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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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May 11, 2017

Board of Directors
Centerstone of Indiana, Inc.
645 South Rogers Street
Bloomington, IN 47403

We have reviewed the audit report prepared by Blue and Co., LLC, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Centerstone of Indiana, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

CENTERSTONE

CENTERSTONE OF INDIANA, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2015 AND 2014

CPAs / ADVISORS

blue

CENTERSTONE OF INDIANA, INC.

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CPAS / ADVISORS

blue

Blue & Co., LLC / One American Square, Suite 2200 / Box 82062 / Indianapolis, IN 46282
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Centerstone of America, Inc.
Nashville, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Centerstone of Indiana, Inc. and its subsidiaries (the Center), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Independent Living Alternatives, Inc. d/b/a Cumberland Apartments and Centerstone Supportive Housing, LLC d/b/a Redwood Terrace included in the consolidated statements, whose statements reflect total assets of approximately $8,887,000 and $9,137,000 as of June 30, 2015 and 2014, and total revenues of approximately $996,000 and $970,000 for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those identified, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General in the United States and Guidelines for Examination of Entities Receiving Financial Assistance From Governmental Sources, issued by the Indiana State Board of Accounts. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Notes 1 and 2 to the consolidated financial statements, the Center is part of an affiliated group of entities. The Center is included in the reporting entity, Centerstone of America, and these consolidated financial statements include only the financial position, changes in net assets and cash flows of the Center. Our opinion is not modified with respect to this matter.

Board of Directors
Centerstone of America, Inc.
Nashville, Tennessee

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information on pages 35 through 40 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to the financial statements audited by other auditors is based on the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Blue & Co., LLC
Indianapolis, Indiana
November 11, 2015

CENTERSTONE OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	$ 13,381,620	$ 11,612,333
Accounts receivable, net	1,594,892	2,101,730
Other receivables	4,011,794	3,186,535
Due from affiliated entities	2,998,879	1,863,893
Unconditional promises to give, net	372,818	398,110
Prepaid expenses and other current assets	143,285	143,453
Total current assets	22,503,288	19,306,054
Property and equipment, net	25,678,212	25,593,426
Other assets	58,643	141,685
Unconditional promises to give, net	207,572	547,557
Beneficial interest	1,324,448	1,379,816
Assets whose use is limited	8,454,979	8,386,744
Total assets	$ 58,227,142	$ 55,355,282

LIABILITIES AND NET ASSETS

	2015	2014
Current liabilities		
Current portion of long term debt	$ 945,638	$ 902,522
Accounts payable and accrued expenses	876,391	1,089,207
Estimated third party settlements	1,518,845	1,247,817
Due to affiliated entities	1,104,935	1,752,410
Accrued payroll, benefits and taxes	4,200,099	3,454,899
Total current liabilities	8,645,908	8,446,855
Long term debt		
Revenue bonds, net of current portion	2,806,974	3,060,000
Other long term debt, net of current portion	7,477,337	8,023,724
Total long term debt	10,284,311	11,083,724
Other liabilities	401,000	417,000
Agency liabilities	255,286	242,218
Derivative liability	-0-	34,303
Total liabilities	19,586,505	20,224,100
Total net assets		
Unrestricted	31,240,113	28,094,644
Temporarily restricted	1,755,417	1,391,431
Permanently restricted	5,645,107	5,645,107
Total net assets	38,640,637	35,131,182
Total liabilities and net assets	$ 58,227,142	$ 55,355,282

See accompanying notes to consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Revenue, gains and other support		
Net client service revenue	$ 29,800,489	$ 27,021,653
Less provision for bad debts	1,033,658	1,680,838
Net client service revenue less provision for bad debts	28,766,831	25,340,815
Public support	23,995,637	24,304,038
Other	4,474,918	4,394,135
Net assets released from restrictions	622,291	-0-
Total revenue and other support	57,859,677	54,038,988
Expenses		
Salary and fringe benefits	35,664,077	33,725,468
Telephone	804,564	762,964
Travel	2,038,902	1,946,220
Drugs and supplies	973,077	890,095
Contracted services	1,312,109	1,389,322
Purchased services	399,727	478,239
Utilities	756,732	782,550
Repairs and maintenance	809,270	728,209
Affiliated management fees	7,330,058	7,031,581
Rents and leases	1,843,608	1,739,798
Depreciation and amortization	1,313,870	1,254,893
Insurance	429,634	557,289
Interest	190,580	177,665
Miscellaneous	733,950	821,138
Total expenses	54,600,158	52,285,431
Operating gain	$ 3,259,519	$ 1,753,557

See accompanying notes to consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Nonoperating revenues (expenses)		
Foundation related expenses	$ (437,386)	$ (237,849)
Contributions and pledges	565,493	57,584
Other	151,660	55,462
Interest and dividends	130,357	132,715
Realized gain on investments	1,031,741	278,213
Unrealized gain on derivatives	34,303	34,958
Unrealized gain (loss) on investments	(967,927)	843,576
Total nonoperating revenues and expenses	508,241	1,164,659
Excess of revenue over expenses	3,767,760	2,918,216
Other changes in unrestricted net assets		
Contributions to supported entities	(1,393,469)	(2,317,440)
Net assets released from restriction	771,178	2,317,440
Change in unrestricted net assets	3,145,469	2,918,216
Temporarily restricted net assets		
Contributions and pledges	1,760,253	472,849
Net assets released from restrictions	(1,393,469)	(2,317,440)
Equity transfer with Centerstone of Illinois	52,570	-0-
Change in beneficial interest	(55,368)	117,494
Change in temporarily restricted net assets	363,986	(1,727,097)
Change in net assets	3,509,455	1,191,119
Net assets, beginning of year	35,131,182	33,940,063
Net assets, end of year	$ 38,640,637	$ 35,131,182

See accompanying notes to consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Operating activities		
Change in net assets	$ 3,509,455	$ 1,191,119
Adjustments to reconcile change in net assets to net cash flows from operating activities		
(Gain) loss on disposal of assets	(4,000)	34,120
Public support - debt forgiveness	(499,083)	(499,083)
Depreciation and amortization	1,313,870	1,254,893
Unrealized gain on derivative	(34,303)	(34,958)
Bad debt	1,033,658	1,680,838
Unrealized (gain) loss on investments	967,927	(843,576)
Realized gain on sale of investments	(1,031,741)	(278,213)
Change in beneficial Interest	55,368	(117,494)
Provisions for uncollectible and discount to net present value on promises to give	(14,213)	(238,974)
Restricted contributions and pledges	(1,760,253)	(472,849)
Changes in operating assets and liabilities		
Accounts receivable, net	(526,820)	(1,544,690)
Due to/from affiliates	(1,782,461)	1,529,327
Other receivables	(825,259)	68,368
Unconditional promises to give, net	379,490	1,119,017
Prepaid expenses and other current assets	168	(45,246)
Accounts payable and accrued expenses	(212,816)	(148,273)
Estimated third party settlements	271,028	86,347
Accrued payroll, benefits and taxes	745,200	(649,669)
Other liabilities	(16,000)	(33,000)
Net cash flows from operating activities	1,569,215	2,058,004
Investing activities		
Purchase of property and equipment	(1,315,614)	(431,149)
Proceeds from the sale of property and equipment	4,000	-0-
Proceeds from the sale or maturity of investments	5,371,769	2,438,416
Purchases of investments	(5,376,190)	(2,591,582)
Change in agency liabilities	13,068	(271,259)
Net cash flows from investing activities	(1,302,967)	(855,574)
Financing activities		
Restricted contributions and pledges	1,760,253	472,849
Proceeds on long term debt	1,625,000	-0-
Principal payments on long term debt	(1,882,214)	(386,586)
Net cash flows from financing activities	1,503,039	86,263
Net change in cash and cash equivalents	1,769,287	1,288,693
Cash and cash equivalents, beginning of year	11,612,333	10,323,640
Cash and cash equivalents, end of year	$ 13,381,620	$ 11,612,333
Supplemental cash flows information		
Cash paid for interest	$ 190,580	$ 177,665
Noncash financing activities		
Indiana Housing and Community Development Authority debt forgiveness	$ 499,083	$ 499,083
Noncash investing activities		
Property and equipment included in accounts payable	$ 2,000	$ 92,500

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Originally, South Central Community Mental Health Centers, Inc. d/b/a Center for Behavioral Health changed its name to Centerstone of Indiana, Inc. (the Center). Concurrently, Centerstone of America, Inc. became the sole member of the Center. Subsequently, Quinco Consulting Center, Inc. and Dunn Mental Health Center, Inc. and its affiliate, Independent Living Alternatives, Inc. d/b/a Cumberland Apartments (Cumberland), merged with the Center.

