

**LIVINGSTON MEMORIAL VNA
HEALTH CORP. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2016 AND 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses	6-7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8-26
SUPPLEMENTAL CONSOLIDATING INFORMATION:	
Consolidating Balance Sheets	27-28
Consolidating Statements of Operations and Changes in Net Assets	29-30



Walters & Sklyar LLP

Independent Auditors' Report

To the Board of Directors of
Livingston Memorial VNA Health Corp.
and Subsidiaries
Ventura, California

We have audited the accompanying consolidated financial statements of Livingston Memorial VNA Health Corp., a California not-for-profit corporation, and Subsidiaries (collectively referred to as the Association), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in net assets, cash flows, and functional expenses 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 audits 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 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 auditors consider internal control relevant to the Association'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 Association'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 Livingston Memorial VNA Health Corp. and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information on pages 27 through 30 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 as a whole.

Walters & Shlyar LLP

Woodland Hills, California
June 5, 2017

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,683,238	\$ 2,589,574
Patient accounts receivable, net	2,048,545	1,520,989
Other receivables	-	-
Prepaid expenses and other current assets	268,313	317,033
Total current assets	4,000,096	4,427,596
 BENEFICIAL INTEREST IN NET ASSETS OF VCCF	 1,544,307	 1,453,092
 PROPERTY AND EQUIPMENT, NET	 157,366	 155,513
Total assets	\$ 5,701,769	\$ 6,036,201
 CURRENT LIABILITIES:		
Accounts payable	\$ 117,511	\$ 171,557
Accrued expenses	1,288,967	1,052,715
Total current liabilities	1,406,478	1,224,272
Total liabilities	1,406,478	1,224,272
 COMMITMENTS AND CONTINGENCIES	 -	 -
 NET ASSETS:		
Unrestricted:		
General	2,681,090	3,318,587
Board designated	1,237,547	1,147,219
Total unrestricted	3,918,637	4,465,806
Temporarily restricted	69,894	40,250
Permanently restricted	306,760	305,873
Total net assets	4,295,291	4,811,929
Total liabilities and net assets	\$ 5,701,769	\$ 6,036,201

The accompanying notes are an integral part of the consolidated financial statements

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUE AND SUPPORT:		
Patient service revenue, net of contractual allowances and discounts	\$ 17,216,573	\$ 17,707,402
Provision for bad debts	(38,618)	(62,079)
Net patient service revenue	17,177,955	17,645,323
Investment income - VCCF, net of expenses of \$23,444 and \$15,445, respectively	29,500	69,285
Contributions and grants	236,775	274,725
Fundraising events, net of direct expenses	100,663	114,393
Other income	8,827	7,963
Net assets released from restrictions, used for operations	516,877	606,412
Total revenue and support	18,070,597	18,718,101
EXPENSES:		
Program services	15,833,856	15,254,098
Supporting services:		
Fundraising	361,494	319,342
General and administrative	2,483,244	2,405,718
Total supporting services	2,844,738	2,725,060
Total expenses	18,678,594	17,979,158
(Deficiency) excess of revenues over expenses	(607,997)	738,943
NET UNREALIZED GAINS (LOSSES) - BENEFICIAL INTEREST IN NET ASSETS OF VCCF	60,828	(135,179)
(Decrease) increase in unrestricted net assets	(547,169)	603,764
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	480,923	462,380
Fundraising events, net of direct expenses	65,598	84,999
Net assets released from restrictions, used for operations	(516,877)	(606,412)
Increase (decrease) in temporarily restricted net assets	29,644	(59,033)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Investment income - VCCF	887	-
Increase in permanently restricted net assets	887	-
NET CHANGE IN NET ASSETS	(516,638)	544,731
NET ASSETS, beginning of year	4,811,929	4,267,198
NET ASSETS, end of year	\$ 4,295,291	\$ 4,811,929

The accompanying notes are an integral part of the consolidated financial statements

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	\$ (516,638)	\$ 544,731
Adjustments to reconcile net change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	105,711	146,666
Provision for bad debts	38,618	62,079
Net realized (gains) - beneficial interest in net assets of VCCF	(11,821)	(55,900)
Net unrealized (gains) losses - beneficial interest in net assets of VCCF	(60,828)	135,179
Changes in assets and liabilities:		
(Increase) decrease in patient accounts receivable	(566,174)	201,230
Decrease in other receivables	-	6,440
Decrease (increase) in prepaid expenses and other current assets	48,720	(147,339)
(Decrease) in accounts payable	(54,046)	(24,045)
Increase in accrued expenses	<u>236,252</u>	<u>23,049</u>
Net cash and cash equivalents (used in) provided by operating activities	<u>(780,206)</u>	<u>892,090</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividend reinvestment - VCCF	(18,566)	(13,385)
Purchase of property and equipment	<u>(107,564)</u>	<u>(83,289)</u>
Net cash and cash equivalents (used in) investing activities	<u>(126,130)</u>	<u>(96,674)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(906,336)	795,416
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,589,574</u>	<u>1,794,158</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,683,238</u></u>	<u><u>\$ 2,589,574</u></u>

