2,167,223	296,464	243,149	2,706,836
Net Assets Released From Restrictions	731,753	(731,753)	—	—	279,773	(279,773)	—	—
Total Revenues And Support	26,571,173	(425,582)	(73,821)	26,071,770	25,305,092	16,691	243,149	25,564,932
Expenses								
Program Services:								
Residential Care	23,349,382	—	—	23,349,382	20,951,917	—	—	20,951,917
Recreational programs	414,608	—	—	414,608	378,767	—	—	378,767
Management	3,007,083	—	—	3,007,083	2,786,367	—	—	2,786,367
Fundraising	570,183	—	—	570,183	604,012	—	—	604,012
Total Expenses	27,341,256	—	—	27,341,256	24,721,063	—	—	24,721,063
Increase (Decrease) In Net Assets From Operations	(770,083)	(425,582)	(73,821)	(1,269,486)	584,029	16,691	243,149	843,869
Investment Income In Excess Of Amount Appropriated For Operations	1,095	43,967	3,869	48,931	418,718	1,171,999	36,623	1,627,340
Increase (Decrease) In Net Assets	(768,988)	(381,615)	(69,952)	(1,220,555)	1,002,747	1,188,690	279,772	2,471,209
Net Assets - Beginning Of Year	14,657,213	3,714,565	8,481,355	26,853,133	13,654,466	2,525,875	8,201,583	24,381,924
Net Assets - End Of Year	$ 13,888,225	$ 3,332,950	$ 8,411,403	$ 25,632,578	$ 14,657,213	$ 3,714,565	$ 8,481,355	$ 26,853,133

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2015

	Residential Care Programs	Recreational Programs	Total Programs	Management	Fundraising	Total
Salaries	$ 16,192,013	$ 260,187	$ 16,452,200	$ 1,500,686	$ 392,808	$ 18,345,694
Contracted personnel	189,188	—	189,188	2,359	—	191,547
Fringe benefits	2,785,625	49,954	2,835,579	352,769	59,133	3,247,481
Other personnel costs	461,982	6,567	468,549	103,503	3,435	575,487
Audit fees	—	—	—	48,015	—	48,015
Bad debt expense	38,385	—	38,385	24,013	—	62,398
Communications	324,598	5,879	330,477	53,566	31,099	415,142
Contract services	132,602	—	132,602	129,519	—	262,121
Equipment expense	60,506	4,306	64,812	30,993	—	95,805
Food	339,336	976	340,312	31	52	340,395
Information technology services	88,813	94	88,907	403,174	6,649	498,730
Insurance	262,473	5,401	267,874	39,351	—	307,225
Interest	39,502	6,203	45,705	30,080	—	75,785
Legal fees	—	—	—	28,530	493	29,023
Maintenance and repair	290,844	4,665	295,509	18,166	—	313,675
Materials and supplies	257,743	23,634	281,377	17,268	2,373	301,018
Miscellaneous	59,955	28	59,983	28,920	25,089	113,992
Rent	181,929	14	181,943	37	—	181,980
Professional fees	31,686	4,800	36,486	43,695	19,485	99,666
Staff training	87,919	334	88,253	26,783	11,905	126,941
Staff travel	161,922	2,213	164,135	5,873	9,481	179,489
Transportation	379,165	4,992	384,157	6,266	7,685	398,108
Utilities	387,411	14,619	402,030	22,393	—	424,423
Total Expenses Before Depreciation And Amortization	22,753,597	394,866	23,148,463	2,915,990	569,687	26,634,140
Depreciation and amortization	595,785	19,742	615,527	91,093	496	707,116
Total Expenses	$ 23,349,382	$ 414,608	$ 23,763,990	$ 3,007,083	$ 570,183	$ 27,341,256

See the accompanying notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2014

