Consolidated Financial Statements, Supplementary Information and Report of Independent Certified Public Accountants

LifeQuest and Controlled Entities

June 30, 2017 and 2016

Contents

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Report of Independent Certified Public Accountants

Board of Directors
LifeQuest and Controlled Entities

We have audited the accompanying consolidated financial statements of LifeQuest and Controlled Entities ("LifeQuest"), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LifeQuest and Controlled Entities as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information
Our audit was performed for the purpose of forming an opinion on these consolidated financial statements as a whole. The accompanying consolidating balance sheet as of June 30, 2017, the consolidating statement of operations and changes in net assets for the year then ended and the combining statements of revenues by division for the years ended June 30, 2017 and 2016 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania

October 12, 2017

LifeQuest and Controlled Entities

CONSOLIDATED BALANCE SHEETS

June 30,

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,545,052	$ 5,128,675
Assets limited as to use	1,573,583	66,148
Resident, patient, and day care accounts receivable, net of allowances of $232,000 and $634,000, respectively	2,331,000	2,825,848
Prepaid expenses and other current assets	391,089	263,677
Total current assets	8,840,724	8,284,348
Assets limited as to use	1,816,201	1,589,870
Other investments	61,867	61,867
Assets held under sales agreement	4,449,693	4,449,693
Note receivable	1,121,053	-
Property and equipment, net	17,679,473	18,595,146
Beneficial interest in perpetual trusts	3,045,804	2,854,921
TOTAL ASSETS	$ 37,014,815	$ 35,835,845
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	$ -	$ 171,177
Line of credit	532,995	532,995
Accounts payable	600,087	641,532
Accrued expenses	1,108,065	931,107
Other current liabilities	379,453	411,071
Total current liabilities	2,620,600	2,687,882
Deferred proceeds on sale of land	6,000,000	6,000,000
Long-term debt, net of current maturities	16,313,950	16,452,808
TOTAL LIABILITIES	24,934,550	25,140,690
Net assets		
Unrestricted	9,034,461	7,840,234
Permanently restricted	3,045,804	2,854,921
Total net assets	12,080,265	10,695,155
TOTAL LIABILITIES AND NET ASSETS	$ 37,014,815	$ 35,835,845

The accompanying notes are an integral part of these statements.

LifeQuest and Controlled Entities

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30,

	2017	2016
Unrestricted		
Revenues		
Net resident and patient service revenues	$ 17,708,148	$ 17,458,627
Adult and child day care services revenue	4,486,028	4,508,741
Other revenue	1,107,752	900,117
Total revenues	23,301,928	22,867,485
Expenses		
Salaries and benefits	10,428,869	9,461,182
Purchased services	7,788,433	7,843,077
Supplies	1,977,085	1,900,770
Utilities	545,441	525,383
Depreciation and amortization	753,966	757,476
Interest	455,274	423,455
Provision for bad debts	50,150	350,489
Other	292,281	291,223
Total expenses	22,291,499	21,553,055
Operating income before other items	1,010,429	1,314,430
Other items		
Loss on extinguishment of debt	-	(530,197)
Loss on disposal of property and equipment	-	(1,524)
Excess of revenues over expenses	1,010,429	782,709
Other changes in unrestricted net assets		
Change in unrealized net gains and losses on investments other than trading securities	188,862	(116,092)
Other	(5,064)	-
Increase in unrestricted net assets	1,194,227	666,617
Permanently restricted net assets		
Change in beneficial interest in perpetual trusts	190,883	(206,121)
Increase in net assets	1,385,110	460,496
Net assets, beginning of year	10,695,155	10,234,659
Net assets, end of year	$ 12,080,265	$ 10,695,155

The accompanying notes are an integral part of these statements.

LifeQuest and Controlled Entities

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended June 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,385,110	$ 460,496
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in net realized and unrealized gains on investments	(192,824)	(30,178)
Equity earnings on other investments	-	5,515
Loss on extinguishment of debt	-	530,197
(Gain) loss on disposal of property and equipment	(189,076)	1,524
Change in beneficial interest in perpetual trusts	(190,883)	206,121
Depreciation and amortization	753,966	757,476
Provisions for bad debts	50,150	350,489
Changes in assets and liabilities		
Resident, patient, and day care accounts receivable	444,698	262,279
Prepaid expenses and other current assets	(159,552)	52,228
Accounts payable	(41,445)	70,529
Accrued expenses	176,958	127,513
Other current liabilities	(31,618)	(48,095)
Net cash provided by operating activities	2,005,484	2,746,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received on disposal of property and equipment	484,740	-
Purchases of property and equipment, net	(1,153,395)	(618,158)
Change in assets limited as to use, net	(1,540,942)	1,066,050
Net cash (used in) provided by investing activities	(2,209,597)	447,892
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	17,100,000
Interest rate swap termination payment	-	(359,860)
Deferred financing costs	(208,343)	(483,947)
Payments on long-term debt	(171,167)	(17,361,034)
Proceeds on line of credit	-	449,834
Net cash used in financing activities	(379,510)	(655,007)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(583,623)	2,538,979
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,128,675	2,589,696
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,545,052	$ 5,128,675
SUPPLEMENTAL DISCLOSURES OF INFORMATION		
Interest paid, net of amounts capitalized	$ 455,274	$ 469,946

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations and Basis of Consolidation

LifeQuest is a not-for-profit corporation and, through its controlled entities, serves the public by providing a system of subacute, residential and community-based care. LifeQuest has served the needs of the Quakertown, Pennsylvania community for over 70 years. Substantially all management of LifeQuest and its controlled entities are employed by The Plexus Group ("Plexus") or Lifestyle Properties, LLC ("Lifestyle") management companies.