The accompanying notes are an integral part of the consolidated financial statements

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services		Total
		Fundraising	General and Administrative	
Functional expenses:				
Conferences and meetings	\$ 1,941	\$ 903	\$ 12,501	\$ 15,345
Contracted services	1,018,390	-	155,625	1,174,015
Depreciation and amortization	97,255	1,057	7,399	105,711
Dues, subscriptions, and license fees	5,694	885	8,489	15,068
Employee benefits	1,461,798	33,652	229,954	1,725,404
Facility expenses	183,474	9,257	187,610	380,341
Insurance	124,117	1,348	9,436	134,901
Legal and accounting	-	10	56,242	56,252
Marketing	4,694	6,996	118,386	130,076
Medical supplies	591,099	-	3,771	594,870
Mileage	487,558	498	16,141	504,197
Miscellaneous fundraising expenses	-	23,572	-	23,572
Office expenses	542,525	9,574	55,647	607,746
Payroll taxes	755,705	16,178	90,825	862,708
Personnel recruitment	11,059	130	16,154	27,343
Postage and printing	54,707	25,764	24,885	105,356
Salaries	10,267,753	226,543	1,459,214	11,953,510
Telephone	212,871	2,189	16,275	231,335
Utilities	13,216	2,938	14,690	30,844
Total functional expenses	\$ <u>15,833,856</u>	\$ <u>361,494</u>	\$ <u>2,483,244</u>	\$ <u>18,678,594</u>

The accompanying notes are an integral part of the consolidated financial statements

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Services		Total
		Fundraising	General and Administrative	
Functional expenses:				
Conferences and meetings	\$ 5,645	\$ 1,126	\$ 11,813	\$ 18,584
Contracted services	923,861	868	137,929	1,062,658
Depreciation and amortization	134,931	1,467	10,268	146,666
Dues, subscriptions, and license fees	1,868	540	9,789	12,197
Employee benefits	1,548,547	20,713	214,848	1,784,108
Facility expenses	190,875	7,943	176,790	375,608
Insurance	105,216	1,144	8,007	114,367
Legal and accounting	-	-	49,743	49,743
Marketing	4,149	16,861	136,650	157,660
Medical supplies	596,778	-	2,640	599,418
Mileage	523,200	974	17,175	541,349
Miscellaneous fundraising expenses	-	13,206	-	13,206
Office expenses	500,444	7,607	59,877	567,928
Payroll taxes	719,314	15,076	88,388	822,778
Personnel recruitment	13,713	139	15,314	29,166
Postage and printing	50,212	22,949	42,436	115,597
Salaries	9,730,877	203,612	1,393,253	11,327,742
Telephone	189,285	1,924	14,834	206,043
Utilities	15,183	3,193	15,964	34,340
Total functional expenses	<u>\$ 15,254,098</u>	<u>\$ 319,342</u>	<u>\$ 2,405,718</u>	<u>\$ 17,979,158</u>

The accompanying notes are an integral part of the consolidated financial statements

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Livingston Memorial VNA Health Corp. and Subsidiaries (collectively referred to as the Association) include the accounts of Livingston Memorial VNA Health Corp., Livingston Memorial Visiting Nurse Association (LMVNA), and Livingston Caregivers (LC), formerly Gold Coast Caregivers. The entities are incorporated in California as 501(c)(3) not-for-profit corporations. They have identical Boards of Directors (collectively, the Board).

The Association strives to provide a variety of home health services ranging from rehabilitation to infusion therapy to palliative care to hospice care of the highest quality in the most cost-effective manner to the residents of Ventura County, California. The Association also offers services to the community including support groups and education classes. LMVNA is licensed by the State of California, certified by Medicare and Medi-Cal, and is accredited by The Joint Commission (TJC).

All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Association have been prepared using accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

- Unrestricted net assets – Unrestricted net assets represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Association.
- Temporarily restricted net assets – Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

- Permanently restricted net assets – Permanently restricted net assets include gifts and pledges which require, by donor restriction, that the corpus be invested in perpetuity, and only the income be made available for operations in accordance with donor restrictions.

The Association follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*, which provides guidance on the net asset classification and reporting of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of UPMIFA. The UPMIFA was signed into law in California (CPMIFA) on September 30, 2008.

Patient Service Revenue

The Association has agreements with third-party payors that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. In the opinion of management, adequate provision has been made for such adjustments.

