EMMAUS HOMES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Emmaus

Contents

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Independent Auditors' Report

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

Report On Financial Statements

We have audited the accompanying consolidated financial statements of Emmaus Homes, Inc. and its subsidiaries, Emmaus Resident Trust Foundation, L.L.C. and Emmaus Properties, L.L.C., not-for-profit organizations, (collectively, the Organization) which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility For The Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

November 18, 2014

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

		June 30,		
		2014		**2013**
Current Assets				
Cash and cash equivalents	$	2,435,572	$	2,610,443
Cash held for residents		180,424		134,916
Accounts receivable (net of allowance for doubtful accounts of $122,442 in 2014 and $81,214 in 2013)		2,317,995		2,121,271
Grants receivable		59,509		113,776
Unconditional promises to give		127,690		116,054
Prepaid expenses		314,388		360,059
Investments		1,172,772		1,163,556
Total Current Assets		6,608,350		6,620,075
Other Assets				
Assets restricted/designated for endowment		13,400,501		11,768,734
Annuities receivable		131,243		130,079
Beneficial interests in perpetual trusts		3,945,927		3,622,094
Property and equipment		6,938,088		4,400,710
Total Other Assets		24,415,759		19,921,617
Total Assets	$	31,024,109	$	26,541,692

Liabilities And Net Assets

		2014		2013
Current Liabilities				
Accounts payable	$	563,840	$	527,725
Accrued wages		1,426,689		1,295,127
Accrued self-insurance liability		203,000		202,000
Amounts held for residents		180,424		134,916
Current maturities of long-term debt		25,972		—
Total Current Liabilities		2,399,925		2,159,768
Long-Term Debt		1,771,051		—
Total Liabilities		4,170,976		2,159,768
Net Assets				
Unrestricted:				
Operations		2,992,387		3,142,823
Investment in property and equipment		5,141,065		4,400,710
Board designated long-term investments		5,477,939		5,065,111
Board designated planning and capital		1,045,822		1,045,822
Total Unrestricted		14,657,213		13,654,466
Temporarily restricted		3,714,565		2,525,875
Permanently restricted		8,481,355		8,201,583
Total Net Assets		26,853,133		24,381,924
Total Liabilities And Net Assets	$	31,024,109	$	26,541,692

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program Revenue								
Program service fees	$ 22,740,892	$ —	$ —	$ 22,740,892	$ 21,286,879	$ —	$ —	$ 21,286,879
Governmental program grants	117,204	—	—	117,204	121,866	—	—	121,866
Total Program Revenue	22,858,096	—	—	22,858,096	21,408,745	—	—	21,408,745
Support And Other Income								
Contributions	643,638	6,069	700	650,407	622,779	4,035	2,005	628,819
Special events, net	88,970	2,969	—	91,939	105,960	—	—	105,960
Bequests	800,455	—	9,888	810,343	58,464	—	—	58,464
United Way	—	185,885	—	185,885	—	178,890	—	178,890
Grant income - nongovernment	35,000	—	—	35,000	34,000	155,376	—	189,376
Grants and awards for capital projects	—	—	—	—	191,046	—	—	191,046
Gift annuities	—	10,269	—	10,269	—	18,541	—	18,541
Other income	4,075	—	—	4,075	53,508	—	—	53,508
Change in value of beneficial interests in perpetual trusts	—	91,272	232,561	323,833	—	42,156	125,031	167,187
Investment income appropriated for operations	595,085	—	—	595,085	514,919	—	—	514,919
Total Support And Other Income	2,167,223	296,464	243,149	2,706,836	1,580,676	398,998	127,036	2,106,710
Net Assets Released From Restrictions	279,773	(279,773)	—	—	366,229	(366,229)	—	—
Total Revenues And Support	25,305,092	16,691	243,149	25,564,932	23,355,650	32,769	127,036	23,515,455
Expenses								
Program Services:								
Residential Care	20,951,917	—	—	20,951,917	19,581,044	—	—	19,581,044
Recreational programs	378,767	—	—	378,767	366,109	—	—	366,109
Management	2,786,367	—	—	2,786,367	2,839,807	—	—	2,839,807
Fundraising	604,012	—	—	604,012	530,149	—	—	530,149
Total Expenses	24,721,063	—	—	24,721,063	23,317,109	—	—	23,317,109
Increase In Net Assets From Operations	584,029	16,691	243,149	843,869	38,541	32,769	127,036	198,346
Investment Income In Excess Of Amount Appropriated For Operations	418,718	1,171,999	36,623	1,627,340	243,832	768,537	23,498	1,035,867
Increase In Net Assets	1,002,747	1,188,690	279,772	2,471,209	282,373	801,306	150,534	1,234,213
Net Assets - Beginning Of Year	13,654,466	2,525,875	8,201,583	24,381,924	13,372,093	1,724,569	8,051,049	23,147,711
Net Assets - End Of Year	$ 14,657,213	$ 3,714,565	$ 8,481,355	$ 26,853,133	$ 13,654,466	$ 2,525,875	$ 8,201,583	$ 24,381,924

