HOLCOMB ASSOCIATES, INC.
AND RELATED ENTITIES

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
Holcomb Associates, Inc. and Related Entities
Exton, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Holcomb Associates, Inc. and Related Entities (the Organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holcomb Associates, Inc. and Related Entities as of June 30, 2017 and 2016, 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.

Gorfine, Schiller + Gardyn, P.A.

March 5, 2018
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

HOLCOMB ASSOCIATES, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,254,535	$ 1,024,715
Accounts receivable, net of allowance for doubtful accounts	4,463,025	3,758,061
Cash - deferred compensation plan	76,044	74,991
Prepaid expenses	252,903	298,966
Total current assets	6,046,507	5,156,733
NONCURRENT ASSETS		
Land, buildings and equipment, net of accumulated depreciation	6,074,075	6,705,003
Deposits on leased and other property	119,765	116,865
Total other assets	6,193,840	6,821,868
TOTAL ASSETS	$ 12,240,347	$ 11,978,601

The accompanying notes are an integral part of these consolidated financial statements.

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term liabilities	$ 112,345	$ 107,503
Line of credit	1,660,978	835,978
Accounts payable	251,518	614,983
Accrued expenses and other liabilities	2,478,259	2,100,567
Due to related party	1,015,832	-
Deferred revenue and refundable advances	1,615	285,980
Deferred compensation	76,044	74,991
Deferred rent	204,269	165,787
Total current liabilities	5,800,860	4,185,789
LONG-TERM LIABILITIES		
Mortgages and notes payable, net of current maturities	2,025,481	2,136,032
Total liabilities	7,826,341	6,321,821
NET ASSETS		
Unrestricted	4,414,006	5,656,780
TOTAL LIABILITIES AND NET ASSETS	$ 12,240,347	$ 11,978,601

HOLCOMB ASSOCIATES, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

	2017	2016
REVENUE, GAINS AND OTHER SUPPORT		
Federal, state and county funds	$ 13,293,442	$ 13,161,552
Medical assistance and third party income	15,265,342	15,010,451
Client income	1,919,933	2,115,272
Private fees and other	754,833	648,933
Contributions and grants	49,832	84,146
Special events, net of expenses of $-0- and $15,667, respectively	60,103	37,070
Loss on disposal of land, buildings and equipment	(621,524)	-
Total revenue, gains and other support	30,721,961	31,057,424
EXPENSES		
Program services		
Treatment and assessment services	14,570,704	13,774,858
Residential services	6,966,840	6,733,034
Psychosocial and psychiatric rehabilitation services	743,870	1,185,972
Case management and intake services	1,888,990	1,729,930
Prevention and education services	2,623,994	2,090,512
Total program services	26,794,398	25,514,306
Supporting services		
Management and general expenses	5,170,337	5,673,775
Fundraising expenses	-	106
Total supporting services	5,170,337	5,673,881
Total expenses	31,964,735	31,188,187
CHANGES IN UNRESTRICTED NET ASSETS	(1,242,774)	(130,763)
NET ASSETS - UNRESTRICTED, Beginning of year	5,656,780	5,787,543
NET ASSETS - UNRESTRICTED, End of year	$ 4,414,006	$ 5,656,780

The accompanying notes are an integral part of these consolidated financial statements.

HOLCOMB ASSOCIATES, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (1,242,774)	$ (130,763)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	423,798	453,344
Provision for bad debts	778,775	1,286,210
Loss on disposal of land, buildings and equipment	621,524	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,483,739)	148,883
Prepaid expenses	46,063	(29,751)
Accounts payable	(363,465)	(128,420)
Accrued expenses and other liabilities	377,692	493,065
Deferred revenue and refundable advances	(284,365)	116,753
Deferred rent	38,482	21,825
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,088,009)	2,231,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of land, buildings and equipment	(414,394)	(349,725)
Changes in deposits on leased and other property	(2,900)	(986)
NET CASH USED IN INVESTING ACTIVITIES	(417,294)	(350,711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party - net	1,015,832	-
Borrowings (payments) from short-term borrowings - net	825,000	(1,100,000)
Principal payments on mortgages and notes payable	(105,709)	(101,378)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,735,123	(1,201,378)
NET CHANGES IN CASH AND CASH EQUIVALENTS	229,820	679,057
CASH AND CASH EQUIVALENTS, Beginning of year	1,024,715	345,658
CASH AND CASH EQUIVALENTS, End of year	$ 1,254,535	$ 1,024,715