	Residential Care Programs	Recreational Programs	Total Programs	Management	Fundraising	Total
Salaries	$ 14,513,609	$ 247,317	$ 14,760,926	$ 1,318,189	$ 434,826	$ 16,513,941
Contracted personnel	16,901	—	16,901	—	—	16,901
Fringe benefits	2,526,515	42,294	2,568,809	247,233	64,850	2,880,892
Other personnel costs	352,686	12,385	365,071	100,556	887	466,514
Audit fees	—	—	—	47,115	—	47,115
Bad debt expense	43,649	—	43,649	75,170	—	118,819
Communications	236,227	2,726	238,953	61,730	25,483	326,166
Contract services	109,446	—	109,446	130,060	—	239,506
Equipment expense	37,424	6,834	44,258	48,350	—	92,608
Food	424,797	4,344	429,141	61	311	429,513
Information technology services	79,154	—	79,154	487,906	5,714	572,774
Insurance	234,489	6,621	241,110	51,181	—	292,291
Legal fees	857	—	857	27,195	—	28,052
Maintenance and repair	321,233	149	321,382	4,437	—	325,819
Materials and supplies	253,728	20,359	274,087	14,191	2,655	290,933
Miscellaneous	58,432	27	58,459	23,608	36,592	118,659
Rent	210,616	—	210,616	7,890	—	218,506
Professional fees	36,836	4,019	40,855	14,820	9,258	64,933
Staff training	65,603	598	66,201	19,702	10,249	96,152
Staff travel	110,461	5,213	115,674	4,808	7,973	128,455
Transportation	385,235	8,331	393,566	7,388	4,775	405,729
Utilities	397,456	10,622	408,078	48,638	—	456,716
Total Expenses Before Depreciation And Amortization	20,415,354	371,839	20,787,193	2,740,228	603,573	24,130,994
Depreciation and amortization	536,563	6,928	543,491	46,139	439	590,069
Total Expenses	$ 20,951,917	$ 378,767	$ 21,330,684	$ 2,786,367	$ 604,012	$ 24,721,063

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2015	2014
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (1,220,555)	$ 2,471,209
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	707,116	590,069
(Gain) loss on disposal of property and equipment	(10,673)	28,816
Realized gains on investments	(313,552)	(918,295)
Unrealized (gains) losses on investments	193,742	(1,201,131)
Change in value of gift annuity receivable	2,558	(1,164)
Change in value of perpetual trusts	76,129	(323,833)
In-kind contributions of property and equipment	(331,609)	(55,174)
Permanently restricted contributions	(1,911)	(10,588)
Changes in assets and liabilities:		
Increase in cash held for clients	(6,679)	(45,508)
Increase in accounts and grants receivable	(692,288)	(142,457)
Increase in unconditional promises to give	(83,302)	(11,636)
(Increase) decrease in prepaid expenses and other assets	(59,222)	45,671
Increase (decrease) in accounts payable	92,184	(46,532)
Increase in accrued wages	198,771	131,562
Increase in accrued self-insurance liability	37,000	1,000
Increase in amounts held for clients	6,679	45,508
Increase in other liabilities	88,876	—
Net Cash Provided By (Used In) Operating Activities	(1,316,736)	557,517
Cash Flows From Investing Activities		
Proceeds from sale of investments	3,307,774	5,664,113
Purchases of investments	(2,039,640)	(5,138,044)
Net purchase sale of money market funds	(324,859)	(47,626)
Purchases of property and equipment	(639,115)	(1,221,419)
Proceeds from sale of property and equipment	23,719	—
Net Cash Provided By (Used In) Investing Activities	327,879	(742,976)
Cash Flows From Financing Activities		
Borrowing on line of credit	900,000	—
Repayments on line of credit	(900,000)	—
Principal payments on long-term debt	(29,638)	—
Borrowings on long-term debt	38,977	—
Permanently restricted contributions	1,911	10,588
Net Cash Provided By Financing Activities	11,250	10,588
Net Decrease In Cash And Cash Equivalents	(977,607)	(174,871)
Cash And Cash Equivalents - Beginning Of Year	2,435,572	2,610,443
Cash And Cash Equivalents - End Of Year	$ 1,457,965	$ 2,435,572
Supplemental Disclosure Of Cash Flow Information		
Property and equipment acquired through long-term debt	$ 314,000	$ 1,797,023
Construction in progress acquired through accounts payable	—	140,307
Insurance proceeds included in accounts receivable	130,919	—
Interest paid	69,442	—

1. Organization And Operations

Organization

Emmaus Homes, Inc. (the Organization) is organized as a benevolent nonprofit corporation under the laws of the State of Missouri. The Organization's articles of incorporation provide for management of its property and affairs by a self-perpetuating Board of Directors. The Organization is affiliated with the United Church of Christ through the Council for Health and Human Services Ministries.