EMMAUS HOMES, INC.

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

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

See the accompanying notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2013

	Residential Care Programs	Recreational Programs	Total Programs	Management	Fundraising	Total
Salaries	$ 13,704,097	$ 252,706	$ 13,956,803	$ 1,341,500	$ 376,490	$ 15,674,793
Contracted personnel	31,102	—	31,102	36,597	—	67,699
Fringe benefits	2,092,031	37,657	2,129,688	208,023	52,775	2,390,486
Other personnel costs	270,308	4,416	274,724	114,179	860	389,763
Audit fees	—	—	—	38,915	—	38,915
Bad debt expense	36,059	—	36,059	75,213	—	111,272
Communications	204,651	2,604	207,255	60,525	20,988	288,768
Contract services	98,941	—	98,941	128,513	—	227,454
Equipment expense	55,508	4,629	60,137	43,551	—	103,688
Food	450,513	5,220	455,733	952	616	457,301
Information technology services	90,047	987	91,034	494,591	10,849	596,474
Insurance	215,774	5,923	221,697	43,285	—	264,982
Legal fees	—	—	—	27,410	5,353	32,763
Maintenance and repair	272,007	1,337	273,344	2,893	—	276,237
Materials and supplies	277,920	16,223	294,143	7,937	2,481	304,561
Miscellaneous	2,566	5	2,571	30,156	37,934	70,661
Rent	249,471	—	249,471	—	—	249,471
Professional fees	17,306	3,497	20,803	25,892	5,653	52,348
Staff training	58,311	—	58,311	12,341	6,611	77,263
Staff travel	90,041	3,828	93,869	5,421	8,684	107,974
Transportation	384,393	8,315	392,708	11,908	655	405,271
Utilities	403,772	10,680	414,452	26,077	—	440,529
Total Expenses Before Depreciation And Amortization	19,004,818	358,027	19,362,845	2,735,879	529,949	22,628,673
Depreciation and amortization	576,226	8,082	584,308	103,928	200	688,436
Total Expenses	$ 19,581,044	$ 366,109	$ 19,947,153	$ 2,839,807	$ 530,149	$ 23,317,109