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

Holcomb Associates, Inc. and Related Entities (the Organization), is composed of four (4) entities, which are all 501(c)(3) not-for-profit organizations. The Organization consists of the following:

Holcomb Associates, Inc. D/B/A Holcomb Behavioral Health Systems (Holcomb)
Open Door, Inc. (ODI)
Family-Child Resources, Inc. (FCR)
Chester County Council on Addictive Diseases, Inc. (COAD)

Holcomb, a Pennsylvania corporation founded in 1979, is a behavioral health care network providing five major services to the population of Southeastern Pennsylvania:

Treatment and Assessment Services - these services are inclusive of all programs providing clinical assessment and/or treatment interventions for mental health and substance abuse issues.

Residential Services - these services are inclusive of all programs where formal housing and ancillary support services are offered for mental health, substance abuse, dually diagnosed and /or developmentally disabled clients.

Psychosocial and Psychiatric Rehabilitation - these services are inclusive of all programs that provide non-treatment, supportive services to mental health substance abuse, dually diagnosed and /or developmentally disabled clients.

Case Management and Intake Services - these services are inclusive of all programs that provide linkage services, instrumental supports and facilitating receipt of additional services for clients in the mental health, substance abuse and developmentally disabled clients.

Prevention and Education Services - these services are inclusive of all programs that provide primary interventions to the general public or secondary interventions to individuals identified as being at risk.

ODI, a Delaware corporation founded in 1977, is a provider of behavioral health services. Services provided by qualified professionals, specializing in the treatment of addictions, include: assessment, outpatient counseling (individual, group and family), intensive outpatient counseling, education and prevention programs, and state mandated driving under the influence treatment and education. ODI is a long-time recipient of the State of Delaware, Joint Finance Committee's Grant-in-Aid. Family Services Association, Inc. (FSAI) was a Maryland corporation founded in 1980, which provided family counseling services to area residents. They also provided mental health and substance abuse services to the Cecil County area. On July 1, 2014, FSAI transferred all of its assets and liabilities to ODI.

FCR, a Pennsylvania corporation founded in 1991, provides early intervention and support services to individuals and families primarily in York, Pennsylvania. On July 1, 2017, FCR was merged with Holcomb.

On July 1, 2014, COAD became an affiliate of Holcomb. COAD, a Pennsylvania corporation founded in 1964, promotes healthy and safe communities by offering effective programs and services to address the use and abuse of drugs and alcohol and to focus on mental health concerns and provide educational opportunities designed to support responsible choices and behaviors.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Holcomb and those of its related entities: ODI, FCR and COAD. Holcomb is the sole member and management company of the group. All intercompany transactions and balances have been eliminated in consolidation.

3. Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The determination of a net asset class is established by the existence or absence of legally enforceable restrictions from outside of the Organization and its Board of Directors. If no outside restrictions exist, then net assets are recorded as unrestricted.

4. Use of Estimates

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

5. Income Tax

Each organization within the consolidated group has been recognized as a not-for-profit organization as defined by Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes. The Organization follows the provisions of the FASB ASC, *Accounting for Income Taxes*. This topic requires the Organization to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under this topic. Tax years ending June 30, 2014 and after are still open.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Net Assets

Unrestricted net assets consist of funds free of any legally enforceable restrictions outside of the Organization and its Boards of Directors. Temporarily and permanently restricted net assets consist of funds subject to donor restrictions from outside the Organization and its Board of Directors. The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the time period or manner of use of the contribution. However, if a donor restriction expires in the same reporting period the contribution is made, the contribution is recorded as an increase in unrestricted net assets as allowed by FASB ASC Topic *Accounting for Contributions*. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

7. Support and Revenue

The Organization, in the normal course of business, receives grants and enters into contracts for the performance of specific activities within certain budgetary constraints. Such projects are subject to various stipulations as to operating compliance and financial reporting. For substantially all of these programs, the expenditures are subject to review, audit and final approval by the contracting agencies. Management believes that no material adjustments would result from an audit.

8. Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less, and with no operating restrictions, to be cash equivalents. Periodically during the year, cash and cash equivalents may have exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limitation. The Organization does not believe that it is exposed to any significant risk in such deposits.

9. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at June 30, 2017 and 2016 was $603,519 and $665,542, respectively.

10. Land, Buildings and Equipment

Furniture and equipment purchased with County funds in a cost-funded program are owned by the County and are expensed with the exception of automobiles and buildings. Items not specifically funded by the county are owned by the Organization and depreciated over their estimated useful lives.

Capital assets are stated at cost using a minimum capitalization policy of $2,500. Donated assets are recorded at fair market value on the date of donation. The useful lives of assets for the purpose of computing depreciation are:

Buildings and improvements	39 years
Automobiles	5 years
Furnishings and equipment	5 to 7 years
Leasehold improvements	life of lease

11. Deferred Revenue and Refundable Advances

Fee for service revenue is recognized as earned. Program funded revenue from government and private grants and contracts are recognized as the funds are expended. Any government revenue received before it is expended is recorded as a refundable advance.

12. Advertising

Advertising costs are charged to operations when incurred. The Organization had no significant direct-response advertising. Management has determined that advertising expense for the years ended June 30, 2017 and 2016 was not material.

13. Acquisition Accounting

In accordance with ASC, upon the acquisition of a new affiliate, the Organization recognizes all identifiable assets and liabilities acquired at their fair value at the date of acquisition. Any difference between the value of the assets and liabilities acquired is recognized in the consolidated statements of activities as a gain on acquisition of new affiliate. Book value is considered equal to fair value for COAD.

14. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 5, 2018, the date the consolidated financial statements were available to be issued.

On July 1, 2017, FCR merged with Holcomb. All of its assets and liabilities were absorbed by Holcomb.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

15. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 *Not-for-Profit Entities*, which contains significant changes to the consolidated financial statements requirements under the *Not-for-Profit Entities* topic of the Accounting Standards Codification. The new standard is effective for the year ending June 30, 2019. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

16. Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation

NOTE B – LAND, BUILDINGS AND EQUIPMENT

Major classes of land, buildings and equipment at June 30, 2017 and 2016 are as follows:

	2017	2016
Land	$ 930,770	$ 930,770
Building and improvements	5,878,575	5,804,450
Automobiles	976,494	1,009,100
Furnishings and equipment	2,112,016	1,437,573
Leasehold improvements	251,694	960,867
Idle equipment	-	363,370
Total land, buildings and equipment	10,149,549	10,506,130
Less: accumulated depreciation	4,075,474	3,801,127
Net land, buildings and equipment	$ 6,074,075	$ 6,705,003

Depreciation on these assets for the years ended June 30, 2017 and 2016 was $423,798 and $453,344, respectively.

The Organization had equipment that was ready to be used for its operations. This equipment was idle throughout the year ended June 30, 2016. During the current year, this equipment was placed in service.

During 2017, the Organization recognized a loss of approximately $600,000 that was attributable to a non-cash fixed asset write off due to the closure of a program that began during fiscal year 2015.

NOTE C – SHORT-TERM BORROWINGS

Holcomb has a $2,300,000 working capital line of credit (working capital line) with Branch Banking & Trust Bank (BB&T) collateralized by business assets bearing interest at BB&T's prime rate minus .50%, but not to be less than 3.50% (3.75% and 3.50% as of June 30, 2017 and 2016, respectively). The working capital line is due on demand, expires on June 28, 2018, and has to comply with covenants. As of June 30, 2017, the working capital line is guaranteed by Chimes International Limited (International) a related party (see Note G). The outstanding balance at June 30, 2017 and 2016 was $1,660,978 and $835,978, respectively.

Holcomb also had a $500,000 real estate purchasing agent line of credit (real estate line) with BB&T bearing interest at BB&T's prime rate minus .50%, but not to be less than 4.25% (4.25% as of June 30, 2016). The real estate line was collateralized by four properties, three of which were being held as mortgages by BB&T (See Note D) and one that was directly owned by Holcomb. The real estate line was due on demand. There were no outstanding borrowings as of June 30, 2016. During the current year, this real estate line was terminated.