The Center was incorporated as a not-for-profit organization in June 1967 under the laws of the State of Indiana and commenced operations in August 1968. The Center is responsible for the establishment, operation and maintenance of a comprehensive mental health center which focuses on the treatment and prevention of mental illness and emotional disturbances of individuals. These services are provided to children and adults upon application or referral. The Center employs qualified psychiatrists, psychologists, social workers and others to consult with and treat individuals using the facilities of the Center. These services are currently delivered through community clinics located throughout many counties in Indiana and include outpatient care, consultation, screening, 24-hour emergency services, community education, a detoxification program with inpatient treatment and residential services to area residents. The Center received a majority of its revenue from client services and federal, state and county grants.

Principles of Consolidation

The consolidated financial statements include the accounts of Centerstone of Indiana, Inc., Centerstone Foundation, Inc. (the Foundation), Independent Living Alternatives, Inc. (Cumberland), and Centerstone Supportive Housing, LLC (Supportive Housing).

The Center is the sole member of the Foundation. The Foundation is a not-for-profit organization that receives contribution and support for the affiliated entities of Centerstone of America, Inc. The Foundation received an equity transfer from Centerstone Endowment Trust, an affiliate presented within Centerstone of Tennessee, Inc., in the form of permanently restricted, temporarily restricted, and unrestricted net assets during 2013. In addition, the Foundation received oversight and agency duties from Centerstone of Illinois, Inc. during 2015.

Supportive Housing was incorporated in the State of Indiana and may conduct any and all lawful business and activities as long as they are consistent with the charitable purposes or status of the sole member, Centerstone of Indiana, Inc. Supportive Housing was formed to develop, own and operate a 60-unit affordable housing rental project (Project) and participates in the 1602 Tax Credit Exchange Program mortgage administered through the Indiana Housing Community Development Authority.

Cumberland was incorporated to construct, own and operate a 21-unit apartment community in Richmond, Indiana, known as Cumberland Apartments. They have entered into the standard Federal Housing Administration (FHA) regulatory agreements governing the operation of the apartment project with the FHA Section of the Department of Housing and Urban Development (HUD).

Cumberland and Supporting Housing are consolidated as the Center is the sole corporate member.

All material intercompany accounts and transactions have been eliminated.

<u>Use of Estimates</u>

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Significant estimates sensitive to change in the near term include the allowance on accounts receivable, contractual allowances, estimated third party settlements, and self-insurance for employee health claims incurred but not reported.

<u>Basis of Presentation</u>

Financial statement presentation follows the recommendations outlined in the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) for Non-Profit Entities.

<u>Net Asset Classifications</u>

A summary of the net asset categories included in the accompanying consolidated financial statements is as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met either by action of the Center and/or the passage of time. In addition, unrestricted earnings on donor restricted endowment funds are considered to be time restricted and are classified as temporarily restricted until those amounts are appropriated for expenditure. 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 statements of activities and changes in net assets as net assets released from restrictions. The Center's temporarily restricted net assets consist of contributions and pledges received by Centerstone Foundation, Inc.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Center. Included in this classification are endowment funds, which are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity, and invested for the purpose of producing present and future income.

<u>Affiliated Entities and Related Parties</u>

The Center is part of an affiliated group of entities. The Center is included in the reporting entity, Centerstone of America (Parent), and these consolidated financial statements include only the financial position, changes in net assets and cash flows of the Center and its subsidiaries.

Centerstone of America, Inc. is the holding company (Parent Center) of the Center. Centerstone of America has the following additional entities under common control: Johnson Nichols, Centerstone Military Services, Inc., Centerstone of Tennessee Inc., Centerstone of Illinois, Inc., and Centerstone Research Institute, Inc.

Johnson Nichols is a health clinic where the Center pays the salaries generated at Johnson Nichols and is reimbursed accordingly. Johnson Nichols is a Sister Center of the Center.

Centerstone Military Services, Inc. provides counseling services to returning members of the armed forces. Centerstone Military Services, Inc. is a Sister Center of the Center.

Centerstone of Tennessee, Inc. is a community mental health center with locations in various counties in Tennessee. Included within Centerstone of Tennessee, Inc. are its subsidiaries which include Advantage Behavioral Health and Cumberland Holding Corp. Centerstone of Tennessee, Inc. is a Sister Center of the Center. Advantage Behavioral Health is a not-for-profit organization that provides administrative services and support to behavioral health organizations.

Centerstone of Illinois, Inc. is a community mental health center with locations in various counties in Illinois and Kentucky. Included within Centerstone of Illinois, Inc. is its subsidiaries, Centerstone of Kentucky, Inc., Franklin-Williamson Properties, Inc. and F-W Residential Properties, Inc. Centerstone of Illinois, Inc. is a Sister Center of the Center. Centerstone of Kentucky, Inc. is a community mental health center with locations in various counties in Kentucky. Franklin-Williamson Properties, Inc. and F-W Residential Properties, Inc. are organizations designed to lease and manage properties for Centerstone of Illinois, Inc.

Centerstone Research Institute, Inc. is a research, benchmarking and information technology consulting center dedicated to improving health care delivery through the marriage of research and information technology. Centerstone Research Institute, Inc. is a Sister Center of the Center.

The Center is a management agent and sponsor of six multifamily residential apartments and two supervised living group homes for the mentally ill. The associated not-for-profit entities are related parties to the Center and are not consolidated within the accompanying financial statements.

Red Oak Industries, Inc. (Red Oak) is a not-for-profit organization that provides cleaning services. Certain members of management serve on the board of directors for Red Oak and as such it is a related party to the Center. It is not consolidated within the accompanying financial statements.

Assets Whose Use Is Limited

Assets whose use is limited consists of funds that have been designated by the board to be used to acquire buildings, property and equipment, funds held by the trustee for debt service, and donor restricted funds. The fair value of the related assets whose use is limited as of June 30, 2015 and 2014 was approximately $214,000 and $344,000, respectively. The funds consist of cash and cash equivalents, certificates of deposit, equities, mutual funds and exchange traded funds.

During fiscal year 2013, the Foundation received trust assets from Centerstone Endowment Trust through an equity transfer, to provide oversight functions after receiving approval from the Tennessee Attorney General. The fair value of the related assets whose use is limited as of June 30, 2015 and 2014 was approximately $8,241,000 and $8,043,000, respectively.

The underlying net assets consist of a portion of unrestricted net assets, which are board designated for future capital projects, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Center considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Center maintains these deposits with banks. At times, these deposits may exceed federally insured limits. The Center believes it is not exposed to any significant credit risk on cash and cash equivalents.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Center uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donor Support

The Center reports gifts of land, buildings, and equipment 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 regarding how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Other Receivables

The Center has recorded receivables from federal and state agencies related to grants under contract. The Center expects full collection of these receivables.

Investments and Investment Income

Investments in equity securities and debt securities are measured at fair value in the consolidated statements of financial position. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Unrealized and realized gains and losses on investments, interest, and dividends from all investments are reported as a component of the performance indicator unless the income is restricted by donor or law.

Performance Indicator and Operating Indicator

The consolidated statements of activities and changes in net assets include a performance indicator, excess of revenue over expenses. Changes in unrestricted net assets which would be excluded from the performance indicator, consistent with industry practice, include net assets released from released from restriction for long-lived assets and contributions to supported entities. The consolidated statements of activities and changes in net assets also include an operating indicator, operating gain. Certain nonoperating items are excluded from the operating indicator including Centerstone Foundation, Inc. expenses, contributions and pledges, other income, interest and dividends, investment income, realized gains (losses) on investments, and unrealized gains on derivatives and investments.

Advertising Costs

The Center uses advertising to promote its programs and services among the clients it serves. The advertising costs are expensed as incurred. Advertising costs totaled approximately $141,000 and $97,000 for June 30, 2015 and 2014, respectively.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Center provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	Years
Furniture and equipment	3-10
Buildings	18-30
Building and land improvements	5-20

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the performance indicator, 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.

Bond Issuance Costs

Other assets include bond issuance costs of approximately $130,000 and $258,000 and related accumulated amortization of approximately $81,000 and $126,000 as of June 30, 2015 and 2014, respectively, related to variable rate demand revenue bonds. Amortization expense was approximately $83,000 and $15,000 for the years ended June 30, 2015 and 2014, respectively. During 2015, a portion of the bonds outstanding were called and converted into a loan with remaining unamortized bond issuance costs expensed. The remaining amount of amortization will be recognized over the life of the bond, which is 7 years as of June 30, 2015.