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2014	2013
Cash Flows From Operating Activities		
Increase in net assets	$ 2,471,209	$ 1,234,213
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	590,069	688,436
Loss on disposal of property and equipment	28,816	2,162
Realized gains on investments	(918,295)	(277,373)
Unrealized gains on investments	(1,201,131)	(1,108,561)
Change in value of gift annuity receivable	(1,164)	(5,387)
Change in value of perpetual trusts	(323,833)	(167,187)
In-kind contributions of property and equipment	(55,174)	(144,388)
Permanently restricted contributions	(10,588)	(2,005)
Changes in assets and liabilities:		
(Increase) decrease in cash held for residents	(45,508)	18,113
Increase in accounts and grants receivable	(142,457)	(121,195)
(Increase) decrease in unconditional promises to give	(11,636)	87,744
(Increase) decrease in prepaid expenses	45,671	(36,883)
Increase (decrease) in accounts payable	(46,532)	78,698
Increase in accrued wages	131,562	75,084
Increase (decrease) in accrued self-insurance liability	1,000	(1,000)
Increase (decrease) in amounts held for residents	45,508	(18,113)
Net Cash Provided By Operating Activities	557,517	302,358
Cash Flows From Investing Activities		
Proceeds from sale of investments	5,664,113	12,531,186
Purchases of investments	(5,138,044)	(12,205,223)
Net (purchase) sale of money market funds	(47,626)	20,245
Purchases of property and equipment	(1,221,419)	(389,586)
Proceeds from sale of property and equipment	—	587
Net Cash Used In Investing Activities	(742,976)	(42,791)
Cash Flows From Financing Activities		
Principal payments under financing and capital lease obligations, net	—	(4,369)
Permanently restricted contributions	10,588	2,005
Net Cash Provided By (Used In) Financing Activities	10,588	(2,364)
Net Increase (Decrease) In Cash And Cash Equivalents	(174,871)	257,203
Cash And Cash Equivalents - Beginning Of Year	2,610,443	2,353,240
Cash And Cash Equivalents - End Of Year	$ 2,435,572	$ 2,610,443
Supplemental Disclosure Of Cash Flow Information		
Property and equipment acquired through long-term debt	$ 1,797,023	$ —
Construction in progress acquired through accounts payable	140,307	57,660

1. Organization And Operations

Organization

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

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

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

Nature Of Business

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

The Organization provides for the care and habilitation of more than 260 adults with cognitive and other developmental disabilities. Services are provided in group homes and independent supported living arrangements in four counties in Eastern Missouri. Services are provided without regard to race, color, religion, national origin, sex, veteran status, or disability. The Organization's corporate office is located in St. Charles, Missouri.

Description Of Program Services And Supporting Activities

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

Management

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

Fundraising

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

2. Summary Of Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiaries, the Foundation and Properties.

All significant inter-entity accounts, balances and transactions have been eliminated in consolidation.

Basis Of Accounting

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

Basis Of Presentation

Financial statement presentation follows guidance set forth by generally accepted accounting principles for not-for-profit organizations, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates And Assumptions

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

Cash And Cash Equivalents

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

The Organization invests its excess cash in debt instruments and securities with financial institutions with strong credit ratings and has established guidelines relative to diversification and maturities that are designed to maintain safety and liquidity. Cash balances that exceed Federal Deposit Insurance Corporation (FDIC) limits are invested in money market funds that invest exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. At June 30, 2014, the cash balance in excess of FDIC insurance limits was approximately $1,862,000.

Cash Held For Residents

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

Accounts And Grants Receivable

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

Promises To Give

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

Investments

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

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

Inventory

Inventory consists of fuel, food, and supplies and is carried at the lower of cost (first-in, first-out basis) or market. Inventory in the amount of $26,509 and $32,850 is included in prepaid expenses in the consolidated statement of financial position at June 30, 2014 and 2013, respectively.

Property And Equipment

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

Donated Services

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

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

Restricted And Unrestricted Support

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

Functional Expense Allocation

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

Tax Status

The Organization is exempt from federal income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code (IRC) by inclusion in a group ruling issued to the United Church of Christ.

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

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

Reclassifications

Certain 2013 amounts have been reclassified, where appropriate, to conform to the presentation used in the 2014 financial statements.

3. Unconditional Promises To Give

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

	2014	2013
United Way	$ 93,446	$ 89,640
Other	34,244	26,414
	$ 127,690	$ 116,054

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

4. Investments And Assets Restricted/Designated For Endowment

Investments consist of the following:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 161,109	$ 161,109	$ 113,483	$ 113,483
Fixed income securities:				
Short-term bond funds	528,921	513,259	525,793	507,101
Fixed income series funds	3,021,283	3,129,576	3,385,004	3,311,399
Liquid diversifiers series funds	1,200,000	1,229,540	—	—
	4,750,204	4,872,375	3,910,797	3,818,500
Equity securities:				
Domestic equity series funds	1,928,328	2,763,411	3,555,000	4,104,361
Global equity series funds	2,030,484	2,826,376	3,959,749	4,317,519
Large blend equity funds	21,927	31,101	21,927	27,107
Liquid equity surrogates series funds	3,100,000	3,364,734	—	—
	7,080,739	8,985,622	7,536,676	8,448,987
	$ 11,992,052	$ 14,019,106	$ 11,560,956	$ 12,380,970