NOTE D – MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable at June 30, are as follows:	2017	2016
Mortgage payable to BB&T dated April 7, 2015, collateralized by the property at 290 Kirk Lane, Media, Pennsylvania. The loan is for a term of 60 months with a fixed interest rate of 3.99% per annum and matures April 7, 2020. The monthly principal and interest payments are $579. The mortgage is secured by a deed of trust on the property and the Organization is required to comply with various covenants.	$ 88,167	$ 91,413
Mortgage payable to BB&T dated May 12, 1999, collateralized by the property at 1053 Glenn Hall Road, Kennett Square, Pennsylvania. The loan is for a term of 300 months with an interest rate subject to adjustment every 60 months to the average five-year U.S. Treasury constant maturities yield in effect 30 days prior to the adjustment date and matures August 2, 2024. The rates at June 30, 2017 and 2016 were 3.39%. Currently, the monthly payment of principal and interest is $1,895.	144,292	161,750
Mortgage payable to BB&T dated August 26, 1999, collateralized by the property at 515 Cherry Tree Road, Aston, Pennsylvania. The loan is for a term of 300 months with an interest rate subject to adjustment every 60 months to the average five-year U.S. Treasury constant maturities yield plus 2% rounded to the nearest .125% and matures August 26, 2024. The rates at June 30, 2017 and 2016 were 3.625%. Currently, the monthly payment of principal and interest is $1,290.	98,685	110,309
Sub-total (balance forward)	$ 331,144	$ 363,472

NOTE D – MORTGAGES AND NOTES PAYABLE – Continued

	2017	2016
Sub-total (carried forward)	$ 331,144	$ 363,472
Mortgage payable to DNB dated August 3, 2010 collateralized by the property at 920 Baltimore Avenue, Kennett Square, Pennsylvania. The loan is for a term of 292 months with an interest rate of 4.50% per annum. Currently, the monthly payment of principal and interest is $6,287 with the note maturing November 1, 2034. The Organization has to comply with certain covenants.	904,904	937,174
Mortgage payable to BB&T dated June 22, 2000, collateralized by the property at 115 Burmont Road, Drexel Hill, Pennsylvania. The loan is for a term of 300 months with a variable interest rate of 2.0% above the five-year U.S. Treasury constant maturities rate and matures June 22, 2025. Currently, the monthly payment of principal and interest is $1,041, with interest at the current rate of 3.375% per annum.	86,454	97,549
Mortgage loan payable to BB&T in the amount of $880,000 collateralized by the property at 3995 East Market Street, York, Pennsylvania. The mortgage, which is co-borrowed by Holcomb and FCR, is for a term of 60 months, has a fixed interest rate of 3.99% per annum and matures April 7, 2020. The monthly principal and interest payments are $5,355 with a balloon payment of $727,009 due on April 7, 2020. The mortgage is secured by a deed of trust on the property and the Organization is required to comply with various covenants.	815,324	845,340
	2,137,826	2,243,535
Less: current maturities	112,345	107,503
	$ 2,025,481	$ 2,136,032

Aggregate maturities required on mortgages and notes payable during the next five years and thereafter as of June 30, 2017, are as follows:

Year ending June 30,	2018	$ 112,345
	2019	118,837
	2020	915,222
	2021	91,031
	2022	96,223
	Thereafter	804,168
		$ 2,137,826

At June 30, 2017, the Organization is in violation of one of the bank covenants from BB&T and DNB. BB&T and DNB have waived this covenant as of June 30, 2017. The consolidated financial statements do not include any adjustments related to the event of default or that would result from the Organizations inability to cure such default in the future.

NOTE D – MORTGAGES AND NOTES PAYABLE – Continued

Interest expense related to short-term borrowings and mortgages and notes payable was $154,759 and $158,130 for the years ended June 30, 2017 and 2016, respectively.

NOTE E – CONSUMER CASH FUNDS

Holcomb acts as an agent on behalf of individuals served regarding the holding of consumer cash funds. At June 30, 2017 and 2016, Holcomb was holding $50,301 and $71,900, respectively, in consumer funds, which have not been reflected in these consolidated financial statements.