Net Client Service Revenue and Accounts Receivable

The Center recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, and managed care and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the type of service provided to the patient. The Center recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for services rendered based upon previously agreed-to rates with a payor. The Center utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. The management of the Center continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, employers, and patients. These third-party payors provide payments to the Center at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with 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.

Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for the services provided by the Center. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the Center's liquidity, financial condition, results of operations, and cash flows.

Included in net patient service revenue are reimbursements from Medicare, Medicaid, Commercial payors and self-pay patients. As part of the Medicaid program, the Center participates in the Medicaid Rehabilitation Option (MRO). The MRO program includes a Federal portion and a State portion. As part of the State plan, the Center pays the State portion.

Laws and regulations governing the Medicare and Medicaid programs are extremely 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.

Allowance for Doubtful Accounts

Patient accounts receivable are reduced by an allowance for doubtful accounts based on the Center's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to its service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. For receivables associated with self-pay payments, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Center records a significant provision for bad debts in the period of service 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 standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

For the years ended June 30, 2015 and 2014, the Center estimates an allowance for doubtful accounts based on an evaluation of historical adjustments and losses, current economic conditions and factors unique to payor situations. The allowance methodology was generally consistent between years. The Center's allowance for doubtful accounts as of June 30, 2015 and 2014 were approximately $1,586,000 and $1,929,000, respectively.

Charity Care

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The charity care amounts are not reported as net client service revenue as the Center does not pursue collection. Amounts for foregone charges related to charity care were approximately $2,000,000 and $2,400,000 as of June 30, 2015 and 2014, respectively.

Of the Center's total operating expenses reported (approximately $54,600,000 and $52,300,000 for the years ended June 30, 2015 and 2014, respectively), an estimated $2,000,000 and $2,500,000 arose from providing services to charity patients during the years ended June 30, 2015 and 2014, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Center's total expenses divided by gross patient service revenue.

Medicaid Funds Recovery

The Center participates in the Medicaid Funds Recovery Program. Funding for the Medicaid Funds Recovery Program is available through the Medicaid Program for certain administrative activities. Funding under the Medicaid Funds Recovery Program is available only to those providers who are certified as Managed Care Providers or Community Mental Health Centers by the Division of Mental Health and Addiction.

Public Support

The Center receives federal and state grants for providing services in specific program areas. Receipt of these funds is subject to the fulfillment of certain obligations by the Center as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency.

Indiana state law stipulates that the counties served by comprehensive community mental health centers provide the centers with a minimum designated amount. Tax receipts are designated to be remitted to the centers by June and December of each year. The Center recognizes the county tax receipts as income in the period the funds are due from the counties. Accordingly, amounts are recorded as other receivables or deferred revenue based upon the timing of the actual receipts.

The Center receives federal, state and other grants for providing services in specific program areas. Receipt of these funds is subject to the fulfillment of certain obligations by the Center as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. These amounts are also recorded as public support. Any amounts due to the Center for these funds and programs are included in other receivables in the statements of financial position.

The Center derives a significant portion of its revenue from third-party payors and federal and state funding programs. The receipt of future revenues by the Center is subject to among other factors, Federal and state policies affecting the health care industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on premium rates and other conditions which are impossible to predict.

Contributions to Affiliates

The Foundation sends contribution support to affiliated entities to help further the mission of those organizations. Amounts will be eliminated upon consolidation of these financial statements.

Estimated Third Party Settlements

Estimated third party liabilities for Medicare, Medicaid, Medicaid Rehabilitation Option (MRO), grants and other programs reflect the difference between interim reimbursement and reimbursement as determined by contractual agreements and third-party audits. Based upon payments received from Medicare, Medicaid, MRO, grants and other programs, the Center has estimated and recorded an approximate liability of $1,519,000 and $1,248,000 as of June 30, 2015 and 2014, respectively.

Agency Liabilities

The Foundation serves as an agent, primarily on behalf of Centerstone of Tennessee, Inc., Centerstone Research Institute, Inc. and Centerstone of Illinois, Inc. for certain donor restricted and board designated funds which were transferred during 2011 and 2015. The Foundation transfers assets to these related parties in accordance with the stipulated donor restrictions and board designations.

Other Liabilities

Other liabilities relate to deferred revenue from project development fees which are being recognized as earned based on an approved contract with the Indiana Housing Community Development Authority.

Federal and State Income Taxes

The Center and its subsidiaries, except for Supportive Housing, are organized as a not-for-profit center under Section 501(c)(3) of the United States Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose.

Supportive Housing is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not Supportive Housing. Accordingly, no current or deferred provision for income taxes was made for 2015 and 2014. As such, these organizations are generally exempt from income taxes. However, the Center and its subsidiaries are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if it is more likely than not that an uncertain tax position would not be sustained upon examination by various federal and state taxing authorities.

Management has analyzed the tax positions taken by the Center and has concluded that as of June 30, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Center and its subsidiaries filed the federal and state income tax returns for periods through June 30, 2014. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Electronic Health Records (EHR) Incentive Payments

The Center, based on the activities of its Eligible Professionals (EP), receives EHR incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, the Center's EPs must meet "meaningful use" criteria that become more stringent over time. EPs who meet the eligibility requirements for both the Medicare and Medicaid EHR Incentive Programs may participate in only one program, and must designate the program in which they would like to participate.

After a payment is made, EPs will be allowed to change the program selection once before 2015. A qualifying EP can receive EHR incentive payments for up to five years under Medicare and six years under Medicaid with payments beginning as early as 2011. In general, the maximum amount of total incentive payments that an EP can receive under the Medicare program is $44,000 and $63,750 under the Medicaid program. The Medicare incentive payments equal 75 percent of Medicare allowable charges for covered professional services furnished by the EP in a payment year. The Medicaid incentive payments are based on Medicaid or underserved patient volume. Both programs are subject to the aforementioned maximum payment amounts. The EPs assign their incentive payments to the Center.

The Center periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (Federal fiscal year ending September 30).

The related EHR incentive payments are paid out over a transition schedule and are based upon data that is captured in the Center's cost reports. For 2015 and later, Medicare EPs that do not successfully demonstrate meaningful use will have a payment adjustment in their Medicare reimbursement.

The Center recognizes EHR incentive payments as income when there is reasonable assurance that the Center will comply with the conditions of the meaningful use objectives and any other specific requirements.

In addition, the financial statement effects of the revenue must be both recognizable and measurable. During 2015 and 2014, the Center recognized approximately $-0- and $21,000 respectively, in EHR incentive payments using the ratable recognition method. Under the ratable recognition method, the Center recognizes income ratably over the entire EHR reporting period when it is reasonably assured at the outset of the EHR reporting period that it will comply with the minimum requirements of the program.

EHR incentive income is included as other revenue in the consolidated statement of activities and changes in net assets. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur.

Receipt of these funds is subject to the fulfillment of certain obligations by the Center as prescribed by the programs, subject to future audits and may be subject to repayment upon a determination of noncompliance.

Reclassifications

Certain information from 2014 has been reclassified to conform to the current year presentation. There is no effect on the consolidated change in net assets as a result of these reclassifications.

Subsequent Events

The Center evaluated events or transactions occurring subsequent to the consolidated statement of financial position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued which is November 11, 2015.

2. AFFILIATED ENTITIES AND RELATED PARTY TRANSACTIONS

The Center entered into certain working capital, administrative and general transactions with its Parent and Sister Centers as are disclosed in Note 1. The Center has recorded a net related party receivable in the approximate amount of $2,999,000 and $1,864,000 as of June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, the Center incurred approximate affiliated management fees in the amount of $7,330,000 and $7,032,000, respectively, for services provided by its Parent. For the years ended June 30, 2015 and 2014, the Center incurred malpractice and liability insurance coverage in the approximate amount of $403,000 and $531,000, respectively, which is paid by the Parent and then reimbursed by the Center.

The Foundation is a supporting organization to the affiliated entities. The associated balance in the related agency liability as of June 30, 2015 and 2014 is approximately $255,000 and $242,000, respectively. The Foundation has a related party payable in the amount of approximately $1,105,000 and $1,752,000 as of June 30, 2015 and 2014, respectively. During 2015 and 2014, the Foundation contributed approximately $1,441,000 and $2,317,000, respectively, to supported entities.