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

	2014	2013
Investments	$ 618,605	$ 612,236
Assets restricted/designated for endowment	13,400,501	11,768,734
	$ 14,019,106	$ 12,380,970

Investment income for the years ended June 30, 2014 and 2013 is comprised of the following:

	2014	2013
Unrealized gains	$ 1,201,131	$ 1,108,561
Realized gains	918,295	277,373
Interest and dividend income	140,394	199,968
Less: Investment fees	(37,395)	(35,116)
	$ 2,222,425	$ 1,550,786

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

As discussed in Note 9, certain investments are held as collateral against the line of credit. At June 30, 2014, the fair value of investments securing the line of credit was approximately $1,169,000.

5. Irrevocable Charitable Trusts

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

The following is a summary of changes in annuity receivables:

	June 30,	
	2014	**2013**
Beginning balance	$ 130,079	$ 124,692
Receivable associated with new contributions	—	5,771
Maturity of gift annuities	(9,105)	(13,154)
Realized gain at maturity	4,025	7,290
Change in present value of receivable	6,244	5,480
Ending balance	$ 131,243	$ 130,079

6. Beneficial Interests In Perpetual Trusts

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

Various terms included in the trust documents require distributions to be made each year based upon income earned and/or a percentage of assets remaining. The Organization received $131,085 in distributions and recognized investment appreciation of $323,833 for the year ended June 30, 2014. The Organization received $122,419 in distributions and recognized investment appreciation of $167,187 for the year ended June 30, 2013. See Note 13 for fair value disclosures.

7. Property And Equipment

Property and equipment consists of:

	2014	2013
Land, buildings and improvements	$ 12,550,269	$ 10,004,017
Furniture and equipment	1,871,901	1,618,057
Vehicles	1,983,303	1,965,163
Construction in process	5,522	67,660
	16,410,995	13,654,897
Less: Accumulated depreciation and amortization	9,472,907	9,254,187
	$ 6,938,088	$ 4,400,710

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 totaled $590,069 and $688,436, respectively.

8. Self-Insured Medical Benefits

The Organization has established a self-insurance plan covering certain medical benefits for substantially all of its employees. Medical claims are subject to per participant and aggregate limits, with the excess liability coverage provided by an independent insurer. After meeting a preset claim limit for a participant, the Organization is reimbursed for the excess cost of claims paid for a participant during the annual term of the insurance policy. The amount expensed by the Organization for these medical benefits is $1,535,516 and $1,158,668 for the years ended June 30, 2014 and 2013, respectively. This expense is included in fringe benefits in the consolidated financial statements. The accrued self-insurance liability as of June 30, 2014 and 2013 is $203,000 and $202,000, respectively.

9. Line Of Credit

The Organization has a line-of-credit agreement in the amount of $1,000,000 with U.S. Bank. The line of credit is secured by investments per a collateral agreement. The line of credit was renewed in February 2014 under the same terms and expires in February 2015. Borrowing under the line of credit bears interest at a rate equal to the LIBOR monthly rate plus 2% (2.1875% at June 30, 2014). There was no outstanding balance on this line of credit at June 30, 2014 or 2013.

10. Pension Plans

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

The second plan is a 403(b) retirement plan sponsored by the Organization that provides coverage for its remaining employees. Employees are eligible to participate in salary reduction contributions on their dates of hire. Employees who have one year of consecutive service with at least 1,000 hours and are age 21 are eligible to receive employer contributions. The Organization may elect to provide a discretionary contribution to the retirement plan for all employees. In addition, the Organization may elect to provide an additional discretionary matching contribution to the retirement plan for those employees who contribute to the plan. The Organization's contributions plus any earnings they generate are vested as follows:

Years Of Vesting Service	Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

During 2013, the Organization reinstated a matching contribution to the 403(b) retirement plan. Pension expense for the years ended June 30, 2014 and 2013 for both plans totaled $143,552 and $83,898, respectively. This amount is included in fringe benefits in the consolidated financial statements.