During 2010, the Organization established the Emmaus Resident Trust Foundation, L.L.C. (the Foundation), a Missouri limited liability company, for the purpose of managing the Organization's fundraising activities and long-term investment assets. The Organization is the sole member of the Foundation and, consequently, the Foundation is a disregarded entity for income tax purposes.

During 2011, the Organization established Emmaus Properties, L.L.C. (Properties), a Missouri limited liability company, for the purpose of holding and managing the Organization's real property. The Organization is the sole member of Properties and, consequently, Properties is a disregarded entity for income tax purposes.

Nature Of Business

Arising from faith in Jesus Christ, the mission of the Organization is to enhance the quality of life for adults of all beliefs who have cognitive, intellectual and other developmental disabilities.

The Organization provides for the care and habilitation of more than 270 adults with cognitive and other developmental disabilities. Services are provided in group homes and individualized supported living arrangements in four counties in Eastern Missouri. Services are provided without regard to race, color, religion, national origin, sex, veteran status, or disability. The Organization's corporate office is located in St. Charles, Missouri.

Description Of Program Services And Supporting Activities

The Organization's programs and services are designed to achieve the highest quality of life possible, to inspire growth and learning in the most normative environment possible, to encourage independence in choice of lifestyle and personal growth, and to facilitate participation in all decisions affecting a person's quality of life including the right to decide to attend or not attend religious programs and services. These services are provided through the Organization's Residential Care and Recreational Programs, and through the following supporting activities:

Management

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Organization, and manage the information technology, financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations to support operating activities.

2. Summary Of Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiaries, the Foundation and Properties. All significant inter-entity accounts, balances and transactions have been eliminated in consolidation.

Basis Of Accounting

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows guidance set forth by generally accepted accounting principles for not-for-profit organizations, which requires the Organization to report 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.

Estimates And Assumptions

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Organization considers all highly liquid financial instruments, excluding amounts categorized as Board designated assets, purchased with a maturity of three months or less to be cash equivalents

The Organization invests its excess cash in debt instruments and securities with financial institutions with strong credit ratings and has established guidelines relative to diversification and maturities that are designed to maintain safety and liquidity. Cash balances that exceed Federal Deposit Insurance Corporation (FDIC) limits are invested in money market funds that invest exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. At June 30, 2015, the cash balance in excess of FDIC insurance limits was approximately $1,046,000.

Cash Held For Clients

The cash held for clients is held by the Organization for the clients and a corresponding liability is recorded. These funds are maintained in a separate bank account at a federally insured financial institution.

Accounts And Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Those balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for uncollectible grants receivable is considered necessary by management.

Promises To Give

Unconditional promises to give are recognized as support in the period in which the promises are received and are recorded at the present value of the estimated future cash flow. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Promises to give are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that are determined to be uncollectible.

Investments

Investments are reported at fair value, except for certificates of deposit which are reported at cost which approximates fair value. The fair values of mutual funds are based on quoted market prices on national exchanges. Investments for which quoted market prices are not available are carried at estimated realizable values as determined by the investment manager and reviewed by management. Gains and losses on sales of investments are determined on a specific cost-identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

The Organization invests in Series LLC Funds that invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

Inventory

Inventory consists of fuel, food, and supplies and is carried at the lower of cost (first-in, first-out basis) or market. Inventory in the amount of $4,663 and $26,509 is included in prepaid expenses in the consolidated statement of financial position at June 30, 2015 and 2014, respectively.

Property And Equipment

Property and equipment is carried at cost, less accumulated depreciation computed on the straight-line method over estimated useful lives ranging from 3 to 35 years. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenditures of at least $5,000 for additions and improvements, that increase the useful lives of the respective assets, are capitalized.

Property Held For Sale

At June 30, 2015, property held for sale is property which the Organization had utilized in operations but is currently marketing for sale. This property is stated at the net book value at the time the property was removed from service. No asset impairment was considered necessary during the year ended June 30, 2015.

Donated Materials And Services

Donated materials are recorded at fair value at the date of donation.

The Organization periodically receives materials, including personal care items, property and equipment, client home furnishings, and client recreation items. The fair value of donated materials was $367,010 and $108,287 in 2015 and 2014, respectively.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services that meet the criteria for recognition are recorded at fair value at the date of donation.