The consolidated financial statements of LifeQuest and Controlled Entities includes LifeQuest and the accounts of the following not-for-profit entities: LifeQuest Nursing Center ("LQNC"); Valley Nursing and Rehabilitation Center, doing business as Mosser Nursing Home ("Mosser"); LifeSpan Daycare ("LSDC"); LifeQuest Foundation ("LQF"); a for-profit corporation, LifeQuest Enterprises, Inc. ("LQE"); Milford Village Enterprises, LLC ("MVE"); and Milford Village, LP ("MVLP") (collectively "LifeQuest"). LifeQuest exercises control over all of these entities by controlling appointments to the Board of Directors. LifeQuest has a community-based Board of Directors guiding its mission and setting policy to be carried out by the management company and its employees. All significant intercompany balances and transactions have been eliminated in consolidation.

LifeQuest offers a wide array of services, which include the following:

- LQNC, a 140-bed facility located in Quakertown, Pennsylvania, and Mosser, a 60-bed facility located in Trexlertown, Pennsylvania, provide short-term rehabilitative care and long-term skilled nursing care. LQNC also provides post-hospital care for medically complex patients who require therapeutic placement and medical stabilization.

- LSDC operates child day care centers offering programs for children from infancy through 14 years including before- and after-school care programs. Nationally accredited, the centers provide comprehensive learning and recreation programs in a mainstream setting. LSDC operates facilities in Quakertown, Allentown and Pennsburg, Pennsylvania.

- LQF administers fund-raising activities, provides grants and contributions, accepts gifts and bequests, and manages the investments of an internally designated endowment fund for the benefit of LifeQuest. LQF serves clients in southeastern Pennsylvania from its office in Quakertown, Pennsylvania.

- LQE holds investments in health care related entities.

- MVE holds a 1% interest in MVLP.

- MVLP owned real estate adjacent to LifeQuest's property in Quakertown, Pennsylvania, for LifeQuest's expansion and development project as discussed in Note E. During August 2016, all real estate owned by MVLP was transferred to LifeQuest.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant management estimates and assumptions related to the determination of allowance for doubtful accounts and contractual allowances for resident, patient, and day care accounts receivable, useful lives of property and equipment, fair value of interest rate swap, self-insured reserves, including professional and general liabilities, and the reported fair values of certain assets and liabilities.

3. Allowance for Doubtful Accounts

LifeQuest provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of patients to make payments for services. The allowance is determined by analyzing specific accounts and historical data and trends. Resident, patient, and day care accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and LifeQuest ceases collection efforts. Losses have been consistent with management's expectations.

In evaluating the collectability of accounts receivable, LifeQuest analyzes its past history and identifies trends for each specific account to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management reviews data about these specific accounts in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, LifeQuest analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid). For receivables associated with self-pay patients, LifeQuest records a significant provision for bad debts on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable internal collection efforts have been exhausted is charged off against the allowance for doubtful accounts. During 2017, LifeQuest experienced an approximately 63% decrease in the allowance for doubtful accounts due to the resolution of eligibility approval delays in the state Medical Assistance program experienced in prior years.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly-liquid investments purchased with an original maturity of three months or less.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheets. Investments in real estate funds are measured at their net asset values. Other investments are accounted for using the equity method or cost method of accounting depending upon the level of ownership interest and control over the related entity. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in other revenue. Unrealized gains and losses on investments are excluded from the determination of excess of revenues over expenses as the nature of the investments are other than trading securities, unless losses are deemed other than temporary.

The fair values of investments reported in the consolidated balance sheets are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

6. Assets Limited as to Use

Assets limited as to use include funds set aside by the Board of Directors, funds held by banks as collateral and funds held by lenders to satisfy escrow reserve requirements under certain debt agreements. Assets set aside by the Board of Directors includes assets designated by LQF's Board of Directors for future use and a construction and development fund over which the Board of Directors of LifeQuest and LQF retains control and may, at its discretion, subsequently use for other purposes. Funds held by banks as collateral include cash set aside for the LifeQuest self-insured workers' compensation program and security deposits for standby letters of credit. Amounts required to meet current obligations have been classified as current assets.

7. Supplies

Supplies and durable medical equipment are stated at the lower of cost, determined on the first-in, first-out ("FIFO") method, or market and are included in prepaid expenses and other current assets on the consolidated balance sheets.

8. Note Receivable

In July 2016, LifeQuest sold a parcel of land that had a cost of $1,381,663, for cash of $484,740 and a promissory note in the amount of $1,088,913 at an interest rate of 3% per annum, which is due and payable on July 6, 2021. The promissory note is collateralized by the land. Interest will accrue on an annual basis, which was $32,140 for the year ended June 30, 2017, and shall not be compounded.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method based upon the estimated useful life of each class of depreciable asset. Equipment under capital lease is amortized by the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Interest capitalized as part of property and equipment was \$217,900 and \$204,400 for the years ended June 30, 2017 and 2016, respectively.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

LifeQuest continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets is appropriate, or whether the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, LifeQuest uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. The impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based upon market prices where available, or discounted cash flows. Management believes that no revision to the remaining useful lives or write-down of long-lived assets is required at June 30, 2017.