NOTE F – LEASE COMMITMENTS

The Organization leases facilities for office space, to provide outpatient services, to serve its clients in community residential rehabilitation (CRR) programs and for administrative purposes. At June 30, 2017, the Organization leases space in Newark, Claymont, Dover, Seaford and Wilmington, Delaware. The Organization also leases space in Exton, West Chester, Upper Darby, Allentown, Coatesville, Media, Reading, Aldan and Phoenixville, Pennsylvania, and Collingswood, New Jersey.

The future minimum lease payments required under non-cancelable leases for the next five years as of June 30, 2017 are as follows:

Year ending June 30,	2018	$ 1,539,423
	2019	817,067
	2020	703,260
	2021	631,400
	2022	603,513

Rent expense for the years ended June 30, 2017 and 2016 was $1,992,766 and $1,970,402, respectively.

NOTE G – RELATED PARTY TRANSACTIONS

In 2005, International, a supporting organization recognized as a 501(c)(3) not-for-profit corporation by the Internal Revenue Service (IRS), became the sole member of Holcomb. International provides management services to its affiliates.

Holcomb paid International $240,000 for management services for each of the years ended June 30, 2017 and 2016. In addition, during 2017 International passed through expenses for insurance and worker's compensation to the Organization in the amount of $775,832. As of June 30, 2017 and 2016, Holcomb has a payable due to International of $1,015,832 and $-0-, respectively.

NOTE H – SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was $154,759 and $158,780 for the years ended June 30, 2017 and 2016, respectively.

NOTE I – COST ALLOCATION

The Organization allocates direct administrative expenses, such as payroll taxes, insurance, and office space, to programs by the methods listed below.

Administrative Expense:	Method of Allocation:
Payroll taxes and workers' compensation insurance	Program payroll percentage
Business insurance	Square footage and common area usage
Health insurance and other related employee benefits	Direct expense to program by employee
Occupancy costs	Square footage and common area usage
General, executive, accounting, and clerical support expenses	Direct expense of program

NOTE J – PENSION PLAN

The Organization has a retirement plan called the "Holcomb Associates, Inc. 403(b) Plan," which matches employee contributions at 50% up to 6% of annual salary with 100% vesting after six years of participation. Contributions for the years ended June 30, 2017 and 2016 were $143,944 and $100,006, respectively.

Holcomb maintained a deferred compensation plan under IRC 457(b) for one of its officers. The assets were invested in Holcomb's name and, accordingly a deferred compensation liability of equal amount was recorded on the consolidated statements of financial position. Contribution expense was $10,000 for the year ended June 30, 2016. Due to the officers retirement (see note below), there was no contribution for the year ended June 30, 2017. The deferred compensation asset and corresponding liability account balances was $76,044 and $74,991 as of June 30, 2017 and 2016, respectively. Subsequent to year-end, in August 2017 this liability was paid in full.

FCR maintains a 403(b) Thrift Plan that covers all employees who have met certain service requirements. FCR's contribution is at the discretion of the board of directors and was set at 4% of participants' compensation through September 2009 and 0% thereafter. There were no matching contributions made to the plan for the years ended June 30, 2017 and 2016.

In September 2015, an agreement was entered into between Holcomb and the COO. Upon the COO's retirement, the COO will be entitled to a severance payment for two weeks of base salary for every year of service worked at Holcomb. This amount is to be paid in a lump sum no later than August 31, 2017, upon completion of six months of consulting services. Holcomb had employed the COO for 21 years. During the current year, the COO retired. As of June 30, 2017 and 2016, Holcomb accrued $170,422 and $146,318, respectively, for this liability. Subsequent to year-end, in August 2017 this liability was paid in full.

NOTE K – DEFERRED RENT

Holcomb's lease agreement for its administrative office has a provision for rent payments with fixed annual increases. In accordance with generally accepted accounting principles, the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for consolidated financial statement purposes is recorded as deferred rent.

Future amortization of deferred rent over the next five years and thereafter is as follows:

Year ending June 30,	2018	$ (7,680)
	2019	(15,803)
	2020	(23,927)
	2021	(32,051)
	2022	(40,175)
	Thereafter	(84,633)
		$ (204,269)