The Organization generates numerous volunteer hours each year that add a dimension to the quality of life for individuals served by the Organization over and above the amount provided by salaried personnel. These donated services have not been recognized as contributions in the consolidated financial statements since the aforementioned recognition criteria, as stated by generally accepted accounting principles, were not met.

Restricted And Unrestricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Functional Expense Allocation

When expense allocations are necessary, expenses are charged to program services and supporting activities based on an appropriate allocation method, including inputs such as hours, census counts and square footage. Management expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tax Status

The Organization is exempt from federal income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code (IRC).

As single member LLCs of the Organization, the Foundation and Properties are considered disregarded entities for income tax purposes, and thus are also tax exempt under Section 501(c)(3) of the IRC.

The Organization's federal tax return for tax years 2011 and later remain subject to examination by taxing authorities.

Reclassifications

Certain 2014 amounts have been reclassified, where appropriate, to conform to the presentation used in the 2015 consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through November 10, 2015, the date which the consolidated financial statements were available for issue.

3. Unconditional Promises To Give

Promises to be received in future periods are collectible in less than one year and consist of:

	2015	2014
United Way	$ 93,177	$ 93,446
Other	117,815	34,244
	$ 210,992	$ 127,690

Legacies are recorded by the Organization upon being notified of the bequest's existence and when the amount available for distribution can be accurately estimated. Legacies that are unrestricted as to purpose are recorded as unrestricted net assets.

4. Investments And Assets Restricted/Designated For Endowment

Investments consist of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	$ 206,441	$ 206,441	$ 554,167	$ 554,167
Money market funds	485,967	485,967	161,109	161,109
Fixed income securities:				
Short-term bond funds	—	—	528,921	513,259
Fixed income series funds	2,504,640	2,632,407	3,021,283	3,129,576
Liquid diversifiers series funds	1,200,000	1,305,364	1,200,000	1,229,540
	3,704,640	3,937,771	4,750,204	4,872,375
Equity securities:				
Domestic equity series funds	1,605,436	2,352,141	1,928,328	2,763,411
Global equity series funds	2,894,822	3,575,434	2,030,484	2,826,376
Large blend equity funds	25,122	33,695	21,927	31,101
Liquid equity surrogates series funds	2,994,669	3,158,359	3,100,000	3,364,734
	7,520,049	9,119,629	7,080,739	8,985,622
	$ 11,917,097	$ 13,749,808	$ 12,546,219	$ 14,573,273

These amounts are reported in the consolidated statement of financial position as follows:

	2015	2014
Investments	$ 311,977	$ 1,172,772
Assets restricted/designated for endowment	13,437,831	13,400,501
	$ 13,749,808	$ 14,573,273

Investment income for the years ended June 30, 2015 and 2014 is comprised of the following:

	2015	2014
Unrealized gains (losses)	$ (193,742)	$ 1,201,131
Realized gains	313,552	918,295
Interest and dividend income	134,415	140,394
Less: Investment fees	(46,310)	(37,395)
	$ 207,915	$ 2,222,425

The amount reported as investment income designated for operations is based on an amount appropriated by the Organization's Board of Directors. From time to time, the amount appropriated for operations may be in excess of the actual investment return.

As discussed in Note 9, investments are pledged as collateral against the line of credit.

5. Irrevocable Charitable Trusts

The Organization is the beneficiary of various irrevocable deferred gifts administered by a third party. The present value of these contracts has been reflected in the consolidated financial statements as annuities receivable and as temporarily restricted net assets due to time restrictions. These receivables are carried at the present value of the estimated future receivable upon maturity. When the contracts mature, the current value will be reclassified as unrestricted, temporarily restricted, or permanently restricted net assets based on the donors' restrictions. Generally, these contracts are expected to mature in more than five years.

The following is a summary of changes in annuity receivables:

	2015	2014
Beginning balance	$ 131,243	$ 130,079
Receivable associated with new contributions	34,062	—
Maturity of gift annuities	—	(9,105)
Realized gain at maturity	—	4,025
Change in present value of receivable	(36,620)	6,244
Ending balance	$ 128,685	$ 131,243

6. Beneficial Interests In Perpetual Trusts

The Organization is the beneficiary of several perpetual split interest trusts. The Organization records these trusts at fair market value in the amount of split interest as designated by the donors, ranging from 4.76% to 100%.

