KENTUCKY MEDICAL SERVICES FOUNDATION, INC.

Financial Statements

Years Ended June 30, 2015 and 2014
with Report of Independent Auditors

CONTENTS

DEANDORTON

DEAN DORTON ALLEN FORD, PLLC

Report of Independent Auditors

To the Board of Directors of
Kentucky Medical Services Foundation, Inc.
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Kentucky Medical Services Foundation, Inc. (KMSF) which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

106 W. Vine Street, Suite 600 • Lexington, KY 40507 • 859-255-2341 **phone** • 859-255-0125 **fax**
500 W. Jefferson Street, Suite 1400 • Louisville, KY 40202 • 502-589-6050 **phone** • 502-581-9016 **fax**
deandorton.com

To the Board of Directors of
Kentucky Medical Services Foundation, Inc.
Report of Independent Auditors, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Medical Services Foundation, Inc. as of June 30, 2015 and 2014, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 16 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Dean Dotton Allen Ford, PLLC

September 18, 2015
Lexington, Kentucky

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KENTUCKY MEDICAL SERVICES FOUNDATION, INC.

Balance Sheets

June 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Investments and interest bearing deposits, current	$ 21,702,649	$ 26,452,132
Patient accounts receivable, less allowance for uncollectibles of $4,003,021 and $6,364,679 and allowances for contractual adjustments of $49,168,484 and $43,449,773 in 2015 and 2014, respectively	28,417,769	23,380,807
Accounts receivable - physician supplemental payments	11,381,187	-
Other receivables, current portion	1,533,974	1,781,597
Other current assets	55,854	52,670
Total current assets	63,091,433	51,667,206
Assets limited as to use:		
Dean's academic enrichment funds - limited by agreement	561,193	253,069
Investments and interest bearing deposits, noncurrent	54,927,373	44,469,880
Other receivables, less current portion	801,900	801,233
Property and equipment:		
Land and improvements	2,636,277	2,322,552
Buildings	44,274,023	44,158,762
Furniture and equipment	9,788,990	9,250,834
Capitalized software	10,958,682	3,030,789
Buildings under capital lease obligations	27,235,355	-
Equipment under capital lease obligations	1,260,140	1,704,672
	96,153,467	60,467,609
Less accumulated depreciation	20,408,672	17,944,786
Net property and equipment	75,744,795	42,522,823
Total assets	$ 195,126,694	$ 139,714,211

	2015	2014
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 7,338,372**	$ 8,027,063
Long-term debt, current portion	**600,169**	1,088,875
Capital leases, current portion	**2,465,360**	284,449
Settlement due to third party payors	**4,302,173**	2,362,610
Patient refunds	**505,664**	428,750
Due to the University of Kentucky	**18,590,039**	12,738,091
Due to the University of Kentucky - malpractice fund	**18,096,357**	17,626,070
Due to the College of Medicine departments under departmental plan agreements	**70,492,986**	54,372,598
Total current liabilities	**122,391,120**	96,928,506
Long-term debt, net of current portion	**18,928,969**	19,575,647
Capital leases, net of current portion	**20,297,159**	691,113
Total long-term liabilities	**39,226,128**	20,266,760
Total liabilities	**161,617,248**	117,195,266
Unrestricted net assets:		
Board designated - property (net of long-term debt and capital leases) and equipment	**33,509,446**	22,518,945
Total liabilities and net assets	**$ 195,126,694**	$ 139,714,211

See accompanying notes.

KENTUCKY MEDICAL SERVICES FOUNDATION, INC.

Statements of Operations and Changes in Net Assets

Years ended June 30, 2015 and 2014

	2015	2014
Revenues and gains:		
Net professional clinical service fee revenue	$ 208,338,766	$ 205,748,093
Capitation revenue	27,115,653	26,768,849
Provision for bad debts	(10,573,587)	(25,911,890)
Net professional clinical service fee revenue less provision for bad debts	224,880,832	206,605,052
Lease income	3,109,167	3,794,038
Investment income, net	101,658	86,801
Physician supplemental payments	71,996,809	14,757,731
Other income, net	4,078,929	5,092,533
Total revenues and gains	304,167,395	230,336,155
Expenses:		
Departmental expenses	246,019,511	187,516,337
Operating expenses - business office	22,966,855	19,442,287
UKHMO capitation expenses	5,634,868	5,710,007
Reimbursement to the University of Kentucky for malpractice insurance and expenses attendant to the production of clinical income	8,540,983	3,698,491
Dean's academic enrichment funds	6,290,322	9,192,336
Physicians' fringe benefits	2,551,196	2,177,813
Dean's Fund scholarships	1,173,159	948,725
Total expenses	293,176,894	228,685,996
Increase in net assets	10,990,501	1,650,159
Net assets, beginning of year	22,518,945	20,868,786
Net assets, end of year	$ 33,509,446	$ 22,518,945

See accompanying notes.