10. Beneficial Interest in Perpetual Trusts

LQF is the beneficiary of perpetual trusts held with banks serving as the trustees. The terms of the trusts are such that LQF receives a portion of the income earned on the trust assets as earned in perpetuity. The fair value of the assets in these trusts was used in determining management's estimate of the present value of the estimated future distributions from these trusts. This estimated amount is recorded on the consolidated balance sheets as permanently restricted net assets. In addition, the annual change to management's estimate of this recorded balance is recorded in the consolidated statements of operations and changes in net assets as a change in fair value of the beneficial interest in perpetual trusts.

Annual income distributions from perpetual trust funds are reported as other revenue that increases unrestricted net assets due to the absence of specific donor-imposed restrictions or the restrictions being met within the same year as received.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Deferred Financing Costs

Deferred financing costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized using the effective interest rate method over the term of the debt. Amortization expense was $69,475 and $29,766 for the years ended June 30, 2017 and 2016, respectively.

12. Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include the determination of excess of revenues over expenses. Changes in unrestricted net assets that are excluded from the determination of excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities.

13. Net Resident and Patient Services Revenues

Net resident and patient services revenues are reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including 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 statements are determined. It is reasonably possible that the estimates could change in the near term.

14. Day Care Services Revenue and Other Revenue

Generally, day care services revenue and other revenue are recorded when earned or when services are provided. Day care services revenue includes revenues earned for adult and child day care services provided. Other revenue primarily includes investment income, grants and unrestricted gifts. Revenue received from grants or other sources where services have not been provided are recorded as deferred revenues and included in other current liabilities in the consolidated balance sheets.

15. Charity Care

LifeQuest provides charity care to residents and day care clients who meet certain financial criteria. Unreimbursed costs from the medical assistance program on behalf of residents that meet LifeQuest's charity care criteria are considered charity care. LifeQuest does not pursue collection of amounts determined to qualify as charity care and establishes reserves for these amounts. Accordingly, such amounts are not reported as revenue in the accompanying consolidated statements of operations and changes in net assets.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The amount of estimated cost, based on LifeQuest's total cost per resident day for services and supplies furnished under LifeQuest's charity care policy, is summarized in the following table:

	Year ended June 30, 2017	Year ended June 30, 2016
Unreimbursed costs from Medical Assistance program	$ 2,917,624	$ 3,096,928
Free care and financial assistance	60,216	111,226
	$ 2,977,840	$ 3,208,154

16. Income Taxes

LifeQuest, LQNC, Mosser, LSDC and LQF are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code.

LQE is a for-profit corporation subject to federal and state income taxes. Since its inception in 1984, LQE has not incurred a tax liability for reporting purposes. At June 30, 2017, LQE has net operating loss carryforwards of approximately $137,200 (expiring through 2022).

MVLP and MVE are limited partnerships subject to federal and state income taxes.

A tax position is recognized or derecognized by LifeQuest based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. LifeQuest does not believe its consolidated financial statements include any material uncertain tax positions.

LQE, MVLP and MVE file United States federal and Pennsylvania state income tax returns. These returns for 2014 and forward are open for examination by the Internal Revenue Service and state taxing authorities.

17. Recently Adopted Accounting Pronouncement

During 2017, LifeQuest implemented Accounting Standards Update ("ASU") 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This standard requires all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the associate debt liability. As a result of the implementation of ASU 2015-03, deferred financing costs were presented as a direct reduction to long-term debt in the amount of $622,815 and $483,947 as of June 30, 2017 and 2016, respectively.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

18. Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. This standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. An entity will apply the amendments in this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening balance sheet of retained earnings at the date of initial application. Revenue in periods presented before that date will continue to be reported under guidance in effect before the change. Currently, the American Institute of Certified Public Accountants Healthcare Revenue Recognition Task Force is interpreting the standard and its effects on the health care industry.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. Early application is permitted. An entity is required to apply the amendments in the standard under the modified retrospective transition approach. This approach includes a number of optional practical expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to recognize on the balance sheet leased assets and liabilities for operating leases at each reporting date.

LifeQuest has not determined the impact of these new standards at this time.

NOTE B - NET RESIDENT AND PATIENT SERVICES

LifeQuest and its controlled entities have agreements with third-party payors that provide for payments to LifeQuest and its controlled entities at amounts different from their established rates. A significant portion of net resident and patient services revenues is derived from these third-party payor programs. A summary of the principal payment arrangements with major third-party payors follows:

1. Medicare

Nursing and ancillary services provided to LQNC and Mosser Medicare Part A beneficiaries, are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors.

LQNC and Mosser are reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

(Continued)

NOTE B - NET RESIDENT AND PATIENT SERVICES - Continued

2. Medical Assistance

Nursing services provided to Medical Assistance beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors. The reimbursement methodology is subject to various limitations and adjustments.

As discussed above, the Medicare Part A and Medical Assistance rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the entity's clinical assessment of its residents. LifeQuest is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medical Assistance and Medicare programs. Provisions for estimated adjustments resulting from these reviews have been recorded. Differences between these estimated adjustments and the final amount are recorded in the year of settlement. Net patient service revenues include favorable adjustments of $89,856 and $46,054 for the years ended June 30, 2017 and 2016, respectively.

LifeQuest has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to LifeQuest under these agreements includes prospectively determined rates per day or discounts from established charges.