Various terms included in the trust documents require distributions to be made each year based upon income earned and/or a percentage of assets remaining. The Organization received $130,202 in distributions and recognized investment depreciation of $76,129 for the year ended June 30, 2015. The Organization received $131,085 in distributions and recognized investment appreciation of $323,833 for the year ended June 30, 2014. See Note 13 for fair value disclosures.

7. Property And Equipment

Property and equipment consists of:

	2015	2014
Land, buildings and improvements	$ 9,557,251	$ 12,550,269
Furniture and equipment	1,865,448	1,871,901
Vehicles	2,128,389	1,983,303
Construction in process	12,000	5,522
	13,563,088	16,410,995
Less: Accumulated depreciation and amortization	7,080,358	9,472,907
	$ 6,482,730	$ 6,938,088

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 totaled $707,116 and $590,069, respectively.

In July 2015, the Organization sold approximately 88 acres of land and related buildings to an unrelated third party for $5,568,000, net of broker commissions. At June 30, 2015, the land and buildings had a net book value $748,694 which is reported as property held for sale in the consolidated statements of financial position.

In April 2015, multiple buildings and vehicles owned by the Organization sustained substantial storm damage. The Organization was awarded an insurance claim in the amount of approximately $633,000 subsequent to June 30, 2015. As of June 30, 2015, the net book value of the damaged property, which totaled approximately $119,000, was written off. The resulting gain on involuntary conversion of approximately $514,000 will be recognized in fiscal year 2016.

The Organization leases certain buildings to an unrelated not-for-profit organization that provides employment opportunities to individuals with developmental disabilities. The term of the lease agreement extends through June 30, 2039, unless earlier terminated by the Organization due to certain triggering events. The agreement is structured as a triple-net lease and provides for annual rental payments to the Organization as follows:

Year	**Amount**
2016	$ 3,000
2017	3,000
2018	3,000
2019	3,000
2020	3,600
Thereafter	92,400
	$ 108,000

8. Self-Insured Medical Benefits

The Organization has established a self-insurance plan covering certain medical benefits for substantially all of its employees. Medical claims are subject to per participant and aggregate limits, with the excess liability coverage provided by an independent insurer. After meeting a preset claim limit for a participant, the Organization is reimbursed for the excess cost of claims paid for a participant during the annual term of the insurance policy. The amount expensed by the Organization for these medical benefits is $1,754,598 and $1,535,516 for the years ended June 30, 2015 and 2014, respectively. This expense is included in fringe benefits in the consolidated financial statements. The accrued self-insurance liability as of June 30, 2015 and 2014 is $240,000 and $203,000, respectively.

9. Line Of Credit

The Organization has a line-of-credit agreement in the amount of $1,000,000 with U.S. Bank. The line of credit is secured by all investments. The line of credit was renewed during the year under similar terms and expires in March 2016. Borrowing under the line of credit bears interest at a rate equal to the LIBOR monthly rate plus 2% (2.19% at June 30, 2015). There was no outstanding balance on this line of credit at June 30, 2015 and 2014.

10. Pension Plans

The Organization's employees may be eligible to receive pension benefits under one of two pension plans currently in effect. The first is a defined contribution plan, administered through the United Church of Christ, which provides benefits for employees serving in a ministerial capacity for the Organization. Contributions for ministers are made quarterly at a rate of 14% of the employees' total compensation.

The second plan is a 403(b) retirement plan sponsored by the Organization that provides coverage for its remaining employees. Employees are eligible to participate in salary reduction contributions on their dates of hire. Employees who have completed one year of consecutive service are eligible to receive employer matching contributions. The Organization's contributions plus any earnings they generate are vested 100% after three years of service.

Pension expense for the years ended June 30, 2015 and 2014 for both plans totaled $149,932 and $143,552, respectively. This amount is included in fringe benefits in the consolidated financial statements.

Additionally, the Organization has entered into agreements with certain current management employees of the Organization providing retirement benefits under nonqualified, deferred compensation plans. The asset and corresponding liability in the amount of $31,845 are reported as other assets and other liabilities in the consolidated statement of financial position. The contributions to these plans amounted to $31,400 in 2015. There were no such contributions during 2014.