KENTUCKY MEDICAL SERVICES FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 10,990,501	$ 1,650,159
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,494,689	2,150,746
Donated furniture and equipment	-	(60,386)
(Gain) loss on disposal of assets	(38,872)	470
Provision for bad debts	10,573,587	25,911,890
Increase (decrease) in cash due to changes in:		
Patient accounts receivable	(15,610,549)	(26,691,741)
Accounts receivable - physician supplemental payments	(11,381,187)	-
Other receivables	246,956	2,012,613
Other current assets	(3,184)	12,770
Accounts payable and accrued liabilities	(688,691)	4,469,643
Settlement due to third party payors	1,939,563	15,892
Patient refunds	76,914	259,104
Due to the University of Kentucky	5,851,948	275,563
Due to the University of Kentucky - malpractice fund	470,287	3,300,638
Due to the College of Medicine departments under departmental plan agreements	16,120,388	12,011,982
Net cash provided by operating activities	21,042,350	25,319,343
Cash flows from investing activities:		
Capital expenditures	(11,984,817)	(2,488,443)
Net change in investments and interest-bearing deposits	(5,708,010)	(22,780,720)
Net change in assets limited as to use	(308,124)	1,235,416
Proceeds on sale of property and equipment	149,408	-
Net cash used in investing activities	(17,851,543)	(24,033,747)
Cash flows from financing activities:		
Repayments on long-term debt	(1,135,384)	(1,054,878)
Payments on capital leases	(2,055,423)	(230,718)
Net cash used in financing activities	(3,190,807)	(1,285,596)
Net change in cash	$ -	$ -

KENTUCKY MEDICAL SERVICES FOUNDATION, INC.

Statements of Cash Flows, continued

Years ended June 30, 2015 and 2014

Supplemental cash flow disclosures:		**2015**		2014
Cash paid for interest	$	**936,820**	$	915,817
Noncash investing and financing transactions:				
Capital lease obligation for purchase of buildings and equipment	$	**23,842,380**	$	696,578

See accompanying notes.

KENTUCKY MEDICAL SERVICES FOUNDATION, INC.

Notes to the Financial Statements

1. Description of the Organization

Kentucky Medical Services Foundation, Inc. (KMSF) is a non-profit, non-stock corporation. KMSF has been assigned the responsibility to bill, collect and administer all clinical income generated by the physicians of the University of Kentucky (UK) College of Medicine (the College) in accordance with an annual agreement (the Agreement) between KMSF and UK regarding the operation of KMSF. The Agreement was last renewed on July 1, 2015.

Although included in UK's audited financial statements according to *Governmental Accounting Standards,* KMSF is not considered to be an affiliate of UK by Kentucky Revised Statute.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which required management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The Financial Accounting Standards Board (FASB) promulgates its Accounting Standards Codification (ASC) as the only source of authoritative accounting principles recognized by the FASB to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP. The following is a summary of the significant accounting policies consistently followed by KMSF in the preparation of its financial statements:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis. Under the terms of the various departmental plans and the Agreement with UK, all income from operations of KMSF, exclusive of changes in the net book value of property and equipment, debt acquired for purchase of property and equipment and changes in amounts designated by the Board of Directors for specific purposes, are payable to the participating departments. Accordingly, such amounts have been included as departmental expenses in the accompanying statements of operations and changes in net assets.

Management has elected to exclude the following disclosure required by GAAP: the identification of the investments' fair values by the levels of observable inputs are not disclosed. Management has examined the impact of this disclosure on the financial statements and believes the omittance of this disclosure does not have a material effect on a user's decisions regarding the financial statements.

Assets Limited as to Use

Assets limited as to use include cash and investments set aside by the Board of Directors for specific purposes over which the Board retains control and may, at its discretion, subsequently use for other purposes, if any, and cash and investments set aside in accordance with the Agreement between KMSF and UK (see Note 5).