Under the Prospective Payment System (PPS) for Medicare reimbursement, the Association estimates net revenues to be recorded based on a reimbursement rate, which is determined using relevant data, such as the severity of the patient's condition, service needs, and certain other factors, bundled into 60-day episodes of care. At the beginning of an episode of care, the Association submits a request for anticipated payment (RAP) for the initial percentage payment. The initial payment is 60% of the total PPS amount for new patients and 50% for on-going patients. At the end of the episode of care, the Association submits a request for the residual final payment. For payment differences between the estimated reimbursement and the final amount billed, the Association estimates the impact of such payment adjustments based on historical experience and records this estimate during the period services are rendered as a contractual adjustment to revenue.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Patient Service Revenue – Continued

Patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, recognized during the years ended December 31, 2016 and 2015 from major payor sources, is as follows:

	<u>2016</u>	<u>2015</u>
Medicare	\$ 11,923,194	\$ 12,107,343
Medi-Cal	1,484,599	1,386,803
Other third party payors	2,647,771	2,809,498
Self-Pay	<u>1,161,009</u>	<u>1,403,758</u>
Total patient service revenue	<u>\$ 17,216,573</u>	<u>\$ 17,707,402</u>

Public Support

Contributions are recognized as revenue when they are received or unconditionally pledged.

The Association 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 accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions.

Public contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports them as unrestricted support.

Grant Income

The Association receives grant income through various city and state agencies, local companies, and non-profit organizations to support its mission and provide specific health care services. Grants are recorded and recognized in accordance with the contribution policy described above.

Charity Care

The Association has a policy of providing care to patients regardless of their ability to pay. Needed services are provided at reduced or no charge to indigent patients based upon the available resources of the Association.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Charity Care – Continued

Records are maintained to identify and monitor the level of charity care provided. For the years ended December 31, 2016 and 2015, unreimbursed costs foregone for charity care amounted to \$750,778 and \$898,844, respectively. For the years ended December 31, 2016 and 2015, charitable gifts received to offset costs amounted to \$407,274 and \$312,958, respectively. The Association measures charity care services based on direct and indirect costs.

Donated Goods and Services

Donated goods are recorded as in-kind contributions at their estimated fair values at the date of receipt. Additionally, a substantial number of volunteers have donated a significant amount of time to the Association's program services and fundraising events, which is considered valuable to the Association's overall effort of providing services.

During the years ended December 31, 2016 and 2015, the Association received approximately 2,683 and 2,898 volunteer hours for hospice, respectively. Additionally, during the years ended December 31, 2016 and 2015, members of the Board and other volunteers donated approximately 3,848 hours of their time each year to the Association's programs and fundraising activities. These services have not been recorded in the consolidated financial statements since no objective basis is available to measure the value of such services.

Cash and Cash Equivalents

For purposes of the cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable

The Association receives payments for services rendered to patients from federal and state governments under the Medicare and Medi-Cal programs, privately sponsored managed care programs, and private payors. Patient accounts receivable and estimated third-party payor settlements are reported net of allowance for doubtful accounts. The Association has implemented a standardized approach to estimate and review the collectibility of its receivables based on accounts receivable aging trends. The Association analyzes historical collection trends, reimbursement experience, and revenue adjustment trends by third-party payors as an integral part of the estimation process related to determining the valuation allowance for accounts receivable.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Patient Accounts Receivable – Continued

In addition, the Association assesses the current state of its billing functions on a monthly basis in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to the allowance for doubtful accounts. As of December 31, 2016 and 2015, allowance for doubtful accounts was \$629,769 and \$484,379, respectively.

Beneficial Interest in Net Assets of Ventura County Community Foundation (VCCF)

The beneficial interest in net assets of Ventura County Community Foundation (VCCF) consists of the endowment funds established by the Board of the Association at VCCF with the purpose of providing continuous support to the Association to carry out its role and mission as described in its Mission Statement, By-Laws, and Articles of Incorporation. They also include amounts contributed by donors with stipulated restrictions. Like all other funds held with VCCF, the Association's funds are part of one large investment pool. The Association may draw up to a certain percent of the value of the funds each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of VCCF.

In accordance with GAAP, the Association's beneficial interest in net assets of VCCF is measured at fair value in the accompanying consolidated balance sheets based on the values provided by VCCF. Investment income or loss (including interest, dividends, and realized gains or losses, net of expenses) is included in the (deficiency) excess of revenues over expenses unless the income is restricted by donor or law. Unrealized gains and losses are excluded from the (deficiency) excess of revenues over expenses.

Additionally, donors have also contributed funds for the benefit of the Association directly to VCCF. The Association is precluded from recognizing these assets in its consolidated balance sheets and only reports the distribution of income from these funds by VCCF as contributions.

Amounts invested in VCCF's pooled investment funds are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments in the pooled funds, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the Association's consolidated financial statements.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Property and equipment are recorded at cost when purchased. Donated equipment is recorded at its estimated fair value on the date received. Depreciation and amortization on all property and equipment is computed on the straight-line method over the economic useful life of each asset. Useful lives range from three to seven years.

Maintenance and repair costs are expensed as they are incurred, while renewals and improvements of a significant nature are capitalized. At the time of retirement or disposal of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in the results of operations.

Impairment of Long-Lived Assets

In accordance with GAAP, the Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such review indicates an asset may not be recoverable, an impairment loss is recognized for the excess of the carrying amount over the fair value of an asset to be held and used or over the fair value less cost to sell an asset to be disposed. During the years ended December 31, 2016 and 2015, there were no events or changes in circumstances indicating that the carrying amount of any long-lived assets may not be recoverable.