11. Commitments

The Organization leases various residential space and equipment under operating leases expiring on various dates through 2019. Rent expense for the years ended June 30, 2015 and 2014 was $247,035 and $276,877, respectively. Aggregate minimum rental commitments under operating leases at June 30, 2015 are as follows:

Year	Amount
2016	$ 142,630
2017	77,546
2018	57,758
2019	8,041
	$ 285,975

Additionally, the Organization is the guarantor on several leases for residential space entered into by individuals supported by the Organization. The aggregate amount guaranteed by the Organization at June 30, 2015 totaled approximately $4,837,000. These leases expire on various dates through fiscal year 2029.

The Organization has identified asbestos in floor and ceiling tiles as well as pipe insulation in certain buildings owned by the Organization. A liability has not been recognized for the future costs of remediating the asbestos due to the indeterminate settlement date of such liability. The Organization will remove and dispose of the asbestos upon any major renovation to the areas in its buildings with asbestos. Currently, there are no future plans for major renovation to the areas of the Organization's buildings with asbestos.

12. Funding Concentration

The Organization receives funding for a majority of its clients from the Missouri Department of Mental Health (DMH) under the Medicaid Waiver program. DMH reimburses the Organization for the expenses associated with the residential habilitation of these individuals. The amounts received from the sources above account for approximately 94% of Total Program Revenue and 88% of Total Program Revenue and Public Support for the year ended June 30, 2015. The amounts received from the sources above account for approximately 93% of Total Program Revenue and 83% of Total Program Revenue and Public Support for the year ended June 30, 2014.

Since the Organization receives a substantial amount of its support from state and local government agencies, a reduction in the level of this support, if this were to occur, may have an adverse effect on the Organization's programs and activities. Although this is a possibility, management believes the possibility to be remote.

As of June 30, 2015 and 2014, substantially all of the accounts receivable balance represented amounts due from state governmental agencies.

13. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended June 30, 2015 and 2014. Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 Quoted prices that are readily available in active markets/exchanges for identical investments and derivatives. The types of investments and derivatives that are classified at this level generally include money market funds and exchange-traded equities.

Level 2 Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets/exchanges or prices quoted for identical or similar investments in markets that are not active, and fair value is determined using inputs that are derived principally from or corroborated by observable model data by correlation or other means. The types of investments that are classified at this level typically include bond funds and securities measured at the net asset value per share of the investments.

Level 3 Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment. The inputs into determination of fair value require significant management judgment and estimation. The types of investments that are classified at this level include beneficial interests in perpetual trusts held by others.

Inputs refer broadly to the assumptions that market participants would use in pricing the investments, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the investment 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 investment or derivative based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the investment or derivative. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment or derivative.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 485,967	$ —	$ —	$ 485,967
Fixed income series funds	—	2,632,407	—	2,632,407
Liquid diversifiers series funds	—	1,305,364	—	1,305,364
Domestic equity series funds	—	2,352,141	—	2,352,141
Global equity series funds	—	3,575,434	—	3,575,434
Liquid equity surrogates series funds	—	3,158,359	—	3,158,359
Large blend equity funds	33,695	—	—	33,695
Beneficial interests in perpetual trusts	—	—	3,869,798	3,869,798
	$ 519,662	$ 13,023,705	$ 3,869,798	$ 17,413,165

	2014			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 161,109	$ —	$ —	$ 161,109
Short-term bond funds	—	513,259	—	513,259
Fixed income series funds	—	3,129,576	—	3,129,576
Liquid diversifiers series funds	—	1,229,540	—	1,229,540
Domestic equity series funds	—	2,763,411	—	2,763,411
Global equity series funds	—	2,826,376	—	2,826,376
Liquid equity surrogates series funds	—	3,364,734	—	3,364,734
Large blend equity funds	31,101	—	—	31,101
Beneficial interest in perpetual trusts	—	—	3,945,927	3,945,927
	$ 192,210	$ 13,826,896	$ 3,945,927	$ 17,965,033

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2015 and 2014:

	Beneficial Interests In Perpetual Trusts
Balance - July 1, 2013	$ 3,622,094
Change in value of beneficial interests in perpetual trusts	323,833
Balance - June 30, 2014	3,945,927
Change in value of beneficial interests in perpetual trusts	(76,129)
Balance - June 30, 2015	$ 3,869,798

There were no significant transfers between Levels 1, 2 or 3 during the years ended June 30, 2015 or 2014.