Net revenues from the Medicare and Medical Assistance programs collectively constitute approximately 84% and 76% of LifeQuest's net resident and patient service revenues for the years ended June 30, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. LifeQuest believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

The Pennsylvania Nursing Facility Assessment Program was enacted and reauthorized through June 30, 2017. The program, approved by the Centers for Medicare and Medicaid Services, authorized the collection of an assessment from all non-governmental licensed nursing facilities for the purpose of maintaining Medical Assistance rates and providing additional reimbursements to Medical Assistance participating facilities. Quarterly assessment and supplemental calculations are based on resident days by payor type. For the years ended June 30, 2017 and 2016, the net nursing home assessment was $319,775 and $282,511, respectively, and is recognized within net resident and patient service revenues.

(Continued)

NOTE B - NET RESIDENT AND PATIENT SERVICES - Continued

Net resident and patient service revenues for the years ended June 30, 2017 and 2016, net of contractual allowances and discounts, recognized in the period from these major payor sources based on primary insurance designation, are as follows:

	Third-Party Payors	Self-Pay	Total All Payors
2017			
Net resident and patient service revenues (net of contractual allowances and discounts)	87%	13%	100%

	Third-Party Payors	Self-Pay	Total All Payors
2016			
Net resident and patient service revenues (net of contractual allowances and discounts)	89%	11%	100%

Self-pay primarily consists of residents whose Medical Assistance application is pending approval.

Deductibles and copayments under third-party payment programs within the third-party payor amount above are patients' responsibility, and LifeQuest considers these amounts in its determination of the provision for bad debts based on collection experience.

NOTE C - INVESTMENTS

1. Assets Limited as to Use

The composition of assets limited as to use at June 30, 2017 and 2016 is set forth in the following table:

	2017	2016
Current:		
Designated externally, primarily for collateral on debt agreements		
Cash equivalents	$ 1,573,583	$ 66,148
Noncurrent:		
Funds designated by LifeQuest's Board of Directors for construction and development purposes		
Cash equivalents	$ 224,380	$ 68,275
Debt securities	71,900	223,215
Equity securities	735,775	579,499
Insurance annuity contract	319,168	296,095
	1,351,223	1,167,084
Funds designated by LQF's Board of Directors for future use		
Cash equivalents	10,072	12,077
Debt securities	66,895	95,773
Equity securities	213,835	155,469
Real estate fund	30,711	32,378
	321,513	295,697
Funds designated by LQF's Board of Directors for construction and development purposes		
Cash equivalents	43,985	1,229
Debt securities	-	40,384
Equity securities	99,480	85,476
	143,465	127,089
Total noncurrent	$ 1,816,201	$ 1,589,870

(Continued)

NOTE C - INVESTMENTS - Continued

Investment return for assets limited as to use and cash and cash equivalents is comprised of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Other revenue		
Interest and dividend income	$ 44,874	$ 31,485
Net realized gains	3,962	146,270
Total	$ 48,836	$ 177,755
Other changes in unrestricted net assets		
Changes in unrealized net gains and losses on investments other than trading securities	$ 188,862	$ (116,092)

2. Other Investments

Other investments at June 30, 2017 and 2016 include:

Limited partnership investment - Colmar	$ 58,867
Other	3,000
	$ 61,867

LQE owns 30 units of Colmar Imaging Partners ("Colmar"), a limited partnership, with an original cost basis of $150,000. The partnership was established to provide magnetic resonance imaging services in the area. The investment is reported utilizing the equity method of accounting.

NOTE D - FAIR VALUE MEASUREMENTS

Fair Value Measurements

LifeQuest categorizes its financial instruments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy in accordance with U.S. GAAP. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy prescribed under U.S. GAAP are described below:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

(Continued)

NOTE D - FAIR VALUE MEASUREMENTS - Continued

Level 2 Financial assets and liabilities whose values are based on one or more of the following:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in non-active markets;
3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. LifeQuest'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 asset or liability.

The following table presents information about LifeQuest's assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016 using the market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Description	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2017				
Assets				
Cash and cash equivalents	$ 4,545,052	$ -	$ -	$ 4,545,052
Asset limited as to use				
Cash and cash equivalents	1,852,020	-	-	1,852,020
Debt securities	-	138,795	-	138,795
Equity securities	1,049,090	-	-	1,049,090
Insurance annuity contracts	-	-	319,168	319,168
Real estate funds	-	30,711	-	30,711
Beneficial interest in perpetual trusts	-	-	3,045,804	3,045,804
Total assets	$ 7,446,162	$ 169,506	$ 3,364,972	$ 10,980,640

(Continued)

NOTE D - FAIR VALUE MEASUREMENTS - Continued

Description	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2016				
Assets				
Cash and cash equivalents	$ 5,128,675	$ -	$ -	$ 5,128,675
Asset limited as to use				
Cash and cash equivalents	147,729	-	-	147,729
Debt securities	-	359,372	-	359,372
Equity securities	820,444	-	-	820,444
Insurance annuity contracts	-	-	296,095	296,095
Real estate funds	-	32,378	-	32,378
Beneficial interest in perpetual trusts	-	-	2,854,921	2,854,921
Total assets	$ 6,096,848	$ 391,750	$ 3,151,016	$ 9,639,614

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which LifeQuest has utilized Level 3 inputs to determine fair value for the years ended June 30, 2017 and 2016:

	Insurance annuity contracts		Beneficial interest in perpetual trusts	
	2017	2016	2017	2016
Balance at beginning of year	$ 296,095	$ 1,024,482	$ 2,854,921	$ 3,061,042
Redemption of insurance annuity contract	-	(809,613)	-	-
Net unrealized gains and losses	23,073	81,226	190,883	(206,121)
Balance at end of year	$ 319,168	$ 296,095	$ 3,045,804	$ 2,854,921

The following provides a brief description of the types of financial instruments that LifeQuest holds, the methodology for estimating fair value, and the level within the hierarchy of the estimate.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents are reported at fair value which approximates cost and are considered to be Level 1 in the hierarchy.