(Deficiency) Excess of Revenues over Expenses

The accompanying consolidated statements of operations and changes in net assets include (deficiency) excess of revenues over expenses. Changes in unrestricted net assets that are excluded from (deficiency) excess of revenues over expenses include net unrealized gains or losses on the Association's beneficial interest in net assets of VCCF.

Functional Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the consolidated statements of operations and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

Livingston Memorial VNA Health Corp. and its subsidiaries are exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and the corresponding provisions of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income (UBTI) as defined by the IRC.

The Association evaluates uncertain tax positions through its review of the sources of income to identify UBTI and certain other matters, including those which may affect its tax exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and could be reasonably estimated. As of December 31, 2016 and 2015, the Association had no uncertain tax positions requiring accrual.

The Association files federal and California exempt organization returns. They are no longer subject to income tax examinations by taxing authorities for years before 2013 for the federal and 2012 for the state tax filings.

Fair Values of Financial Instruments

Fair value is defined as the amount that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments reported in the Association's consolidated balance sheets include cash and cash equivalents, patient accounts receivable, beneficial interest in net assets of VCCF, and other current assets and liabilities arising in the ordinary course of business. For cash and cash equivalents, patient accounts receivable, and other current assets and liabilities, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity. The beneficial interest in net assets of VCCF is reflected at estimated fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosure*.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

While the Association 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 at the measurement date.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Values of Financial Instruments – Continued

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one level to another. In such instances, the transfer is reported at the end of the reporting period. There have been no transfers between the levels of input during the years ended December 31, 2016 and 2015.

Management Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities and amounts disclosed in the notes to the consolidated financial statements at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents and patient accounts receivable. The Association maintains its cash and cash equivalents with a high credit quality financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The Association's concentration of credit risk related to accounts receivable is limited due to the diversity of patients and payors. The Association does not require collateral for its services.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to improve the consistency of revenue recognition practices across industries for economically similar transactions. The core principle is that an entity recognizes revenue for goods or services to customers in an amount that reflects the consideration it expects to receive in return. In August 2015, the FASB issued ASU 2015-14 deferring the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2018. The Association is currently evaluating the impact that this guidance will have on its consolidated financial statements.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements – Continued

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides new guidance related to accounting for leases and supersedes existing GAAP on lease accounting. The main difference between the existing guidance on accounting for leases and the new standard is that operating leases will now be recorded in the consolidated balance sheets as assets and liabilities. ASU 2016-02 is effective for public business entities for the annual periods beginning after December 15, 2018. For all other entities, the update is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Association is currently evaluating the impact that this guidance will have on its consolidated financial statements.

The Association reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to its operations or that no material effect is expected on its consolidated financial statements as a result of future adoption.

Subsequent Events

In accordance with GAAP, events occurring between December 31, 2016 and June 5, 2017, the date these consolidated financial statements were available to be issued, were evaluated, and no material subsequent events that required recognition or disclosure in these consolidated financial statements were noted.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 2,520,909	\$ 2,426,303
Medical equipment	401,804	401,804
Communication equipment	74,399	74,399
Furniture and fixtures	244,801	231,843
Leasehold improvements	<u>80,054</u>	<u>80,054</u>
	3,321,967	3,214,403
Less: accumulated depreciation and amortization	<u>(3,164,601)</u>	<u>(3,058,890)</u>
Property and equipment, net	<u>\$ 157,366</u>	<u>\$ 155,513</u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 amounted to \$105,711 and \$146,666, respectively.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - LINE OF CREDIT

The Association maintains a line of credit with a bank for working capital purposes. The line of credit permits indebtedness of up to \$750,000 and matures on July 22, 2017. The outstanding balance accrues interest at the bank's prime rate (4.00% at December 31, 2016). At December 31, 2016 and 2015, there was no amount outstanding under the line of credit.

NOTE 5 - ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31:

	2016	2015
Accrued payroll and related expenses	\$ 631,266	\$ 432,903
Accrued paid time off	637,582	602,262
Other	20,119	17,550
 Total accrued expenses	 \$ 1,288,967	 \$ 1,052,715

NOTE 6 - FUNDRAISING ACTIVITIES

Fundraising activities were as follows during the years ended December 31:

	2016	2015
Fundraising revenue:		
Contributions and grants:		
Unrestricted	\$ 236,775	\$ 274,725
Temporarily restricted	480,923	462,380
Total contributions and grants	717,698	737,105
 Fundraising events, net of direct expenses of \$40,832 and \$41,399, respectively:		
Unrestricted	100,663	114,393
Temporarily restricted	65,598	84,999
Total fundraising events, net	166,261	199,392
 Total revenue – fundraising activities	883,959	936,497
 Less: fundraising expenses	(361,494)	(319,342)
 Fundraising activities, net	 \$ 522,465	 \$ 617,155

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - FUNDS HELD BY VENTURA COUNTY COMMUNITY FOUNDATION

The Livingston Memorial Visiting Nurse Association Endowment Fund (the Fund) was established at VCCF by the Association's Board in 1996 with the funds contributed by the Association. Additional contributions were made to the Fund by the Association in the following years. The Association's Board periodically reviews bequests received for inclusion in the Fund. Under the terms of the Fund agreement, which was established to protect the endowment, VCCF has variance power and is the legal owner of the Fund. VCCF can retain, invest, and reinvest the Fund in any manner within the "prudent person" standard and commingle the assets of the Fund with those of other funds for investment purposes.