The Center is a management agent and sponsor of six multifamily residential apartments and two supervised living group homes for the mentally ill. Each of these eight communities is a separate not-for-profit center. Management revenue of approximately $42,000 and $34,000 was recorded during June 30, 2015 and 2014, respectively.

The Center contracts with Red Oak Industries to provide cleaning services and has recorded associated fees in the approximate amount of $415,000 and $458,000 during June 30, 2015 and 2014, respectively. The Center has recorded a related, immaterial receivable as of June 30, 2015 and 2014, respectively, which is included in other receivables in the accompanying consolidated financial statements.

3. BENEFICIAL INTEREST

During the fiscal year ending June 30, 2005, Centerstone of Tennessee, Inc. (Tennessee) transferred $1,000,000 to the Community Foundation of Middle Tennessee (Community Foundation) to establish an investment in an Agency Endowment Fund that specifies Tennessee as the beneficiary. On July 1, 2012, Tennessee transferred the Agency Endowment Fund to Centerstone Foundation, Inc. for additional oversight function. Tennessee remains the trustee of the beneficial interest in the Community Foundation of Middle Tennessee subsequent to the transfer. The intended use of the Agency Endowment Fund is to support Tennessee's mission of serving the needy. Variance power has been granted to the Community Foundation to make distributions from the fund in accordance with the Community Foundation's Articles of Incorporation and in accordance with Tennessee's expressed intent. Tennessee has the right and responsibility to recommend distributions of principal and income, but those recommendations are advisory in nature. The beneficial interest is reported at fair value for the year ended June 30, 2015 and 2014.

The following schedule summarizes the investment expenses and earnings and its classification in the consolidated statement of activities and changes in net assets.

	2015	2014
Beneficial interest in Community Foundation of Middle Tennessee, beginning of year	$ 1,379,816	$ 1,262,322
Investment expenses	(5,171)	(2,491)
Investment gain	18,503	186,085
Grants paid out	(68,700)	(66,100)
Beneficial interest in Community Foundation of Middle Tennessee, end of year	$ 1,324,448	$ 1,379,816

Fair value of the beneficial interest is estimated as the net asset value of the underlying shares in the Community Foundation's investment pool. Fair value is determined in this manner because there are no observable market transactions for assets similar to the beneficial interest in the Agency Endowment Fund. Because there is no observable market transactions and because the Center can only redeem the resources at net asset value for its own use subject to the approval of the governing board of the Community Foundation, this fair value measurement is a level 3 measurement as defined in FASB ASC 820, Fair Value Measurement.

4. ASSETS WHOSE USE IS LIMITED

The composition of assets limited as to use at June 30, 2015 and 2014 is set forth in the following table. Investments are stated at fair value. Cash and certificates of deposit are reported at cost, which approximates fair value.

	2015	2014
Cash and certificates of deposit	$ 158,483	$ 286,099
Common stocks	1,337,660	2,532,523
Exchange traded funds	1,214,652	1,053,445
Mutual funds	5,744,184	4,514,677
	$ 8,454,979	$ 8,386,744

Investment income included on the consolidated statements of activities and changes in net assets consists of the following for 2015 and 2014:

	2015	2014
Interest and dividends	$ 130,357	$ 132,715
Realized gain on investments	1,031,741	278,213
Unrealized gain (loss) on investments	(967,927)	843,576
	$ 194,171	$ 1,254,504

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

- *Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

- *Exchange traded funds*: Valued at the daily closing price as reported by the fund on an active market on which the exchange-traded funds are traded. Exchange-traded funds are generally valued at their net asset value (NAV), although shares may trade at a premium or discount to the NAV depending on the liquidity of the underlying securities, market volatility, and other factors.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Center are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Center are deemed to be actively traded.

- *Money market mutual funds*: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV), however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund

- *Derivative (Interest rate swap agreement)*: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap. See the note disclosure "Derivatives Financial Instruments – Interest Rate Swaps" for additional information related to derivatives.

- *Beneficial interest in outside trust*: Valued at fair value as reported by the trustee, which represents the Foundation's *pro rata* interest in the net assets of the trust, substantially all of which are valued on a mark-to-market basis.

If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. Assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014 are as follows:

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets whose use is limited				
Common stocks				
Energy	$ 104,118	$ 104,118	$ -0-	$ -0-
Industry	163,272	163,272	-0-	-0-
Consumer discretionary	194,719	194,719	-0-	-0-
Consumer staples	146,375	146,375	-0-	-0-
Healthcare	181,669	181,669	-0-	-0-
Financials	88,719	88,719	-0-	-0-
Information technology	172,500	172,500	-0-	-0-
Telecommunication	57,937	57,937	-0-	-0-
Foreign common	228,351	228,351	-0-	-0-
Exchange traded funds				
Bond	280,665	280,665	-0-	-0-
Growth	222,755	222,755	-0-	-0-
Index	497,328	497,328	-0-	-0-
Value	213,904	213,904	-0-	-0-
Mutual funds				
Blend	1,167,085	1,167,085	-0-	-0-
Growth	1,598,452	1,598,452	-0-	-0-
Value	740,503	740,503	-0-	-0-
International	432,979	432,979	-0-	-0-
Real estate investment trusts	40,117	40,117	-0-	-0-
Fixed income	1,657,010	1,657,010	-0-	-0-
Mutual funds - money market	108,038	-0-	108,038	-0-
	8,296,496	$ 8,188,458	$ 108,038	$ -0-
Cash	158,483			
	$ 8,454,979			
Beneficial interest	$ 1,324,448	$ -0-	$ -0-	$ 1,324,448

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets whose use is limited				
Common stocks				
Energy	$ 228,231	$ 228,231	$ -0-	$ -0-
Industry	476,345	476,345	-0-	-0-
Consumer discretionary	290,193	290,193	-0-	-0-
Consumer staples	285,193	285,193	-0-	-0-
Healthcare	272,540	272,540	-0-	-0-
Financials	101,248	101,248	-0-	-0-
Information technology	326,147	326,147	-0-	-0-
Telecommunication	113,557	113,557	-0-	-0-
Foreign common	439,069	439,069	-0-	-0-
Exchange traded funds				
Bond	257,088	257,088	-0-	-0-
Growth	182,165	182,165	-0-	-0-
Index	425,914	425,914	-0-	-0-
Value	188,278	188,278	-0-	-0-
Mutual funds				
Blend	856,587	856,587	-0-	-0-
Growth	1,272,981	1,272,981	-0-	-0-
Value	625,581	625,581	-0-	-0-
International	393,850	393,850	-0-	-0-
Real estate investment trusts	82,760	82,760	-0-	-0-
Fixed income	1,174,888	1,174,888	-0-	-0-
Mutual funds - money market	108,030	-0-	108,030	-0-
	8,100,645	$ 7,992,615	$ 108,030	$ -0-
Cash and certificates of deposit *	286,099			
	$ 8,386,744			
Beneficial interest	$ 1,379,816	$ -0-	$ -0-	$ 1,379,816

	Total	Level 1	Level 2	Level 3
Liabilities				
Interest rate swap	$ 34,303	$ -0-	$ 34,303	$ -0-

* Certificates of deposit are reported at contract value

The Center's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no transfers during 2015 or 2014.

The following methods and assumptions were used by the Center in estimating the fair value of its financial instruments:

- Cash and cash equivalents, accounts receivable, other receivables, accounts payable, estimated third party settlements and accrued expenses: The carrying amount reported in the consolidated statements of financial position for cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued expenses and estimated third party settlements approximate fair value based on short-term maturity.
- Long-term debt: The fair value of the Center's variable rate debt approximates its carrying value based on the variable nature of the interest rate. The fair value of its fixed rate debt approximates carrying value based on the credit ratings for similar entities for loans with similar features. It is not practical to estimate the fair value of the loans that bear no interest that are forgiven over time as the ultimate repayment is unlikely as long as the underlying property is used for the intended purpose.

See note 3, Beneficial Interest, for progression of level 3.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2015	2014
Land	$ 2,142,748	$ 2,142,748
Buildings and improvements	33,497,968	32,702,110
Furnishings and equipment	3,299,595	3,264,293
Construction in progress	721,354	321,868
	39,661,665	38,431,019
Accumulated depreciation and amortization	(13,983,453)	(12,837,593)
	$ 25,678,212	$ 25,593,426

7. PROMISES TO GIVE

Promises to give consist of pledges restricted to the support of the Centerstone Foundation, Inc., which supports all the organizations within Centerstone of America, Inc. Promises to give are discounted to the present value of the estimated future cash flows and also include an allowance for estimated uncollectable pledges.