As of June 30, 2015 and 2014, the Level 2 and 3 investments and derivatives listed in the fair value hierarchy tables use the following valuation techniques and inputs:

Alternative Investments - Series LLC Funds

Alternative investments consist of investments in multiple series of interests held by two limited liability companies. The fair value of these investments classified as Level 2 is determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by an external fund manager in accordance with U.S. generally accepted accounting principles.

Beneficial Interests In Perpetual Trusts

Beneficial interests in perpetual trusts held by others are valued using the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interests. Perpetual trusts held by others are classified within Level 3 of the fair value hierarchy.

The following table summarizes the Organization's investments that calculate net asset value per share (or its equivalent):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income series funds (a)	$ 2,632,407	$ —	semi-monthly	5-30 days
Domestic equity series funds (b)	2,352,141	—	semi-monthly	5-30 days
Global equity series funds (c)	3,575,434	—	semi-monthly	5-30 days
Liquid diversifiers series funds (d)	1,305,364	—	semi-monthly	5-30 days
Liquid equity surrogates series funds (e)	3,158,359	—	semi-monthly	5-30 days

a. This series primarily invests in corporate bonds, asset backed securities, and government bonds. The principal purpose of the Fixed Income Series is to provide relative protection of principal and a predictable source of income. Additionally, the series may invest in "extended" sectors of the fixed income market (high yield, non-dollar, and convertible securities). The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

b. This series primarily invests in equity positions in domestic corporations traded on any national exchange or NASDAQ. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts, debentures and warrants are allowed. The series is also permitted to invest in mutual funds and other commingled investment vehicles. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

c. This series primarily invests in equity positions in both U.S. and non-U.S.-based corporations traded on any global exchange. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts, debentures and warrants are allowed. Additionally, Investments in Global Depository Receipts and European Depository Receipts are allowed. The series is also permitted to invest in mutual funds. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contribution to the series.

d. This series investment strategy is intended to offset the volatility of a traditional stock and/or bond portfolio. The investment strategies utilized in this series are expected to have low correlations to global equities and can be used in an effort to protect against specific market environments, such as inflationary or deflationary markets. Investments may include, but are not limited to, U.S. Treasury securities, Non-U.S. Sovereign Debt Obligations, U.S. Treasury Inflation-Protected Securities, Non-U.S. Inflation-Linked Bonds, commodities, and cash or cash equivalents. The series is permitted to invest in separate accounts, mutual funds and other commingled investment vehicles that invest in the types of investments identified above and that ordinarily provide liquidity within 60 days or less.

e. This series investment strategy is intended to complement a traditional stock and/or bond portfolio for those investors who wish to increase portfolio diversification and lower volatility while maintaining a relatively high degree of liquidity. Investments may include, but are not limited to, Master Limited Partnerships, risk parity strategies, global equities, frontier emerging market equities, emerging market bonds, and high yield bonds. Investments in this series are expected to have varying degrees of equity market risk exposure, with less-than-market beta and volatility. The series is permitted to invest in separate accounts, mutual funds and other commingled investment vehicles that invest in the types of securities identified above that ordinarily provide liquidity within 90 days or less.

During 2015 and 2014, there were no changes in the methods or assumptions utilized to derive the fair values of the Organization's assets.

14. Long-Term Debt

On August 5, 2013, the Organization acquired a commercial building in St. Charles, Missouri for a purchase price of $1,032,220. The building's purchase price was funded with a bank borrowing of $875,000 and cash. The bank borrowing is structured as a 5-year loan, with a fixed interest rate of 3.75% during the first 3 years of the loan, and 4.00% during the final 2 years. In addition, the loan provided for the possibility of borrowing additional amounts up to a maximum total loan amount of $1,836,000, to finance the cost of building renovations. The loan is secured by the property and further secured by Commercial Guaranty of Emmaus Homes, Inc. The loan provided for interest-only payments through January 2015, and then converted to monthly principal and interest payments totaling $10,937 through July 2016 and $10,605 through July 2018 with a balloon payment of interest and principal totaling $1,634,029 due at maturity on July 10, 2018. The loan contains certain restrictive covenants, which, among other things, establish a minimum liquidity ratio. The Organization was in compliance with these covenants at June 30, 2015. The balance outstanding at June 30, 2015 and 2014 was $1,810,030 and $1,797,023, respectively. In August 2015, this outstanding loan was paid in full.