2. Summary of Significant Accounting Policies, continued

Property and Equipment

KMSF capitalizes all expenditures in excess of $2,000 for property and equipment. Property and equipment purchased are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the depreciable assets which range from three to forty years. Donated property and equipment, if any, are recorded at estimated fair value at the date of donation.

Income Tax Exemption

KMSF is a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income.

Net Professional Clinical Service Fees

Net professional clinical service fees are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments, if any, from third-party payors.

During 2011, Medicaid contracted with three managed care organizations (MCOs) to create networks of providers around Kentucky to provide Medicaid services to approximately 560,000 Kentuckians. The MCOs provide Medicaid covered benefits for Medicaid recipients for a fixed per member, per month premium via rates based on age, gender, disability, etc. One of the MCO's, Kentucky Spirit, terminated their contract with Medicaid on July 5, 2013. Kentucky Spirit recipients were reassigned to one of the two remaining MCO's, CoventryCares or WellCare. At the time that Kentucky Spirit left the state, KMSF had an outstanding accounts receivable balance with them. During fiscal year 2014, the balance was settled between Kentucky Spirit and KMSF and what was not paid to KMSF was written off.

Under the Medicaid Expansion Program in fiscal year 2014, Anthem, Humana CareSource, and Passport Health Plan were added as new MCO's to expand Medicaid coverage in Kentucky. As a result of the Medicaid Expansion Program, a significant number of individuals are newly eligible for Medicaid coverage. This has led to a decline in patients qualifying for charity care.

Retroactive settlements to third party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. These final settlements occur in the normal course of business.

Charity Care

UK provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because UK does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care charges totaled $1,340,926 and $14,237,056 in 2015 and 2014, respectively. Management has estimated its cost incurred to provide charity care to be approximately $510,000 and $4,180,000 as of June 30, 2015 and 2014, respectively.

2. Summary of Significant Accounting Policies, continued

Investments and Investment Income

KMSF has investments in certificates of deposit and other interest bearing deposits, government securities, guaranteed investment contracts and mutual funds as permitted by the Agreement with UK. These investments are stated at fair value or carrying amounts that approximate fair value.

Investment income (including realized gains and losses on investments, interest and dividends) is considered by management to be essential to the ongoing operations of KMSF and is reported as other operating revenue. Unrealized gains and losses on investments, if any, are excluded from the excess of revenues over expenses.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through September 18, 2015, the date that the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted before 2018. The updated standard becomes effective for KMSF in 2020. KMSF has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

3. Patient Accounts Receivable

Patient accounts receivable consist of amounts due from government programs (e.g., Medicare and Medicaid) and non-government payors (e.g., self-pay and commercial payors). Management believes there are minimal credit risks associated with the receivables from government programs. Non-government receivables are from various payors that are subject to differing economic conditions. Management continually monitors and adjusts the allowance for uncollectible accounts associated with credit risk of patient accounts receivable.

3. Patient Accounts Receivable, continued

KMSF has recorded an allowance for uncollectible patient accounts receivable of approximately 5% and 9% of gross patient accounts receivable as of June 30, 2015 and 2014, respectively. A summary of the changes in the allowance for uncollectible patient accounts receivable is as follows:

Year ended June 30,	2015	2014
Balance, beginning of year	$ **6,364,679**	$ 5,676,295
Provision for bad debts	**10,573,587**	25,911,890
Receivables charged off	**(12,935,245)**	(25,223,506)
Balance, end of year	$ **4,003,021**	$ 6,364,679

4. Other Receivables

During 2006, KMSF began making loans to physicians who they anticipate will become employees of UK. A portion of these loans will be forgiven each year, up to the maximum amount of the loan, if certain conditions, such as serving as a full-time physician and faculty member of UK, are met by the borrower. If the conditions for forgiveness are not met, the entire principal balance is payable by the borrower, including accrued interest at the rate of 1% above prime. The total amount outstanding on such loans was $1,334,292 and $1,312,284 as of June 30, 2015 and 2014, respectively.

5. Academic Enrichment Funds

In accordance with the Agreement with UK effective July 1, 2014 and the Agreement with UK effective July 1, 2013, KMSF reimbursed UK for actual expenses incurred by UK which are attendant to the production of clinical income, as defined. In 2015 and 2014, the amount reimbursed was $6,290,322 and $9,192,336, respectively. Payments are made to UK for the purpose of providing a fund (the Dean's Fund) for academic enrichment for the College. The Dean of the College may expend these funds to support the College or any related purpose. Also in accordance with these Agreements, KMSF is required to maintain a cash amount, which represents a specified percentage of cumulative clinical income collected, less cumulative disbursements by the Dean of the College. The percentage of collections added to this account was 8% in both 2015 and 2014. The funds in the account are for the use of the Dean and are included as part of the liability payable under the Departmental Plan Agreements. In 2015 and 2014, $5,590,595 and $7,360,390, respectively, of such funds were expended and are included in departmental expenses.