11. Commitments

The Organization leases various residential space and equipment under operating leases expiring on various dates through 2019. Rent expense for the years ended June 30, 2014 and 2013 was $276,877 and $320,003, respectively. Aggregate minimum rental commitments under operating leases at June 30, 2014 are as follows:

Year	Amount
2015	$ 147,588
2016	122,978
2017	77,546
2018	57,758
2019	8,041
	$ 413,911

Additionally, the Organization is the guarantor on several leases for residential space entered into by individuals supported by the Organization. The aggregate amount guaranteed by the Organization at June 30, 2014 totaled approximately $4,002,000. Subsequent to June 30, 2014, the Organization guaranteed additional amounts on similar leases totaling approximately $312,000. These leases expire on various dates through fiscal year 2029.

The Organization also obtains certain technology services under a contract that expires in 2015. For each of the years ended June 30, 2014 and 2013, the Organization recorded an expense of approximately $437,000, related to this contract. Future commitments under this contract approximate $437,000 through fiscal year 2015.

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

12. Funding Concentration

The Organization receives funding for a majority of the residents from the Missouri Department of Mental Health (DMH) under the Medicaid Waiver program. DMH reimburses the Organization for the expenses associated with the residential habilitation of these individuals. The amounts received from the sources above account for approximately 93% of Total Program Revenue and 82% of Total Program Revenue and Public Support for the year ended June 30, 2014. The amounts received from the sources above account for approximately 91% of Total Program Revenue and 83% of Total Program Revenue and Public Support for the year ended June 30, 2013.

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

As of June 30, 2014 and 2013, substantially all of the accounts receivable balance represented amounts due from state governmental agencies.

13. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended June 30, 2014 and 2013. Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

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

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

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

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

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the investment or derivative based on the best information available in the circumstances.

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2014 and 2013:

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

	2013			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 113,483	$ —	$ —	$ 113,483
Short-term bond funds	—	507,101	—	507,101
Fixed income series funds	—	3,311,399	—	3,311,399
Domestic equity series funds	—	4,104,361	—	4,104,361
Global equity series funds	—	4,317,519	—	4,317,519
Large blend equity funds	27,107	—	—	27,107
Beneficial interest in perpetual trusts	—	—	3,622,094	3,622,094
	$ 140,590	$ 12,240,380	$ 3,622,094	$ 16,003,064

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2014 and 2013:

	Beneficial Interests In Perpetual Trusts
Balance - July 1, 2012	$ 3,454,907
Change in value of beneficial interests in perpetual trusts	167,187
Balance - June 30, 2013	3,622,094
Change in value of beneficial interests in perpetual trusts	323,833
Balance - June 30, 2014	$ 3,945,927

There were no significant transfers between Levels 1, 2 or 3 during the years ended June 30, 2014 or 2013.

As of June 30, 2014 and 2013, the Level 2 and 3 investments and derivatives listed in the fair value hierarchy tables use the following valuation techniques and inputs:

Alternative Investments - Series LLC Funds

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

Beneficial Interests In Perpetual Trusts

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income series funds (a)	$ 3,129,576	$ —	semi-monthly	5-30 days
Domestic equity series funds (b)	2,763,411	—	semi-monthly	5-30 days
Global equity series funds (c)	2,826,376	—	semi-monthly	5-30 days
Liquid diversifiers series funds (d)	1,229,540	—	semi-monthly	5-30 days
Liquid equity surrogates series funds (e)	3,364,734	—	semi-monthly	5-30 days

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

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

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

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

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

During 2014 and 2013, there were no changes in the methods or assumptions utilized to derive the fair values of the Organization's assets.

14. Long-Term Debt

On August 5, 2013, the Organization acquired a commercial building in St. Charles, Missouri for a purchase price of $1,032,220. The building's purchase price was funded with a bank borrowing of $875,000 and cash. The bank borrowing is structured as a 5-year loan, with a fixed interest rate of 3.75% during the first 3 years of the loan, and 4.00% during the final 2 years. In addition, the loan provides for the possibility of borrowing additional amounts up to a maximum total loan amount of $1,836,000, to finance the cost of building renovations. The loan is secured by the property and further secured by Commercial Guaranty of Emmaus Homes, Inc. The loan provides for interest-only payments through January 2015, and then converts to a monthly principal and interest repayment schedule for the remainder of the 5-year term, based on a 20-year amortization, with a balloon payment of interest and principal due at maturity on July 10, 2018. The loan contains certain restrictive covenants, which among other things, establish a minimum debt service coverage ratio and minimum net income. The Organization was in compliance with these covenants at June 30, 2014. The balance outstanding at June 30, 2014 was $1,797,023.