	2015	2014
Promises receivable in less than one year	$ 561,281	$ 468,857
Promises receivable in one to five years	396,390	715,050
Less: net present value discount	(29,892)	(88,633)
Less: allowance for uncollectible pledges	(347,389)	(149,607)
	$ 580,390	$ 945,667

8. LONG TERM DEBT

Long term debt consists of the following:

	2015	2014
Indiana Department Finance Authority Series (IDFA) 2002 variable rate demand economic development revenue bonds, variable interest rate of 1 month LIBOR, .185% at June 30, 2015, $200,000 redeemed on December 1st each year, final payment due December 2022, collateralized accounts receivable, and property and equipment with a net book value of approximately $1,807,000.	$ 1,600,000	$ 1,800,000
Mortgage loans through certain state and local programs, interest free with property restricted to a specific use. Loan was paid in full during the current fiscal year.	-0-	5,000
Mortgage loan with U.S. Department of Housing and Urban Development. Monthly installments of principal and interest are $5,000 with a maturity date of July 1, 2031. Interest is being charged at 9.25%. Collateralized by certain real estate with a net book value of approximately $261,000.	495,895	506,459
Note payable, 7% fixed interest rate, payable in monthly installments of $3,076 due September 2032, collateralized by real estate with a net book value of approximately $1,224,000.	406,074	411,704
Mortgage payable to Indiana Housing & Community Development Authority, 0% interest, due 2026, forgiven over a 15 year period, collateralized by real estate with a net book value of approximately $8,146,000.	7,138,999	7,638,083
Note payable, variable interest rate of one month LIBOR, .185% as of June 30, 2015, payable in monthly principal and interest payments of $20,810 through April 9, 2022, collateralized by certain real estate with a net book value of approximately $2,428,000 and bank accounts with a balance of $200,000.	1,588,981	-0-
Series 2001 Revenue Bonds, variable interest rate, principal maturing in varying annual amounts through December 2021. Bonds were called during fiscal year 2015 and long-term financing was obtained to secure payment, as seen above.	-0-	1,625,000
	11,229,949	11,986,246
Current portion	(945,638)	(902,522)
Total long term debt	$ 10,284,311	$ 11,083,724

The 2002 bonds are secured by a letter of credit. Under the terms of the letter of credit and reimbursement agreement, the Center is required to maintain certain financial covenants. In the event of a failed remarketing, the letter of credit is due in 367 days. The letter of credit has a maturity date of December 15, 2019. During 2014, the variable interest rate was subject to the interest rate swap agreement as discussed in Note 12. The agreement matured during 2015.

The 2001 bonds were secured by a letter of credit. Under the terms of the letter of credit and reimbursement agreement, the Center was required to maintain certain financial covenants. In the event of a failed remarketing, the letter of credit was due in 367 days. The letter of credit had a maturity date of December 1, 2014. During the current year, the bonds were called and the letter of credit was briefly used before conversion to a short-term loan. This short-term loan was then converted to a long-term note payable.

The note payable is secured by real estate and was used to secure payment of the 2001 bonds that were called during the current year. This note is payable in monthly principal and interest payments through April 9, 2022.

The mortgage loan with the Indiana Housing & Community Development Authority is interest free and forgivable over a 15 year period, commencing when the associated property is placed into operation, so long as Supportive Housing manages and operates the Project for its intended purpose.

The future maturities of long-term debt are as follows for the years ending June 30:

2016	$	945,638
2017		950,248
2018		957,315
2019		964,606
2020		972,321
Thereafter		6,439,821
	$	11,229,949

Management believes the Center is in compliance with all of the required financial covenants.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2015 and 2014, respectively:

	2015	2014
Dede Wallace Campus	$ 475,707	$ 945,508
Capital Campaign for Research	1,050,186	445,923
Centerstone Military Services Executive Director Position	229,524	-0-
	$ 1,755,417	$ 1,391,431

10. PERMANENTLY RESTRICTED NET ASSETS

The Center's permanently restricted net assets were comprised of the following as of June 30, 2015 and 2014:

Permanent Endowments	$ 4,645,107
Beneficial Interest in Community Foundation of Middle Tennessee	1,000,000
	$ 5,645,107

The earnings on the permanently restricted endowment assets can be used for general purposes.

11. ENDOWMENT FUNDS

The Center's endowment consists of a fund established for a specific purpose. The endowment includes only donor-restricted funds to function as an endowment. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The objective is to meet or exceed the market index, or blended market index, selected and agreed upon by the Center or provide an acceptable return with lower volatility or credit risk. In order to meet its needs, the investment strategy of the Center is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for endowment fund assets shall be long-term growth of capital and to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

The board of directors has interpreted the relevant law as requiring prudent preservation of the fund and evaluates the amounts of unrestricted income and the unrealized gains and losses periodically. The Center has a policy of appropriating for distribution an amount of earned income based upon a stipulated formula.

The endowment net assets composition by type of fund as of June 30, 2015 and 2014:

Permanently restricted net assets	
Donor-restricted endowment funds	$ 4,645,107
Beneficial Interest	1,000,000
Total endowment funds	$ 5,645,107

The Center incurred no changes in endowment net assets for the years ended June 30, 2015 and 2014, respectively.

The Center 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 gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center 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.

In accordance with the law, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Center, and (7) the Center's investment policies.

12. DERIVATIVE FINANCIAL INSTRUMENT- INTEREST RATE SWAPS

Objectives and Strategies for Using Derivatives

During 2014, the Center made limited use of derivative financial instruments for the purpose of managing interest rate risk. In particular, forward interest rate swaps (which are designated as cash flow hedges) were used to manage the risk associated with interest rates on variable-rate borrowings and to lower its overall borrowing costs. This agreement expired during 2015.

At June 30, 2014, the Center had an outstanding interest rate swap agreement with a commercial bank, having a total notional amount of $1,000,000. This agreement effectively changed the Center's interest rate exposure on a portion of its IDFA series 2002 Bonds to a fixed 3.7%. The financial institution paid the variable rate, 0.083% as of June 30, 2014 (see Note 8). The term of the swap was 10 years with a beginning notional amount of $2,000,000 in 2005, which decreased by $100,000 in December each year, with an ending notational amount of $900,000 on June 1, 2015. The interest rate swap agreement matured on June 1, 2015 converting the underlying bonds back to a variable instrument. The Center was exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement during the years in which the agreement was in effect.

These derivatives were not designated as hedging instruments, and were marked-to-market on the consolidated statements of financial position at fair value at the end of each period. The related gains are included in excess of revenues over expenses, the performance indicator, for the reporting period. Cash flows from interest rate swap contracts are classified as an operating activity on the consolidated statement of cash flows.

The liability derivatives are reported as derivative liabilities, as of June 30, 2015 and 2014, the fair values of derivatives recorded in the consolidated statements of financial position are as follows (also see Note 5):

	2015	2014
Derivative liability (interest rate swap)	$ -0-	$ 34,303

During 2015 and 2014, the amount of gain recognized in the consolidated statements of activities and changes in net assets and reported as a component of nonoperating gain is as follows:

	2015	2014
Unrealized gain on derivative (interest rate swap)	$ 34,303	$ 34,958

13. FUNCTIONAL EXPENSES

The Center provides behavioral health care services to residents within its geographic location. Expenses related to these services are as follows:

	2015	2014
Behavioral health care services	$ 47,079,520	$ 45,076,185
General and administrative	7,520,638	7,209,246
	$ 54,600,158	$ 52,285,431

The Center incurred fundraising expenses which are incorporated in nonoperating revenues and expenses in the accompanying consolidated financial statements of approximately $437,000 and $238,000 for the years ended June 30, 2015 and 2014, respectively.

14. DEFINED CONTRIBUTION PLAN

The Center has a defined-contribution plan. Contributions to the plan are made for substantially all of its employees who meet eligibility requirements. The Center contributed 3% of each eligible employee's gross wage during 2015 and 2014. Expense under the plan was approximately $533,000 and $478,000 for 2015 and 2014, respectively.

15. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Center has several non-cancelable operating leases, for certain operating facilities and equipment through 2020. The Center also has several operating leases that are on a month-to-month basis.

Future minimum lease payments under operating leases are as follows for the years ending June 30:

2016	$ 84,336
2017	42,000
2018	42,000
2019	42,000
2020	31,500
Total minimum lease payments	$ 241,836

Total rent expense was approximately $1,840,000 and $1,740,000 for the years ended June 30, 2015 and 2014, respectively.