6. Investments and Interest Bearing Deposits

Investments and interest bearing deposits, including accrued interest, are as follows as of June 30:

	2015	2014
Interest bearing deposits and government securities	$ 58,557,330	$ 53,229,687
Mutual funds primarily based in fixed income securities	1,795,767	1,904,895
Equity securities and equity security mutual funds	16,220,617	15,685,743
Guaranteed investment contracts	56,308	101,687
Total investments and interest bearing deposits	$ 76,630,022	$ 70,922,012

The components of investment income from investments and interest bearing deposits for 2015 and 2014 consist of $101,658 and $86,801, respectively, of dividends and interest.

Management has elected to follow Accounting Research Bulletin 43 in the presentation of current and non-current investments as follows:

	2015	2014
Current investments	$ 21,702,649	$ 26,452,132
Non-current investments	54,927,373	44,469,880
Total investment and interest bearing deposits	$ 76,630,022	$ 70,922,012

7. Settlement Due to Third Party Payors

KMSF has accrued settlements due to third party payors of approximately $4,300,000 and $2,400,000 as of June 30, 2015 and 2014, respectively. This liability represents amounts due to the federal government (e.g. Department for Medicaid Services), insurance companies and individuals for payments KMSF has received but which need to be refunded due to various reasons within the revenue cycle. The amount accrued as of June 30, 2015 includes approximately $2,500,000 due to various payors currently under review by UK and KMSF compliance. KMSF has accrued the liability as if 100% of the payments received under review will need to be refunded.

8. Long-Term Debt and Capital Leases

As of June 30, 2015 and 2014, notes payable and capital lease obligations consisted of the following:

	2015	2014
Bank note payable, maturing March 2017, bearing interest at 4.25%, collateralized by property, principal and interest payments of $115,224 due monthly.	$ 19,472,830	$ 20,003,878
Capital lease obligation, maturing February 2030, bearing interest at 4.25%, collateralized by property with a net book value of $21,824,904, payments of $125,019 per month (increasing by 2% every subsequent lease year)	18,131,313	-
Capital lease obligation, maturing June 2020, bearing interest at 4.25%, collateralized by property with a net book value of $5,167,266, payments of $79,937 per month (increasing by 2% every subsequent lease year)	4,311,239	-
Capital lease obligations at varying rates of interest from 1.55% to 5.50%, collateralized by leased equipment with a net book value of $722,612 at June 30, 2015.	319,967	975,562
Note payable to an individual, maturing August 2016, bearing interest at 5.7%, collateralized by an annuity security, principal and interest payments of $4,167 due monthly.	56,308	101,687
Bank note payable, matured June 2015	-	491,688
Bank note payable, paid in June 2015	-	59,896
Bank note payable, matured September 2014	-	7,373
Total long-term debt	42,291,657	21,640,084
Less current portion	3,065,529	1,373,324
Long-term debt, net of current portion	$ 39,226,128	$ 20,266,760

8. Long-term Debt and Capital Leases, continued

Scheduled principal repayments on notes payable and payments on capital lease obligations are as follows:

Year ending June 30,	Notes Payable	Capital Lease Obligations
2016	$ 600,169	$ 2,633,301
2017	18,928,969	2,621,812
2018	-	2,662,573
2019	-	2,675,349
2020	-	2,693,806
Thereafter	-	17,584,720
	$ 19,529,138	30,871,561
Less amount representing interest under capital lease obligations		8,109,042
		$ 22,762,519

Interest expense was $936,820 and $915,817 for the years ended June 30, 2015 and 2014, respectively.

9. Net Professional Clinical Service Fees and Capitation Revenue

UK and KMSF have agreements with third-party payors that provide for payments at amounts different from their established rates. Contractual adjustments represent the difference between billing at established rates and amounts reimbursed by third-party payors.