(Continued)

NOTE D - FAIR VALUE MEASUREMENTS - Continued

Assets Limited as to Use

Investments include short-term, highly-liquid investments with a maturity of three months or less at the time of purchase and equity and fixed income securities with quoted market prices. These investments are considered to be Level 1 in the hierarchy. Investments also include real estate funds measured at their net asset value (subject to quarterly redemptions). These investments are considered to be Level 2 in the hierarchy. Insurance contract annuities are reported at cash surrender value, do not have quoted market prices in active markets, and are considered to be Level 3 in the hierarchy.

Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts is a recurring fair value measurement. LifeQuest's pro-rata interest in the net assets operating trusts is valued at the fair value of the underlying investments which are equity securities and mutual funds that hold debt securities with quoted prices in active markets.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 consists of:

	Estimated useful lives	2017	2016
Land		$ 5,566,445	$ 6,575,039
Land improvements	5 - 30 years	1,343,583	1,341,359
Building and improvements	2 - 30 years	15,451,264	15,387,349
Leasehold improvements	5 - 20 years	219,639	216,908
Equipment, furniture and vehicles	2 - 25 years	4,408,503	4,488,279
Construction in progress		6,388,556	5,768,301
		33,377,990	33,777,235
Less accumulated depreciation and amortization		(15,698,517)	(15,182,089)
Property and equipment, net		$ 17,679,473	$ 18,595,146

Depreciation and amortization expense was $684,491 and $727,710 for the years ended June 30, 2017 and 2016, respectively.

LifeQuest has a commitment for the expansion and development project adjacent to its facility in Quakertown, Pennsylvania (the "Project") for $22,294,000. The Project includes assisted living, independent senior housing units, commercial retail, medical office buildings, and other facilities, and is funded through the issuance of long-term debt in July 2017 (Note F).

NOTE F - LONG-TERM DEBT

The long-term debt at June 30, 2017 and 2016 is summarized as follows:

	2017	2016
Quakertown General Authority, Series 2016A Tax-Exempt Mortgage Loan, monthly payments of principal and interest of $28,541 with a balloon principal payment of $4,794,193 due July 1, 2023, interest is at a fixed rate of 2.91%.	$ 5,898,036	$ 6,050,000
Quakertown General Authority, Series 2016A-T Taxable Mortgage Loan, monthly payments of principal and interest of $3,030 with a balloon principal payment of $452,422 due July 1, 2023, interest is at a fixed rate of 4.35%.	538,729	550,000
Quakertown General Authority, Series 2016B Taxable Bridge Loan, monthly payments of interest only, principal due July 1, 2017, interest at the Prime Rate plus 0.5%. Interest rate at June 30, 2017 and 2016 was 4.75% and 4.00%, respectively.	10,500,000	10,500,000
Capital lease obligations, collateralized by related equipment.	-	7,932
Total	16,936,765	17,107,932
Less: Unamortized deferred financing costs	(622,815)	(483,947)
Current maturities	-	(171,177)
Long-term debt, net of current maturities	$ 16,313,950	$ 16,452,808

On June 30, 2016, LifeQuest entered into a $6,050,000 tax-exempt mortgage loan, $550,000 taxable mortgage loan, and a $10,500,000 taxable bridge loan (collectively the "Loans") with a bank through the Quakertown General Authority (the "Authority"). The proceeds of the Loans were used to repay the outstanding balances of previously owed mortgage loans and promissory notes with various banks and an individual. The Loans are collateralized by certain real estate, accounts receivable, inventory, and other business assets of LifeQuest. As a result of the extinguishment of the previously owed mortgage loans and promissory notes, a loss on early extinguishment of debt of $530,197 was recorded in the June 30, 2016 consolidated statement of operations and changes in net assets. This loss was comprised of unamortized deferred financing costs of $188,811 and a loss on the termination of an interest swap agreement of $341,386. The Loans were repaid in July 2017 as noted below.

In July 2017, LifeQuest entered into a financing arrangement with the Authority to issue $48,910,000 of debt as follows: $33,365,000 Health Facilities Revenue USDA Loan Anticipation Notes - (Series 2017A); $7,915,000 Health Facilities Revenue USDA Loan Anticipation Notes - Taxable (Series 2017B); $6,895,000 Health Facilities Revenue Bonds - (Series 2017C); $735,000 Health Facilities Revenue Bonds - Taxable (Series 2017D) (collectively, the Series 2017 Bonds). The Series 2017 Bonds proceeds were used to extinguish the Loans, including accrued interest, and to establish a debt service reserve fund and a construction fund to be used for the Project.