The scheduled maturities of the long-term debt at June 30, 2014 are as follows:

Year	Amount
2015	$ 25,972
2016	63,336
2017	58,205
2018	59,888
2019	1,589,622
	$ 1,797,023

15. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to the following restrictions:

	2014	2013
Endowment income	$ 3,093,449	$ 1,921,720
Annuities	131,243	130,079
Beneficial interest in perpetual trusts	293,685	202,414
Nongovernment grants	24,460	103,202
United Way grants and awards	93,314	89,741
Capital gifts	59,688	56,992
Special events	2,969	—
Bequests	6,178	5,910
Resident activities	3,813	6,948
Chaplains' discretionary fund	5,766	8,869
	$ 3,714,565	$ 2,525,875

Temporarily restricted net assets were released from restrictions as follows:

	2014	2013
Time Restricted:		
United Way	$ 182,312	$ 179,423
Nongovernment grants	78,742	52,174
Legacies	—	62,500
Annuities	9,105	13,154
Total Time Restricted	270,159	307,251
Purpose Restricted:		
Various	9,614	21,080
Capital	—	37,898
Total Purpose Restricted	9,614	58,978
	$ 279,773	$ 366,229

Permanently Restricted Net Assets

Permanently restricted net assets are comprised as follows:

	2014	2013
Endowments	$ 4,829,113	$ 4,781,903
Beneficial interests in perpetual trusts	3,652,242	3,419,680
	$ 8,481,355	$ 8,201,583

Endowment

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

Interpretation Of Relevant Law

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

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

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

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

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ —	$ 1,921,720	$ 4,781,903	$ 6,703,623
Board designated endowment funds	5,065,111	—	—	5,065,111
	$ 5,065,111	$ 1,921,720	$ 4,781,903	$ 11,768,734

Changes In Endowment Assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, July 1, 2012	$ 4,811,543	$ 1,153,476	$ 4,756,401	$ 10,721,420
Investment income, net	646,068	768,244	23,497	1,437,809
Contributions	—	—	2,005	2,005
Appropriation for current operations	(392,500)	—	—	(392,500)
Endowment assets, June 30, 2013	5,065,111	1,921,720	4,781,903	11,768,734
Investment income, net	876,828	1,171,729	36,622	2,085,179
Contributions	—	—	10,588	10,588
Appropriation for current operations	(464,000)	—	—	(464,000)
Endowment assets, June 30, 2014	$ 5,477,939	$ 3,093,449	$ 4,829,113	$ 13,400,501

Funds With Deficiencies

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2014 or 2013.

Return Objectives And Risk Parameters

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

Strategies Employed For Achieving Objectives

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

Spending Policy And How The Investment Objectives Relate To Spending Policy

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

16. Contingencies

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

17. Subsequent Events

Management has evaluated subsequent events through November 18, 2014, the date which the consolidated financial statements were available for issue.

Subsequent to June 30, 2014, the Organization entered into three contracts with a St. Louis residential homebuilder to construct three homes to complete the transition of all remaining clients on the St. Charles Campus to homes in the community. Construction on the homes is expected to be completed during the Organization's fiscal year ending June 30, 2015. At closing, the Organization may acquire one, two, or all three of the homes; or alternatively, the homes may be acquired by a third-party investor. In either case, the homes will be rented to the Organization's residents. The total potential commitment for the acquisition of the homes would approximate $720,000. If the Organization elects to purchase the homes, the purchase will be funded through a combination of bank loans, grant funding, and working capital.

Subsequent to June 30, 2014, the Organization signed a listing agreement with a real estate broker to start marketing activities related to the sale of approximately 88 acres of land and related buildings that it owns in St. Charles, Missouri. At June 30, 2014, the land and buildings had a net book value of approximately $790,000 which is included in property and equipment in the consolidated statements of financial position.