The Association is the beneficiary of the Fund and receives distributions of earnings, subject to VCCF's spending policy. Principal may be invaded only with the approval of two-thirds of the Association's Board and VCCF's Board, and if approved, such funds can be used only in accordance with the purpose of the Fund. There were no distributions from this fund during the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the value of the Fund amounted to \$1,141,577 and \$1,074,154, respectively. Funds available for distribution at December 31, 2016 and 2015 amounted to \$55,353 and \$50,219, respectively.

During the year ended December 31, 2008, the Association established another endowment fund with VCCF – Charles M. Hair, M.D. Endowment Fund (the Dr. Hair Fund). The original contribution to the Dr. Hair Fund of \$71,800 was comprised of \$58,900 of donor-designated permanently restricted contributions collected by the Association and \$12,900 of Board-designated funds. The terms of the Dr. Hair Fund agreement are similar to the terms of the Fund as described above. There were no distributions from this fund during the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the value of the Dr. Hair Fund amounted to \$102,320 and \$96,275, respectively. Funds available for distribution at December 31, 2016 and 2015 amounted to \$5,096 and \$5,080, respectively.

During the year ended December 31, 2011, the Association established another endowment fund with VCCF – Raymond C. Huston and Dorothy L. Huston Memorial Endowment Fund (the Huston Memorial Fund). The original contribution to the Huston Memorial Fund was donor-designated permanently restricted contributions in the amount of \$242,703 received by the Association. In addition, 5% of the investment income is permanently restricted in accordance with the donor gift instrument. The remaining terms of the Huston Memorial Fund agreement are similar to the terms of the Fund as described above. There were no distributions from this fund during the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the value of the Huston Memorial Fund amounted to \$300,410 and \$282,663, respectively. Funds available for distribution at December 31, 2016 and 2015 amounted to \$14,958 and \$14,847, respectively.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - FUNDS HELD BY VENTURA COUNTY COMMUNITY FOUNDATION – CONTINUED

In accordance with GAAP, fair values of the aforementioned funds are reported as a liability by VCCF.

In addition, the Lisagor family has established the Lisagor Family Fund directly at VCCF for the benefit of the Association. In accordance with GAAP, this fund is not included in the Association’s beneficial interest in net assets of VCCF in the accompanying consolidated balance sheets. There were no distributions from this fund during the years ended December 31, 2016 and 2015.

The fair value of the Funds representing the cumulative amount of the Association’s beneficial interest in net assets of VCCF is determined using Level 3 inputs based upon the Association’s proportionate share of VCCF’s pooled investment portfolio, as reported by VCCF at year-end.

The following table presents a rollforward of activity for funds held by VCCF at fair value using significant unobservable inputs (Level 3) for the years ended December 31, 2016 and 2015:

	2016 VCCF Pooled Investment Funds	2015 VCCF Pooled Investment Funds
Fair value, beginning of year	\$ 1,453,092	\$ 1,518,986
Contributions/transfers in	-	-
Distributions/transfers out	-	-
Interest and dividends	18,566	13,385
Net realized gains	35,265	71,345
Net unrealized gains (losses)	60,828	(135,179)
Investment expenses	<u>(23,444)</u>	<u>(15,445)</u>
Fair value, end of year	\$ <u>1,544,307</u>	\$ <u>1,453,092</u>

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes or were time restricted as follows at December 31:

	2016	2015
Subsidized care	\$ 69,894	\$ 27,750
Core operating support	-	12,500
	<u>\$ 69,894</u>	<u>\$ 40,250</u>

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the donor-restricted purposes or time requirements as follows during the years ended December 31:

	2016	2015
Subsidized care	\$ 365,130	\$ 317,973
Hospice support	113,506	166,428
Home health support	661	601
Core operating support	37,580	121,410
	<u>\$ 516,877</u>	<u>\$ 606,412</u>

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets were based on adjusted contribution levels and consisted of the following at December 31:

	2016	2015
Charles M. Hair, M.D. Endowment Fund	\$ 59,150	\$ 59,150
Raymond C. Huston and Dorothy L. Huston Memorial Endowment Fund	247,610	246,723
	<u>\$ 306,760</u>	<u>\$ 305,873</u>

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT

The Association's endowment consists of three individual funds. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted the CPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association 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 Association in a manner consistent with the standard of prudence prescribed by the CPMIFA. In accordance with the CPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Association and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Association, and
- The investment policies of the Association.