Monroe County constructed the Bloomington facility, which was completed in July 1982, and entered into lease agreement with the Center for $1 per year. The property reverts to the County if the Center ceases to use it for certain specified purposes. The fair market value of the facility space provided by the lease is included as in-kind revenue within other revenue and expense within rent and leases in the accompanying financial statements in the approximate amount of $1,038,000 for years ended June 30, 2015 and 2014, respectively.

Medical Malpractice Claims

The Center purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The State of Indiana puts a judgment cap of $1,250,000 on malpractice claims for those institutions and individual physicians willing to participate in the state funded insurance "pool." The "pool" requires that an institution/physician be responsible for the first $250,000 of every claim and the State will fund the remaining balance of each claim.

Self-Insurance

The Center has elected to act as a self-insurer for certain costs related to employee health, dental and accident benefit programs. Expenses resulting from claims experience are recorded as incurred including an estimate of claims incurred but not reported. The approximate related expense for the years ended June 30, 2015 and 2014 aggregated $4,067,000 and $4,227,000, respectively. The Center has purchased insurance, which limits its exposure on a per individual basis of $175,000 and no aggregate basis.

Litigation

A contractor of the State of Indiana previously conducted certain audits related to documentation supporting claims billed under the Medicaid Rehabilitation Option. The Center has engaged legal counsel and has filed a request for an administrative appeal for the audit findings. Management has included a related provision as part of Estimated Third Party Settlements.

The Center is involved in certain other litigation arising in the ordinary course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without material adverse effect on the Center's financial condition, results of operations, and cash flows.

Guarantee

The Center is a guarantor along with certain other Sister centers to a loan payable issued to the Parent center in the original amount of approximately $6,265,000 maturing on August 15, 2017, approximate monthly payments of $26,102, with interest rate of London Interbank Offered Rate (LIBOR) plus 2.5%. The balance outstanding was approximately $5,380,000 and $5,690,000 as of June 30, 2015 and 2014, respectively. This loan is collateralized with buildings and real estate with a net book value of approximately $12,860,000 as of June 30, 2015.

The Center is also a guarantor with certain other Sister centers to a revolving promissory note issued to the Parent corporation in the amount of $5,000,000 which matures on December 31, 2015. The Corporation had no borrowings outstanding on the line of credit as of June 30, 2015 and 2014, respectively. The line of credit is collateralized with buildings, real estate, and accounts receivable with a net book value of $11,800,000.

Should the Center be required to pay any portion of the total amount of the loans it has guaranteed, the Center could attempt to recover some or the entire amount from guaranteed parties. The Center holds certain identified properties as collateral in respect of the guarantees.

Property and Equipment

As of June 30, 2015, the Center had commitments for various property and equipment projects that approximated $352,000.

16. NET SERVICE REVENUE

The Center has agreements with third-party payors including Medicare, Medicaid and the State of Indiana and other commercial insurance carriers that provide for payments to the Center at amounts different from its established rates. The following is a schedule of gross service charges by category, charity care, subsidized and contractual adjustments incurred during 2015 and 2014:

	2015	2014
Gross client service revenue	$ 54,127,640	$ 48,752,300
Less deductions		
Charity care	(2,045,125)	(2,420,762)
Contractuals	(22,282,026)	(19,309,885)
Net client service revenue	29,800,489	27,021,653
Less provision for bad debt	(1,033,658)	(1,680,838)
Net client service revenue less provision for bad debt	$ 28,766,831	$ 25,340,815

In accordance with its grant requirements and state regulations, the Center provides services to patients and charges them based on their ability to pay according to a co-pay schedule. The Center also adjusts charges based on contractual agreements with third-party payors. The Center maintains records to identify and monitor the level of charges foregone for services furnished under charity care policy and contractual adjustments.

17. PUBLIC SUPPORT

The composition of public support during June 30, 2015 and 2014 is set forth in the following table.

	2015	2014
Public Support		
U.S. Department of Housing and Urban Development	$ 224,709	$ 201,626
Medicaid administrative outreach	2,022,402	2,032,319
Division of Mental Health	15,391,545	14,934,840
County funds	3,445,574	3,233,237
Vocational Rehab	723,864	983,112
State Women Infant Children	490,816	505,398
Other public support	1,696,727	2,413,506
	$ 23,995,637	$ 24,304,038

18. CONCENTRATIONS OF CREDIT RISK

The Center's main offices are located in Bloomington, Richmond and Columbus, Indiana. The Center grants credit without collateral to its clients, most of who are local residents and are insured under third-party payor agreements. Accounts receivable (net of certain contractual allowances) and gross revenues from clients and third-party payors were as follows:

	Receivables		Revenue	
	2015	2014	2015	2014
Medicare	3%	3%	6%	7%
Medicaid	56%	64%	73%	67%
Self pay	7%	12%	7%	11%
Other third-party payors	34%	21%	14%	15%
	100%	100%	100%	100%

SUPPLEMENTARY INFORMATION

CENTERSTONE OF INDIANA, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS	Centerstone of Indiana, Inc	Centerstone Foundation, Inc.	Independent Living Alternatives	Supportive Housing	Eliminations	Total
Current assets						
Cash and cash equivalents	$ 11,764,450	$ 1,162,520	$ 103,841	$ 350,809	$ -0-	$ 13,381,620
Accounts receivable, net	1,579,635	-0-	15,257	-0-	-0-	1,594,892
Other receivables	4,011,794	-0-	-0-	-0-	-0-	4,011,794
Due from affiliated entities	2,998,879	-0-	-0-	-0-	-0-	2,998,879
Unconditional promises to give, net	-0-	372,818	-0-	-0-	-0-	372,818
Prepaid expenses and other current assets	133,108	-0-	-0-	10,177	-0-	143,285
Total current assets	20,487,866	1,535,338	119,098	360,986	-0-	22,503,288
Property and equipment, net	17,260,544	10,789	260,869	8,146,010	-0-	25,678,212
Other assets	58,643	-0-	-0-	-0-	-0-	58,643
Unconditional promises to give, net	-0-	207,572	-0-	-0-	-0-	207,572
Beneficial interest	-0-	1,324,448	-0-	-0-	-0-	1,324,448
Assets whose use is limited	213,561	8,241,418	-0-	-0-	-0-	8,454,979
Total assets	$ 38,020,614	$ 11,319,565	$ 379,967	$ 8,506,996	$ -0-	$ 58,227,142
LIABILITIES AND NET ASSETS						
Current liabilities						
Current portion of long term debt	$ 430,334	$ -0-	$ 16,221	$ 499,083	$ -0-	$ 945,638
Accounts payable and accrued expenses	803,135	10,004	26,220	37,032	-0-	876,391
Due to affiliated entities	-0-	1,104,935	-0-	-0-	-0-	1,104,935
Estimated third party settlements	1,518,845	-0-	-0-	-0-	-0-	1,518,845
Accrued payroll, benefits and taxes	4,194,165	5,934	-0-	-0-	-0-	4,200,099
Total current liabilities	6,946,479	1,120,873	42,441	536,115	-0-	8,645,908
Long term debt						
Revenue bonds, net of current portion	2,806,974	-0-	-0-	-0-	-0-	2,806,974
Other long term debt, net of current portion	357,747	-0-	479,674	6,639,916	-0-	7,477,337
Total long term debt	3,164,721	-0-	479,674	6,639,916	-0-	10,284,311
Other liabilities	-0-	-0-	-0-	401,000	-0-	401,000
Agency liabilities	-0-	255,286	-0-	-0-	-0-	255,286
Total liabilities	10,111,200	1,376,159	522,115	7,577,031	-0-	19,586,505
Total net assets						
Unrestricted	27,909,414	2,542,882	(142,148)	929,965	-0-	31,240,113
Temporarily restricted	-0-	1,755,417	-0-	-0-	-0-	1,755,417
Permanently restricted	-0-	5,645,107	-0-	-0-	-0-	5,645,107
Total net assets	27,909,414	9,943,406	(142,148)	929,965	-0-	38,640,637
Total liabilities and net assets	$ 38,020,614	$ 11,319,565	$ 379,967	$ 8,506,996	$ -0-	$ 58,227,142

See Report of Independent Auditors on Pages 1 - 3.