(Continued)

NOTE F - LONG-TERM DEBT - Continued

The Series 2017A Notes bear interest at a fixed rate of 3.125% and matures in a single payment of $33,365,000 on July 1, 2021. The Series 2017B Notes bear interest at a fixed rate of 3.800% and matures in a single payment of $7,915,000 on July 1, 2021. The Series 2017C Bonds are term bonds and bear interest at rates ranging from 4.000% to 5.300%, with maturities occurring on July 1, 2022 through July 1, 2042, subject to mandatory sinking fund (principal) payments beginning July 1, 2020, ranging from $175,000 to $495,000 as set forth in the bond indenture agreements. The Series 2017D Bonds are serial bonds and bear interest at rates ranging from 4.375% to 4.625%, with maturities occurring on July 1, 2018 through July 1, 2019, with principal payments ranging from $345,000 to $390,000. Interest is payable semiannually on each January 1 and July 1 for all Series 2017 Bonds, beginning January 1, 2018. Under the terms of the Loan Agreement, LifeQuest has granted the Authority a mortgage lien on certain property and has pledged its gross revenues, to the extent permitted by law.

In July 2017, LifeQuest entered into a $2,000,000 Business in Our Sites ("BIOS") loan with the Commonwealth of Pennsylvania. The BIOS loan bears interest at a fixed rate of 3% and will be repaid over 20 years in equal monthly principal and interest beginning in July 2022. The BIOS loan is collateralized by certain real estate of LifeQuest.

LifeQuest is required to comply with certain financial covenants, including a debt service coverage ratio and a day's cash on hand amount, pursuant to the various loan agreements. At June 30, 2017, LifeQuest was in compliance with these financial covenants.

Principal payments on the Series 2017 bonds and BIOS loan are as follows:

Year ending June 30,	
2018	$ -
2019	345,000
2020	390,000
2021	175,000
2022	41,460,000
Thereafter	8,540,000
	$ 50,910,000

LifeQuest entered into a revolving line of credit agreement with a bank for $1,500,000 payable as interest only with principal due on demand. Borrowings under the line of credit bear interest at the Wall Street Journal's ("WSJ") Prime Rate plus 0.50%. The interest rate was 4.75% and 4.50% as of June 30, 2017 and 2016, respectively. The line of credit agreement expires October 31, 2018. At both June 30, 2017 and 2016, the outstanding balance was $532,995. The outstanding balance is secured by accounts receivable, inventory, and other business assets of LifeQuest.

NOTE G - MEDICAL MALPRACTICE CLAIMS COVERAGE

LifeQuest is insured for general and professional liability (malpractice) on a claims-made basis with varying coverage of $1,000,000 per occurrence and up to $3,000,000 annual aggregate.

LifeQuest believes it has adequate insurance coverage for all asserted claims, and it has no knowledge of unasserted claims that would exceed insurance coverage.

NOTE H - WORKERS' COMPENSATION

LifeQuest and certain affiliates are self-insured for workers' compensation benefits. LifeQuest has obtained a letter of credit, which expires on July 1, 2018, from a financial institution which guarantees $400,000 to the workers' compensation program. LifeQuest's operating cash and cash equivalents is used as collateral by the financial institution for the letter of credit.

The amount charged to expense was $284,819 and $164,369 for the years ended June 30, 2017 and 2016, respectively, and was based on actual and estimated claims. At June 30, 2017 and 2016, $168,000 and $163,000, respectively, was included in accrued expenses as unfunded liability. LifeQuest believes all costs associated with this self-insured program have been adequately accrued.

NOTE I - CONCENTRATIONS OF CREDIT RISK

LifeQuest grants credit without collateral to its residents and clients, a significant portion of whom are insured under third-party payor agreements primarily with Medicare, Medical Assistance and various insurance companies.

LifeQuest's cash and cash equivalent balances on deposit with financial institutions are insured up to $250,000 per financial institution. LifeQuest maintains deposits in excess of federally insured limits. The credit risk is managed by maintaining all deposits in high-quality financial institutions.

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities include deferred revenue associated with advanced payments on patient accounts and client funds. Amounts are as follows at June 30, 2017 and 2016:

	2017	2016
Deferred revenue	$ 226,766	$ 270,122
Resident funds and client deposits	151,688	140,949
Total	$ 379,453	$ 411,071

NOTE K - OPERATING LEASES

LifeQuest and its affiliates have various lease agreements for medical equipment, office equipment and office space with terms from one to five years. Future minimum payments, by year and in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more, consist of the following at June 30, 2017:

2018	$ 30,280
2019	24,445
2020	22,003
2021	21,074
2022	21,074

Rental expense, included in purchased services, for operating leases was $89,648 and $78,937 in 2017 and 2016, respectively.

NOTE L - RELATED PARTY TRANSACTIONS

LifeQuest, LQNC and Mosser have management agreements with Plexus, a health care management company whose sole stockholder is also president of LifeQuest. LSDC has a management agreement with Lifestyle, a management company whose sole stockholder is also president of LifeQuest. Payments to Plexus and Lifestyle under terms of the agreements are based on a percentage of financial results, subject to a penalty payment if certain financial results are not achieved. Management fee expense collectively of approximately $2,446,106 and $2,423,000 for the years ended June 30, 2017 and 2016, respectively, is included in purchased services expense.

At June 30, 2017 and 2016, accrued expenses included $100,041 and $108,450, respectively, payable to Plexus and Lifestyle.

NOTE M - COMMITMENTS

LifeQuest has standby letters of credit related to the Project with a remaining amount of $152,600 for possible contingency expenses, which are fully collateralized by LifeQuest's cash and cash equivalents.