Composition and Changes in Endowment Net Assets

Endowment net assets composition by type of fund is as follows at December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 306,760	\$ 306,760
Board-designated endowment fund	<u>1,237,547</u>	<u>-</u>	<u>-</u>	<u>1,237,547</u>
	<u>\$ 1,237,547</u>	<u>\$ -</u>	<u>\$ 306,760</u>	<u>\$ 1,544,307</u>

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT – CONTINUED

Composition and Changes in Endowment Net Assets – Continued

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,147,219	\$ -	\$ 305,873	\$ 1,453,092
Investment income (loss):				
Investment income, net	14,140	3,539	887	18,566
Net appreciation (realized/unrealized)	<u>58,798</u>	<u>13,851</u>	<u>-</u>	<u>72,649*</u>
Total investment income	72,938	17,390	887	91,215
Transfers	-	-	-	-
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>17,390</u>	<u>(17,390)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>1,237,547</u>	\$ <u>-</u>	\$ <u>306,760</u>	\$ <u>1,544,307</u>

*Net appreciation includes realized gains of \$35,265 and unrealized gains of \$60,828, net of investment expenses of \$23,444 (Note 7).

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT – CONTINUED

Composition and Changes in Endowment Net Assets – Continued

Endowment net assets composition by type of fund is as follows at December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 305,873	\$ 305,873
Board-designated endowment fund	<u>1,147,219</u>	<u>-</u>	<u>-</u>	<u>1,147,219</u>
	<u>\$ 1,147,219</u>	<u>\$ -</u>	<u>\$ 305,873</u>	<u>\$ 1,453,092</u>

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,213,113	\$ -	\$ 305,873	\$ 1,518,986
Investment income (loss):				
Investment income, net	10,681	2,704	-	13,385
Net depreciation (realized/unrealized)	<u>(63,262)</u>	<u>(16,017)</u>	<u>-</u>	<u>(79,279)*</u>
Total investment (loss)	(52,581)	(13,313)	-	(65,894)
Transfers	(13,313)	13,313	-	-
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 1,147,219</u>	<u>\$ -</u>	<u>\$ 305,873</u>	<u>\$ 1,453,092</u>

*Net depreciation includes realized gains of \$71,345 and unrealized (losses) of (\$135,179), net of investment expenses of \$15,445 (Note 7).

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT – CONTINUED

Endowment Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the law requires the Association to retain as a fund of perpetual duration. Such deficiencies could result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs as might be deemed prudent by the Board. For the years ended December 31, 2016 and 2015, the Association did not have any deficiencies.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for the endowment funds that attempt to provide protection of principal and ensure reasonable growth of the principal of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity as well as Board-designated funds. Under this policy, as approved by the Board, the endowment funds are invested in a manner that is expected to produce total return on an annualized net-of-fees basis that equals or exceeds an average annual real total return of at least 5% per year over a rolling five-year period. Actual returns in any given year may vary from the expected returns.

Strategies Employed for Achieving Objectives

To satisfy its long-term return objective, the endowment assets are invested with VCCF and are part of one large investment portfolio (Notes 2 and 7). VCCF has adopted investment and spending policies that attempt to grow the portfolio in real, inflation-adjusted terms in order to meet annual fund distribution needs while preserving and enhancing purchasing power. As asset allocation is the major determinant of investment performance, the investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk. VCCF expects its portfolio, over time, to provide an average rate of return that, over market cycles, exceeds annual distributions, fees, and inflation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Annual distribution policies are based upon a total return strategy that is intended to provide long term capital appreciation. VCCF annually notifies the Association of the status of the endowment funds. The Association requests, subject to the Board's approval, that all or part of the eligible earnings, net of fees, be distributed to the Association and/or be added to the endowment funds' principal in an effort to build the endowment funds. Amounts greater than the eligible earnings, net of fees, may be withdrawn (but in no event to exceed 25% of the value of the Fund in any one given year) as long as the following conditions are met:

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT – CONTINUED

Spending Policy and How the Investment Objectives Relate to Spending Policy – Continued

- The Association requests such a distribution, subject to approval of two-thirds of the Association's Board;
- Only principal and any additional gifts received directly from the Association and their pro rata earnings are subject to the withdrawal policy. Endowment funds received by VCCF directly from donors for the endowment funds are not subject to distribution beyond annual payout, unless specified by the donors.

Consistent with this policy, the Association considered the long-term expected return on its endowment funds. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment funds to grow at a rate equal to an average annual real total return of at least 5%. This is consistent with the Association's objective to provide protection of principal and ensure reasonable growth of the principal of the endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE 11 - PENSION PLAN

The Association maintains a voluntary 403(b) pension plan (the Plan) for the benefit of substantially all eligible employees. Employees may defer compensation up to the current IRC limits. Employer contributions to the Plan are at the discretion of the Association. For the years ended December 31, 2016 and 2015, the Association made no contributions to the Plan.