CENTERSTONE OF INDIANA, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	Centerstone of Indiana, Inc	Centerstone Foundation, Inc.	Independent Living Alternatives	Supportive Housing	Eliminations	Total
Revenue, gains and other support						
Net client service revenue	$ 29,800,489	$ -0-	$ -0-	$ -0-	$ -0-	$ 29,800,489
Less provision for bad debts	1,033,658	-0-	-0-	-0-	-0-	1,033,658
Net client service revenue less provision for bad debts	28,766,831	-0-	-0-	-0-	-0-	28,766,831
Public support	23,492,865	-0-	-0-	502,772	-0-	23,995,637
Other revenue	4,023,826	-0-	153,293	340,088	(42,289)	4,474,918
Net assets released from restrictions	-0-	622,291	-0-	-0-	-0-	622,291
Total revenue, gains and other support	56,283,522	622,291	153,293	842,860	(42,289)	57,859,677
Expenses						
Salary and fringe benefits	35,664,077	-0-	-0-	-0-	-0-	35,664,077
Telephone	804,564	-0-	-0-	-0-	-0-	804,564
Travel	2,038,902	-0-	-0-	-0-	-0-	2,038,902
Drugs and supplies	973,077	-0-	-0-	-0-	-0-	973,077
Contracted services	1,312,109	-0-	-0-	-0-	-0-	1,312,109
Purchased services	318,631	-0-	42,289	81,096	(42,289)	399,727
Utilities	628,202	-0-	17,849	110,681	-0-	756,732
Repairs and maintenance	673,403	-0-	48,914	86,953	-0-	809,270
Affiliated management fees	7,310,374	-0-	-0-	19,684	-0-	7,330,058
Rents and leases	1,843,608	-0-	-0-	-0-	-0-	1,843,608
Depreciation and amortization	1,062,916	-0-	22,040	228,914	-0-	1,313,870
Insurance	402,582	-0-	10,549	16,503	-0-	429,634
Interest	144,364	-0-	46,216	-0-	-0-	190,580
Miscellaneous	781,743	-0-	-0-	-0-	(47,793)	733,950
Total expenses	53,958,552	-0-	187,857	543,831	(90,082)	54,600,158
Operating gain (loss)	$ 2,324,970	$ 622,291	$ (34,564)	$ 299,029	$ 47,793	$ 3,259,519

CENTERSTONE OF INDIANA, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	Centerstone of Indiana, Inc	Centerstone Foundation, Inc.	Independent Living Alternatives	Supportive Housing	Eliminations	Total
Nonoperating revenues and expenses						
Foundation related expenses	$ -0-	$ (437,386)	$ -0-	$ -0-	$ -0-	$ (437,386)
Contributions and pledges	-0-	613,286	-0-	-0-	(47,793)	565,493
Other	4,000	147,660	-0-	-0-	-0-	151,660
Interest and dividends	5,150	123,890	-0-	1,317	-0-	130,357
Realized gains on investments	-0-	1,031,741	-0-	-0-	-0-	1,031,741
Unrealized gain on derivatives	34,303	-0-	-0-	-0-	-0-	34,303
Unrealized gain on investment	-0-	(967,927)	-0-	-0-	-0-	(967,927)
	43,453	511,264	-0-	1,317	(47,793)	508,241
Excess of revenue over expenses	2,368,423	1,133,555	(34,564)	300,346	-0-	3,767,760
Other changes in unrestricted net assets						
Contributions to supported entities	-0-	(1,393,469)	-0-	-0-	-0-	(1,393,469)
Net assets released from restriction	-0-	771,178	-0-	-0-	-0-	771,178
Change in unrestricted net assets	2,368,423	511,264	(34,564)	300,346	-0-	3,145,469
Temporarily restricted						
Contributions and pledges	-0-	1,760,253	-0-	-0-	-0-	1,760,253
Net assets released from restrictions	-0-	(1,393,469)	-0-	-0-	-0-	(1,393,469)
Equity transfer with Centerstone of Illinois	-0-	52,570	-0-	-0-	-0-	52,570
Change in value of beneficial interest	-0-	(55,368)	-0-	-0-	-0-	(55,368)
Change in temporarily restricted net assets	-0-	363,986	-0-	-0-	-0-	363,986
Change in net assets	2,368,423	875,250	(34,564)	300,346	-0-	3,509,455
Net assets, beginning of year	25,540,991	9,068,156	(107,584)	629,619	-0-	35,131,182
Net assets, end of year	$ 27,909,414	$ 9,943,406	$ (142,148)	$ 929,965	$ -0-	$ 38,640,637

See Report of Independent Auditors on Pages 1 - 3.

CENTERSTONE OF INDIANA, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS	Centerstone of Indiana, Inc	Centerstone Foundation, Inc.	Independent Living Alternatives	Supportive Housing	Eliminations	Total
Current assets						
Cash and cash equivalents	$ 10,456,659	$ 691,120	$ 134,163	$ 330,391	$ -0-	$ 11,612,333
Accounts receivable, net	2,100,347	-0-	1,383	-0-	-0-	2,101,730
Other receivables	3,186,535	-0-	-0-	-0-	-0-	3,186,535
Due from affiliated entities	1,863,893	-0-	-0-	-0-	-0-	1,863,893
Unconditional promises to give, net	-0-	398,110	-0-	-0-	-0-	398,110
Prepaid expenses and other current assets	130,468	-0-	-0-	12,985	-0-	143,453
Total current assets	17,737,902	1,089,230	135,546	343,376	-0-	19,306,054
Property and equipment, net	16,923,645	11,948	282,909	8,374,924	-0-	25,593,426
Other assets	141,685	-0-	-0-	-0-	-0-	141,685
Unconditional promises to give, net	-0-	547,557	-0-	-0-	-0-	547,557
Beneficial interest	-0-	1,379,816	-0-	-0-	-0-	1,379,816
Assets whose use is limited	343,516	8,043,228	-0-	-0-	-0-	8,386,744
Total assets	$ 35,146,748	$ 11,071,779	$ 418,455	$ 8,718,300	$ -0-	$ 55,355,282
LIABILITIES AND NET ASSETS						
Current liabilities						
Current portion of long term debt	$ 390,663	$ -0-	$ 12,776	$ 499,083	$ -0-	$ 902,522
Accounts payable and accrued expenses	1,031,025	5,004	19,580	33,598	-0-	1,089,207
Due to affiliated entities	-0-	1,752,410	-0-	-0-	-0-	1,752,410
Estimated third party settlements	1,247,817	-0-	-0-	-0-	-0-	1,247,817
Accrued payroll, benefits and taxes	3,450,908	3,991	-0-	-0-	-0-	3,454,899
Total current liabilities	6,120,413	1,761,405	32,356	532,681	-0-	8,446,855
Long term debt						
Revenue bonds, net of current portion	3,060,000	-0-	-0-	-0-	-0-	3,060,000
Other long term debt, net of current portion	391,041	-0-	493,683	7,139,000	-0-	8,023,724
Total long term debt	3,451,041	-0-	493,683	7,139,000	-0-	11,083,724
Other liabilities	-0-	-0-	-0-	417,000	-0-	417,000
Agency liabilities	-0-	242,218	-0-	-0-	-0-	242,218
Derivative liability	34,303	-0-	-0-	-0-	-0-	34,303
Total liabilities	9,605,757	2,003,623	526,039	8,088,681	-0-	20,224,100
Total net assets						
Unrestricted	25,540,991	2,031,618	(107,584)	629,619	-0-	28,094,644
Temporarily restricted	-0-	1,391,431	-0-	-0-	-0-	1,391,431
Permanently restricted	-0-	5,645,107	-0-	-0-	-0-	5,645,107
Total net assets	25,540,991	9,068,156	(107,584)	629,619	-0-	35,131,182
Total liabilities and net assets	$ 35,146,748	$ 11,071,779	$ 418,455	$ 8,718,300	$ -0-	$ 55,355,282