NOTE N - FUNCTIONAL EXPENSES

LifeQuest provides resident and outpatient nursing care, day care and other services to people of all ages within its geographic location. Expenses related to providing these services for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Resident and patient care services	$ 15,197,122	$ 14,819,389
Day care services	4,312,673	4,205,479
General and administrative	2,592,628	2,528,187
Total	$ 22,102,423	$ 21,553,055

NOTE O - SALE OF LAND AGREEMENT

On December 7, 2010, LifeQuest entered into an Agreement of Sale (the "Agreement") for approximately 30 acres of land located in Milford Township, Pennsylvania for $6,000,000. Restrictive terms and conditions exist within the Agreement relating to specific development of the land to be approved within 10 years from date of sale, or LifeQuest has the option to require the buyer to re-convey the property with any improvements at the original purchase price. As such, LifeQuest has recorded the transaction as a deferred gain on sale of land, reflected in the consolidated balance sheets. Balances as of June 30, 2017 and 2016 are as follows:

Deferred under the Agreement	$ 6,000,000
Assets held under the Agreement:	
Land cost	3,555,323
Settlement costs	746,517
Other costs	147,853
	4,449,693
Net deferral under the Agreement	$ 1,550,307

NOTE P - SUBSEQUENT EVENTS

LifeQuest evaluated its June 30, 2017 consolidated financial statements for subsequent events through October 12, 2017, the date the consolidated financial statements were available to be issued. LifeQuest is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements, except as noted elsewhere in the footnotes to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

LifeQuest and Controlled Entities

CONSOLIDATING BALANCE SHEET

June 30, 2017

	Consolidated	Eliminations	LifeQuest Corporate	LQNC	Mosser	LifeSpan	LifeQuest Enterprises	LifeQuest Foundation	MVE	Milford Village, LP
ASSETS										
Current assets										
Cash and cash equivalents	$ 4,545,052	$ -	$ 510,371	$ 1,778,665	$ 1,585,173	$ 469,754	$ -	$ 201,089	$ -	$ -
Assets limited as to use	1,573,583	-	-	68,426	35,157	-	-	1,470,000	-	-
Resident, patient, and day care accounts receivable, net	2,331,000	-	-	1,574,015	677,256	79,729	-	-	-	-
Due from controlled entities	-	(12,193,944)	-	4,863,256	863,523	1,852,216	352,466	4,262,483	-	-
Prepaid expenses and other current assets	391,089	(30,000)	77,783	106,528	39,126	166,976	-	676	-	30,000
Total current assets	8,840,724	(12,223,944)	588,154	8,390,890	3,200,235	2,568,675	352,466	5,934,248	-	30,000
Assets limited as to use	1,816,201	-	1,351,220	-	-	-	-	464,981	-	-
Other investments	61,867	(35,400)	-	-	-	-	91,867	-	2,400	3,000
Assets held under sales agreement	4,449,693	-	4,449,693	-	-	-	-	-	-	-
Notes receivable	1,121,053	-	1,121,053	-	-	-	-	-	-	-
Property and equipment, net	17,679,473	-	11,757,216	1,282,396	740,249	3,899,612	-	-	-	-
Beneficial interest in perpetual trusts	3,045,804	-	-	-	-	-	-	3,045,804	-	-
TOTAL ASSETS	$ 37,014,815	$ (12,259,344)	$ 19,267,336	$ 9,673,286	$ 3,940,484	$ 6,468,287	$ 444,333	$ 9,445,033	$ 2,400	$ 33,000
LIABILITIES AND NET ASSETS										
Current liabilities										
Current maturities of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Line of credit	532,995	-	532,995	-	-	-	-	-	-	-
Accounts payable	600,087	-	141,139	323,954	134,994	-	-	-	-	-
Accrued expenses	1,108,065	-	118,357	471,459	205,935	312,314	-	-	-	-
Due to controlled entities	-	(12,193,944)	12,193,944	-	-	-	-	-	-	-
Other current liabilities	379,453	(30,000)	30,500	201,956	34,957	142,040	-	-	-	-
Total current liabilities	2,620,600	(12,223,944)	13,016,935	997,369	375,886	454,354	-	-	-	-
Deferred proceeds on sale of land	6,000,000	-	6,000,000	-	-	-	-	-	-	-
Long-term debt, net of current maturities	16,313,950	-	5,322,640	6,907,255	1,714,566	2,369,489	-	-	-	-
TOTAL LIABILITIES	24,934,550	(12,223,944)	24,339,575	7,904,624	2,090,452	2,823,843	-	-	-	-
Net assets (deficit)										
Unrestricted	9,034,461	(35,400)	(5,072,239)	1,768,662	1,850,032	3,644,444	444,333	6,399,229	2,400	33,000
Permanently restricted	3,045,804	-	-	-	-	-	-	3,045,804	-	-
Total net assets (deficit)	12,080,265	(35,400)	(5,072,239)	1,768,662	1,850,032	3,644,444	444,333	9,445,033	2,400	33,000
TOTAL LIABILITIES AND NET ASSETS	$ 37,014,815	$ (12,259,344)	$ 19,267,336	$ 9,673,286	$ 3,940,484	$ 6,468,287	$ 444,333	$ 9,445,033	$ 2,400	$ 33,000