NOTE 12 - COMMITMENTS

Operating Leases

The Association leases various facilities under operating lease agreements that expire on various dates through December 2019 and require aggregate minimum monthly payments of approximately \$17,500. The Association also leases certain office equipment under an operating lease agreement that expires in June 2017 and requires aggregate minimum monthly payments of approximately \$6,000. Real estate taxes, insurance, and maintenance expenses covering the leased facilities are obligations of the Association.

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - COMMITMENTS – CONTINUED

Operating Leases – Continued

Future minimum lease payments are as follows at December 31, 2016:

<u>Year Ending December 31,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 86,871	\$ 35,922	\$ 122,793
2018	21,404	-	21,404
2019	<u>19,200</u>	<u>-</u>	<u>19,200</u>
Total	<u>\$ 127,475</u>	<u>\$ 35,922</u>	<u>\$ 163,397</u>

For the years ended December 31, 2016 and 2015, total facility and equipment rent expense under these operating lease agreements amounted to \$254,056 and \$245,237, respectively, and is included in facility expenses in the accompanying consolidated statements of functional expenses.

NOTE 13 - LEGAL MATTERS

The Association may, from time-to-time, be involved in litigation and regulatory investigations that arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of December 31, 2016, if any, will be resolved without material adverse effect on the Association's future financial position, results of operations, or cash flows.

SUPPLEMENTAL CONSOLIDATING INFORMATION

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2016

	<u>LMVNA</u>	<u>LC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,607,816	\$ 75,422	\$ -	\$ 1,683,238
Patient accounts receivable, net	1,914,158	134,387	-	2,048,545
Prepaid expenses and other current assets	268,313	-	-	268,313
Due (to) from - intercompany	<u>40,529</u>	<u>-</u>	<u>(40,529)</u>	<u>-</u>
Total current assets	3,830,816	209,809	(40,529)	4,000,096
BENEFICIAL INTEREST IN NET ASSETS OF VCCF	1,544,307	-	-	1,544,307
PROPERTY AND EQUIPMENT, NET	<u>157,366</u>	<u>-</u>	<u>-</u>	<u>157,366</u>
Total assets	<u>\$ 5,532,489</u>	<u>\$ 209,809</u>	<u>\$ (40,529)</u>	<u>\$ 5,701,769</u>
CURRENT LIABILITIES:				
Accounts payable	\$ 117,131	\$ 380	\$ -	\$ 117,511
Accrued expenses	1,221,568	67,399	-	1,288,967
Due to (from) - intercompany	<u>-</u>	<u>40,529</u>	<u>(40,529)</u>	<u>-</u>
Total current liabilities	<u>1,338,699</u>	<u>108,308</u>	<u>(40,529)</u>	<u>1,406,478</u>
Total liabilities	<u>1,338,699</u>	<u>108,308</u>	<u>(40,529)</u>	<u>1,406,478</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET ASSETS:				
Unrestricted:				
General	2,582,982	98,108	-	2,681,090
Board designated	<u>1,237,547</u>	<u>-</u>	<u>-</u>	<u>1,237,547</u>
Total unrestricted	3,820,529	98,108	-	3,918,637
Temporarily restricted	66,501	3,393	-	69,894
Permanently restricted	<u>306,760</u>	<u>-</u>	<u>-</u>	<u>306,760</u>
Total net assets	<u>4,193,790</u>	<u>101,501</u>	<u>-</u>	<u>4,295,291</u>
Total liabilities and net assets	<u>\$ 5,532,489</u>	<u>\$ 209,809</u>	<u>\$ (40,529)</u>	<u>\$ 5,701,769</u>

See independent auditors' report

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES

**SUPPLEMENTAL INFORMATION
CONSOLIDATING BALANCE SHEETS**

DECEMBER 31, 2015

	LMVNA	LC	Eliminations	Total
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,545,675	\$ 43,899	\$ -	\$ 2,589,574
Patient accounts receivable, net	1,399,894	121,095	-	1,520,989
Prepaid expenses and other current assets	317,033	-	-	317,033
Due (to) from - intercompany	(35,633)	-	35,633	-
Total current assets	4,226,969	164,994	35,633	4,427,596
BENEFICIAL INTEREST IN NET ASSETS OF VCCF	1,453,092	-	-	1,453,092
PROPERTY AND EQUIPMENT, NET	155,513	-	-	155,513
Total assets	\$ 5,835,574	\$ 164,994	\$ 35,633	\$ 6,036,201
CURRENT LIABILITIES:				
Accounts payable	\$ 170,989	\$ 568	\$ -	\$ 171,557
Accrued expenses	990,793	61,922	-	1,052,715
Due to (from) - intercompany	-	(35,633)	35,633	-
Total current liabilities	1,161,782	26,857	35,633	1,224,272
Total liabilities	1,161,782	26,857	35,633	1,224,272
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET ASSETS:				
Unrestricted:				
General	3,180,450	138,137	-	3,318,587
Board designated	1,147,219	-	-	1,147,219
Total unrestricted	4,327,669	138,137	-	4,465,806
Temporarily restricted	40,250	-	-	40,250
Permanently restricted	305,873	-	-	305,873
Total net assets	4,673,792	138,137	-	4,811,929
Total liabilities and net assets	\$ 5,835,574	\$ 164,994	\$ 35,633	\$ 6,036,201