On December 8, 2014, the Organization acquired a newly constructed residential home to be used in operations. The residential home's purchase price was partially funded with a bank borrowing of $158,000. The bank borrowing is structured as a 5-year loan, with a fixed interest rate of 4.50%. Principal and interest payments totaling $1,005 are due monthly with a final payment at maturity on December 8, 2019 for the balance due. The loan is secured by an assignment of rent associated with the financed property as well as the property. The balance outstanding at June 30, 2015 was $155,520.

On March 3, 2015, the Organization acquired a newly constructed residential home to be used in operations. The residential home's purchase price was partially funded with a bank borrowing of $156,000. The bank borrowing is structured as a 5-year loan, with a fixed interest rate of 4.50%. Principal and interest payments totaling $993 are due monthly with a final payment at maturity on March 3, 2020 for the balance due. The loan is secured by an assignment of rent associated with the financed property as well as the property. The balance outstanding at June 30, 2015 was $154,812.

The scheduled maturities of the long-term debt at June 30, 2015 are as follows:

Year	Amount
2016	$ 73,321
2017	68,692
2018	70,864
2019	1,640,084
2020	267,401
	$ 2,120,362

15. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to the following restrictions:

	2015	2014
Endowment income	$ 2,624,999	$ 3,093,449
Annuities	128,685	131,243
Beneficial interest in perpetual trusts	293,289	293,685
Bequests	97,235	6,178
Capital gifts	55,778	59,688
Chaplains' discretionary fund	4,413	5,766
Nongovernment grants	15,000	24,460
Client activities	3,083	3,813
Special events	5,100	2,969
United Way grants and awards	92,993	93,314
Government grants	12,375	—
	$ 3,332,950	$ 3,714,565

Temporarily restricted net assets were released from restrictions as follows:

	2015	2014
Time Restricted:		
United Way	$ 185,703	$ 182,312
Nongovernment grants	19,565	78,742
Annuities	—	9,105
Total Time Restricted	205,268	270,159
Purpose Restricted:		
Various	14,123	9,614
Endowment income	512,362	—
Total Purpose Restricted	526,485	9,614
	$ 731,753	$ 279,773

Permanently Restricted Net Assets

Permanently restricted net assets are comprised as follows:

	2015	2014
Endowments	$ 4,834,893	$ 4,829,113
Beneficial interests in perpetual trusts	3,576,510	3,652,242
	$ 8,411,403	$ 8,481,355

Endowment

The Organization’s endowment consists of various funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting standards, assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation Of Relevant Law

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

(1) The duration and preservation of the fund;
(2) The purposes of the Organization and the donor restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Organization; and
(7) The investment policies of the Organization.

Endowment Asset Composition By Type Of Fund As Of June 30:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ —	$ 2,624,999	$ 4,834,893	$ 7,459,892
Board designated endowment funds	5,977,939	—	—	5,977,939
	$ 5,977,939	$ 2,624,999	$ 4,834,893	$ 13,437,831

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ —	$ 3,093,449	$ 4,829,113	$ 7,922,562
Board designated endowment funds	5,477,939	—	—	5,477,939
	$ 5,477,939	$ 3,093,449	$ 4,829,113	$ 13,400,501

Changes In Endowment Assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, July 1, 2013	$ 5,065,111	$ 1,921,720	$ 4,781,903	$ 11,768,734
Investment income, net	876,828	1,171,729	36,622	2,085,179
Contributions	—	—	10,588	10,588
Appropriation for current operations	(464,000)	—	—	(464,000)
Endowment assets, June 30, 2014	5,477,939	3,093,449	4,829,113	13,400,501
Investment income, net	28,838	43,912	3,869	76,619
Contributions	500,000	—	1,911	501,911
Appropriation for current operations	(28,838)	(512,362)	—	(541,200)
Endowment assets, June 30, 2015	$ 5,977,939	$ 2,624,999	$ 4,834,893	$ 13,437,831

Funds With Deficiencies

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2015 or 2014.

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

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

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through the March 31 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new contributions and investment return.

16. Contingencies

The Organization is subject to legal claims arising out of the normal course of conducting its operations. Management does not expect that these matters will have a material adverse effect on the financial statements of the Organization.