CENTERSTONE OF INDIANA, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	Centerstone of Indiana, Inc	Centerstone Foundation, Inc.	Independent Living Alternatives	Supportive Housing	Eliminations	Total
Revenue, gains and other support						
Net client service revenue	$ 27,021,653	$ -0-	$ -0-	$ -0-	$ -0-	$ 27,021,653
Less provision for bad debts	1,680,838	-0-	-0-	-0-	-0-	1,680,838
Net client service revenue less provision for bad debts	25,340,815	-0-	-0-	-0-	-0-	25,340,815
Public support	23,801,294	-0-	-0-	502,744	-0-	24,304,038
Other revenue	3,959,790	-0-	134,752	333,126	(33,533)	4,394,135
Total revenue, gains and other support	53,101,899	-0-	134,752	835,870	(33,533)	54,038,988
Expenses						
Salary and fringe benefits	33,725,468	-0-	-0-	-0-	-0-	33,725,468
Telephone	762,964	-0-	-0-	-0-	-0-	762,964
Travel	1,946,220	-0-	-0-	-0-	-0-	1,946,220
Drugs and supplies	890,095	-0-	-0-	-0-	-0-	890,095
Contracted services	1,389,322	-0-	-0-	-0-	-0-	1,389,322
Purchased services	405,774	-0-	33,533	72,465	(33,533)	478,239
Utilities	662,770	-0-	18,235	101,545	-0-	782,550
Repairs and maintenance	624,045	-0-	15,652	88,512	-0-	728,209
Affiliated management fees	7,011,432	-0-	-0-	20,149	-0-	7,031,581
Rents and leases	1,739,798	-0-	-0-	-0-	-0-	1,739,798
Depreciation and amortization	1,005,354	-0-	22,068	227,471	-0-	1,254,893
Insurance	530,874	-0-	10,001	16,414	-0-	557,289
Interest	130,316	-0-	47,349	-0-	-0-	177,665
Miscellaneous	821,138	-0-	-0-	-0-	-0-	821,138
Total expenses	51,645,570	-0-	146,838	526,556	(33,533)	52,285,431
Operating gain (loss)	$ 1,456,329	$ -0-	$ (12,086)	$ 309,314	$ -0-	$ 1,753,557

See Report of Independent Auditors on Pages 1 - 3.

CENTERSTONE OF INDIANA, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	Centerstone of Indiana, Inc	Centerstone Foundation, Inc.	Independent Living Alternatives	Supportive Housing	Eliminations	Total
Nonoperating revenues and expenses						
Foundation related expenses	$ -0-	$ (237,849)	$ -0-	$ -0-	$ -0-	$ (237,849)
Contributions and pledges	-0-	57,584	-0-	-0-	-0-	57,584
Other	(34,120)	96,919	-0-	(7,337)	-0-	55,462
Interest and dividends	6,526	124,770	-0-	1,419	-0-	132,715
Realized gains on investments	-0-	278,213	-0-	-0-	-0-	278,213
Unrealized gain on derivatives	34,958	-0-	-0-	-0-	-0-	34,958
Unrealized gain on investment	-0-	843,576	-0-	-0-	-0-	843,576
	7,364	1,163,213	-0-	(5,918)	-0-	1,164,659
Excess of revenue over expenses	1,463,693	1,163,213	(12,086)	303,396	-0-	2,918,216
Other changes in unrestricted net assets						
Contributions to supported entities	-0-	(2,317,440)	-0-	-0-	-0-	(2,317,440)
Net assets released from restriction	-0-	2,317,440	-0-	-0-	-0-	2,317,440
Change in unrestricted net assets	1,463,693	1,163,213	(12,086)	303,396	-0-	2,918,216
Temporarily restricted						
Contributions and pledges	-0-	472,849	-0-	-0-	-0-	472,849
Net assets released from restrictions	-0-	(2,317,440)	-0-	-0-	-0-	(2,317,440)
Change in value of beneficial interest	-0-	117,494	-0-	-0-	-0-	117,494
Change in temporarily restricted net assets	-0-	(1,727,097)	-0-	-0-	-0-	(1,727,097)
Change in net assets	1,463,693	(563,884)	(12,086)	303,396	-0-	1,191,119
Net assets, beginning of year	24,077,298	9,632,040	(95,498)	326,223	-0-	33,940,063
Net assets, end of year	$ 25,540,991	$ 9,068,156	$ (107,584)	$ 629,619	$ -0-	$ 35,131,182

CENTERSTONE OF INDIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title/Pass-through	Grantor	CFDA #	Expenditures
Major Programs			
Block Grants for Prevention and Treatment of Substance Abuse - Passed through the Indiana Division of Mental Health	DHHS	93.959	$ 2,323,206
Block Grants for Community Mental Health Services - Passed through the Indiana Division of Mental Health	DHHS	93.958	655,839
Social Services Block Grant - Passed through the Indiana Division of Mental Health	DHHS	93.667	319,424
Total major programs			3,298,469
Non-Major Programs			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC) - Passed through the Indiana State Department of Health	FNS	10.557	490,816
Reintegration of Ex-Offenders	DOL	17.270	167,803
Supportive Housing Program	DHUD	14.235	224,709
Shelter Plus Care - Passed through the Indiana Housing and Community Development Authority	DHUD	14.238	93,361
Projects for Assistance in Transition from Homelessness (PATH) - Passed through the Indiana Division of Mental Health	DHHS	93.150	75,031
Substance Abuse Treatment and HIV Services TCE - Substance Abuse and Mental Health Services Administration (SAMHSA) - Passed through the Indiana Division of Mental Health	DHHS	93.243	317,447
Total non-major programs			1,369,167
Total federal expenditures			$ 4,667,636

Note - The accompanying schedule of expenditures of federal awards for the year ended June 30, 2015 includes the federal grant activity of Centerstone of Indiana, Inc. only and not the consolidated affiliates and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The basic consolidated financial statement classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

CENTERSTONE OF INDIANA, INC.

SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
YEAR ENDED JUNE 30, 2015

Grantor	Center Expenditures
State	
Indiana Division of Mental Health and Addiction	$ 9,954,587
Other	519,282
Total state awards	10,473,869
Local	
Bartholomew County Funds	571,299
Brown County Funds	219,103
Decatur County Funds	174,241
Fayette County Funds	89,276
Jackson County Funds	307,423
Jefferson County Funds	83,107
Jennings County Funds	126,737
Lawrence County Funds	170,816
Marion County Funds	15,820
Monroe County Funds	608,699
Morgan County Funds	344,528
Owen County Funds	77,665
Rush County Funds	115,533
Randolph County Funds	109,999
Union County Funds	41,644
Wayne County Funds	389,684
Other	418,527
Total local awards	3,864,101
Total state and local awards	$ 14,337,970

Note - The accompanying schedule of state and local awards for the year ended June 30, 2015 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The basic consolidated financial statement classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

CPAS / ADVISORS

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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Centerstone of America, Inc.
Nashville, Tennessee

Report on the Consolidated Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and Guidelines for Examination of Entities Receiving Financial Assistance, issued by the Indiana State Board of Accounts, the consolidated financial statements of Centerstone of Indiana, Inc. (the Center), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 11, 2015. Our report included an explanatory paragraph stating that the Center is part of an affiliated group of entities that has been consolidated into the reporting entity Centerstone of America, and that these financial statements include only the financial position changes in net assets and cash flows of Center. Our report includes a reference to other auditors who audited the financial statements of Independent Living Alternatives, Inc. d/b/a Cumberland Apartments and Centerstone Supportive Housing, LLC d/b/a Redwood Terrace, as described in our report on the Center's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Centerstone Supportive Housing, LLC d/b/a Redwood Terrace were not audited in accordance with *Government Audit Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control

Board of Directors
Centerstone of America
Nashville, Tennessee

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Blue & Co., LLC
Indianapolis, Indiana
November 11, 2015

CPAS / ADVISORS

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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Centerstone of America, Inc.
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Centerstone of Indiana, Inc. (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2015. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Center's consolidated financial statements include the operations of Independent Living Alternatives, Inc. d/b/a Cumberland Apartments, which received approximately $586,000 in federal awards which is not included in the Center's schedule of expenditures of federal awards during the year ended June 30, 2015. Our audit, described below, did not include the operations of Independent Living Alternatives, Inc. d/b/a Cumberland Apartments because they engaged other auditors to perform an audit of compliance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Centerstone of America
Nashville, Tennessee

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC
Indianapolis, Indiana
November 11, 2015

CENTERSTONE OF INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Section I – Summary of Audit Results:

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes _X_ none reported
Significant deficiency(s) identified that are not considered to be material weakness(es) noted?	___ yes _X_ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Awards

Internal controls over major programs:	
Material weakness(es) identified?	___ yes _X_ none reported
Significant deficiency(s) identified that are not considered to be material weakness(es) noted?	___ yes _X_ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ yes _X_ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.667	Social Services Block Grant - Pass through the Indiana Division of Mental Health
93.958	Community Mental Health Center Block Grant Passed through the Indiana Division of Mental Health
93.959	Block Grant for Prevention and Treatment of Substance Abuse - Passed through the Indiana Division of Mental Health

Dollar threshold used to distinguish between type A and B programs:	$300,000
Auditee qualified as low-risk auditee?	_X_ yes ___ no

Section II - Findings Related to Financial Statements Reported in Accordance With *Government Auditing Standards:*

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

No matters reported

Section IV - Summary Schedule of Prior Audit Findings:

No matters reported