See independent auditors' report

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>LMVNA</u>	<u>LC</u>	<u>Eliminations</u>	<u>Total</u>
CHANGES IN UNRESTRICTED NET ASSETS:				
REVENUE AND SUPPORT:				
Patient service revenue, net of contractual allowances and discounts	\$ 16,029,953	\$ 1,186,620	\$ -	\$ 17,216,573
Provision for bad debts	(38,618)	-	-	(38,618)
Net patient service revenue	15,991,335	1,186,620	-	17,177,955
Investment income - VCCF, net of expenses of \$23,444	29,500	-	-	29,500
Contributions and grants	236,775	-	-	236,775
Fundraising events, net of direct expenses	100,663	-	-	100,663
Other income	74,422	405	(66,000)	8,827
Net assets released from restrictions, used for operations	500,591	16,286	-	516,877
Total revenue and support	16,933,286	1,203,311	(66,000)	18,070,597
EXPENSES:				
Program services	14,943,057	890,799	-	15,833,856
Supporting services:				
Fundraising	361,494	-	-	361,494
General and administrative	2,196,703	352,541	(66,000)	2,483,244
Total supporting services	2,558,197	352,541	(66,000)	2,844,738
Total expenses	17,501,254	1,243,340	(66,000)	18,678,594
(Deficiency) of revenues over expenses	(567,968)	(40,029)	-	(607,997)
NET UNREALIZED GAINS - BENEFICIAL INTEREST IN NET ASSETS OF VCCF				
	60,828	-	-	60,828
(Decrease) in unrestricted net assets	(507,140)	(40,029)	-	(547,169)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions and grants	461,244	19,679	-	480,923
Fundraising events, net of direct expenses	65,598	-	-	65,598
Net assets released from restrictions, used for operations	(500,591)	(16,286)	-	(516,877)
Increase in temporarily restricted net assets	26,251	3,393	-	29,644
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:				
Investment income - VCCF	887	-	-	887
Increase in permanently restricted net assets	887	-	-	887
NET CHANGE IN NET ASSETS	(480,002)	(36,636)	-	(516,638)
NET ASSETS, beginning of year	4,673,792	138,137	-	4,811,929
NET ASSETS, end of year	\$ 4,193,790	\$ 101,501	\$ -	\$ 4,295,291

See independent auditors' report

LIVINGSTON MEMORIAL VNA HEALTH CORP. AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	LMVNA	LC	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS:				
REVENUE AND SUPPORT:				
Patient service revenue, net of contractual allowances and discounts	\$ 16,346,006	\$ 1,361,396	\$ -	\$ 17,707,402
Provision for bad debts	(62,079)	-	-	(62,079)
Net patient service revenue	16,283,927	1,361,396	-	17,645,323
Investment income - VCCF, net of expenses of \$15,445	69,285	-	-	69,285
Contributions and grants	274,725	-	-	274,725
Fundraising events, net of direct expenses	114,393	-	-	114,393
Other income	73,854	109	(66,000)	7,963
Net assets released from restrictions, used for operations	581,454	24,958	-	606,412
Total revenue and support	17,397,638	1,386,463	(66,000)	18,718,101
EXPENSES:				
Program services	14,264,554	989,544	-	15,254,098
Supporting services:				
Fundraising	319,342	-	-	319,342
General and administrative	2,153,518	318,200	(66,000)	2,405,718
Total supporting services	2,472,860	318,200	(66,000)	2,725,060
Total expenses	16,737,414	1,307,744	(66,000)	17,979,158
Excess of revenues over expenses	660,224	78,719	-	738,943
NET UNREALIZED (LOSSES) - BENEFICIAL INTEREST IN NET ASSETS OF VCCF				
	(135,179)	-	-	(135,179)
Increase in unrestricted net assets	525,045	78,719	-	603,764
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions and grants	444,690	17,690	-	462,380
Fundraising events, net of direct expenses	84,999	-	-	84,999
Net assets released from restrictions, used for operations	(581,454)	(24,958)	-	(606,412)
(Decrease) in temporarily restricted net assets	(51,765)	(7,268)	-	(59,033)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:				
Investment income - VCCF	-	-	-	-
Changes in permanently restricted net assets	-	-	-	-
NET CHANGE IN NET ASSETS	473,280	71,451	-	544,731
NET ASSETS, beginning of year	4,200,512	66,686	-	4,267,198
NET ASSETS, end of year	<u>\$ 4,673,792</u>	<u>\$ 138,137</u>	<u>\$ -</u>	<u>\$ 4,811,929</u>

See independent auditors' report