A summary of gross and net professional clinical service fee revenue and capitation revenue for the years ended June 30, 2015 and 2014 follows:

	2015	2014
Gross professional clinical service fee revenue and capitation revenue	$ **591,156,750**	$ 547,199,650
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	**(355,702,331)**	(314,682,708)
Net professional clinical service fee revenue and capitation revenue	$ **235,454,419**	$ 232,516,942

10. Physician Supplemental Payments

During 2015 and 2014, KMSF received $71,996,809 and $14,757,731, respectively, in physician supplemental payments from the University of Kentucky. These funds are used to supplement KMSF's professional clinical service fees and to support the ongoing operations of KMSF.

11. Leasing Activities

KMSF leases office space to UK as well as other non-related entities. The lease contract with UK is currently month-to-month. The lease contracts with the non-related entities vary with remaining terms ranging from less than one year to less than two years. KMSF received $3,047,023 and $3,636,598 in lease income from UK and $62,144 and $157,440 from other non-related entities in 2015 and 2014, respectively.

12. Medical Malpractice Insurance

KMSF is self-insured, along with UK, for malpractice claims. On an annual basis, the malpractice liability is actuarially determined at a consolidated basis using claims data from UK and KMSF. UK informs KMSF of their portion of the overall liability as well as their funding requirements to maintain appropriate funding levels. KMSF maintains their portion of the malpractice fund investments. Management believes the malpractice self-insurance fund is adequate to cover any losses.

13. Commitments and Contingencies

Litigation

KMSF is currently involved in litigation and/or regulatory investigations. KMSF's involvement typically arises either in the course of KMSF's business or in KMSF's role as a support organization for UK, and it is possible that the litigation and/or regulatory investigations could result in a material adverse effect on KMSF's future financial position or results from operations. Apart from matters where KMSF's involvement is part of such support role, management estimates these matters will be resolved without material adverse effect on KMSF's future financial position or results from operations.

Operating Leases

KMSF leases various equipment and facilities under operating leases that are set to expire at various dates. Total rental expense in 2015 and 2014 was $2,015,015 and $3,286,018, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2015:

Year ending June 30,		
2016	$	2,081,858
2017		1,504,711
2018		1,228,288
2019		1,024,498
2020		947,472
Thereafter		6,056,439
	$	12,843,266

14. Concentrations of Credit Risk

UK and KMSF grant credit without collateral to their patients, most of whom are area residents and are insured under third-party payor arrangements. The mix of receivables from patients and third-party payors at June 30, 2015 and 2014, was as follows:

	2015	2014
Medicaid	30 %	25 %
Other third-party payors	29	32
Medicare	22	22
Blue Cross	13	11
Patients	6	10
	100 %	100 %

15. Healthcare Reform

The American Recovery and Reinvestment Act of 2009

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (the Recovery Act) was signed into law. A major component of the Recovery Act is its emphasis on improving health information technology (also known as HIT). The federal government believes the implementation of technology will ultimately increase the quality and reduce the cost of healthcare.

To accomplish the improvement of HIT, the Recovery Act includes payment incentives for qualifying professionals. Physicians and hospitals that are considered early adopters of electronic health records (EHR) can become eligible to receive a significant amount of money from Medicare or Medicaid.

During the years ended June 30, 2015 and 2014, KMSF applied for and received $365,500 and $269,167 in Medicaid HIT funds, respectively, and $1,325,866 and $1,017,344 in Medicare funds, respectively. KMSF intends to apply for additional funds in the coming years. Both the 2015 and 2014 funds and any funds from past or future applications are contingent on reaching certain metrics and various states of "meaningful use" as defined by the Recovery Act.

16. Restatement of Prior Years' Financial Statements

During 2015, KMSF discovered that certain capital expenditures related to the construction of a building occupied by Child Development Centers of the Bluegrass, Inc. (CDC) had been inappropriately recorded as expenses on the statements of operations in the years ending June 30, 2014 and 2013. These costs should have been capitalized to property and equipment and set up to be depreciated over 10 (furniture and fixtures) and 40 years (building). The 2014 financial statements have been restated to correct this error. The effect of the adjustments was decrease in change in net assets of $82,213, an increase in beginning net assets of $4,905,336 and an increase of ending net assets of $4,823,123 as of and for the year ending June 30, 2014. The decrease in change in net assets for the year ending June 30, 2014 was a result of rent income of $47,281 and depreciation expense of $129,494. The increase in beginning of year net assets for the year ending June 30, 2014 was a result of increasing beginning of year property and equipment by $4,952,618, increasing accrued liabilities for unearned rent income by $2,320,712 and decreasing Due to College of Medicine departments under departmental plan agreements by $2,273,430.