LifeQuest and Controlled Entities

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30, 2017

	Consolidated	Eliminations	LifeQuest Corporate	LQNC	Mosser	LifeSpan	LifeQuest Enterprises	LifeQuest Foundation	MVE	Milford Village, LP
Unrestricted										
Revenues										
Net resident and patient service revenues	$ 17,708,148	$ -	$ -	$ 12,378,201	$ 5,329,947	$ -	$ -	$ -	$ -	$ -
Adult and child day care services revenue	4,486,028	-	-	-	-	4,486,028	-	-	-	-
Other revenue	1,107,752	-	261,118	23,642	9,564	665,861	8	147,559	-	-
Total revenues	23,301,928	-	261,118	12,401,843	5,339,511	5,151,889	8	147,559	-	-
Expenses										
Salaries and benefits	10,428,869	-	538,440	4,936,042	1,989,494	2,964,093	-	800	-	-
Purchased services	7,788,433	-	1,131,289	4,211,863	1,692,550	751,067	-	1,664	-	-
Supplies	1,977,085	-	14,485	1,118,151	379,726	464,218	505	-	-	-
Utilities	545,441	-	49,662	283,600	97,123	115,056	-	-	-	-
Depreciation and amortization	753,966	-	55,142	379,762	96,504	221,780	-	-	-	778
Interest	455,274	-	22,903	271,513	67,427	93,398	33	-	-	-
Provision for bad debts	50,150	-	-	101,826	(58,704)	7,028	-	-	-	-
Other	292,281	-	(1,789,934)	1,144,328	435,188	485,424	3,543	13,732	-	-
Total expenses	22,291,499	-	21,987	12,447,085	4,699,308	5,102,064	4,081	16,196	-	778
Operating income (loss) before other items	1,010,429	-	239,131	(45,242)	640,203	49,825	(4,073)	131,363	-	(778)
Other items										
Loss on refinancing of debt	-	-	-	-	-	-	-	-	-	-
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-
Excess of (deficiency in) revenues over expenses	1,010,429	-	239,131	(45,242)	640,203	49,825	(4,073)	131,363	-	(778)
Other changes in unrestricted net assets				-	-	-	-	-	-	-
Changes in unrealized net gains and losses on investments other than trading securities	188,862	-	145,827	-	-	-	-	43,035	-	-
Other	(5,064)	209,593	-	-	-	-	(12,937)	-	-	(201,720)
Increase (decrease) in unrestricted net assets	1,194,227	209,593	384,958	(45,242)	640,203	49,825	(17,010)	174,398	-	(202,498)
Permanently restricted net assets										
Change in beneficial interest in perpetual trusts	190,883	-	-	-	-	-	-	190,883	-	-
Increase (decrease) in net assets	1,385,110	209,593	384,958	(45,242)	640,203	49,825	(17,010)	365,281	-	(202,498)
Net assets (deficiency), beginning of year	10,695,155	(244,993)	(5,457,197)	1,813,904	1,209,829	3,594,619	461,343	9,079,752	2,400	235,498
Net assets (deficiency), end of year	$ 12,080,265	$ (35,400)	$ (5,072,239)	$ 1,768,662	$ 1,850,032	$ 3,644,444	$ 444,333	$ 9,445,033	$ 2,400	$ 33,000

LifeSpan Daycare
(A Controlled Entity of LifeQuest)

COMBINING STATEMENTS OF REVENUES BY DIVISION

For the year ended June 30,

	2017					2016				
	Total	Quakertown Child	Quakertown School Age	East Greenville	Cedar Point Child	Total	Quakertown Child	Quakertown School Age	East Greenville	Cedar Point Child
Unrestricted										
Revenues										
Day care services revenue	$ 4,686,310	$ 1,463,253	$ 706,519	$ 1,170,999	$ 1,345,539	$ 4,508,741	$ 1,278,107	$ 688,711	$ 1,140,256	$ 1,401,667
Other revenue	465,579	240,204	36,863	79,915	108,597	488,910	236,441	51,383	80,746	120,340
Total revenues	5,151,889	1,703,457	743,382	1,250,914	1,454,136	4,997,651	1,514,548	740,094	1,221,002	1,522,007
Expenses										
Salaries and benefits	2,964,093	1,104,202	302,263	742,484	815,144	2,550,476	854,826	257,264	647,931	790,455
Purchased services	751,067	228,573	139,139	163,837	219,518	754,475	215,859	134,607	168,990	235,019
Supplies	464,218	165,999	43,896	130,207	124,116	458,657	157,152	59,355	115,575	126,575
Utilities	115,056	45,216	4,659	43,992	21,189	116,234	43,658	4,953	45,058	22,565
Depreciation and amortization	221,780	75,987	87	67,973	77,733	234,024	79,413	980	73,556	80,075
Interest	93,398	125	-	45,958	47,315	99,929	103	-	55,363	44,463
Provision for bad debts	7,028	3,192	2,378	79	1,379	1,420	500	-	920	-
Other	485,424	125,983	72,515	136,384	150,542	467,825	112,670	71,720	128,615	154,820
Total expenses	5,102,064	1,749,277	564,937	1,330,914	1,456,936	4,683,040	1,464,181	528,879	1,236,008	1,453,972
Excess of (deficiency in) revenues over expenses	$ 49,825	$ (45,820)	$ 178,445	$ (80,000)	$ (2,800)	$ 314,611	$ 50,367	$ 211,215	$ (15,006)	$ 68,035