Exhibit 29

STRATEGIC BEHAVIORAL HEALTH, LLC
AND SUBSIDIARIES
Memphis, Tennessee

Consolidated Financial Statements
Year Ended December 31, 2016

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HORNE
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Members
Strategic Behavioral Health, LLC
Memphis, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Strategic Behavioral Health, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2016, the related consolidated statements of income and other comprehensive income, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements collectively, the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company retroactively adopted the accrual basis of accounting in 2016.

Horne LLP

Memphis, Tennessee
May 20, 2017

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES
Consolidated Balance Sheet
December 31, 2016

ASSETS		
Current assets		
Patient accounts receivable, net of allowance for doubtful accounts of $4,371,182	$	17,486,681
Due from third-party payors		889,545
Inventories		195,114
Prepaid expenses		1,700,954
Total current assets		20,272,294
Property and equipment		152,428,903
Less accumulated depreciation		(16,198,143)
Property and equipment, net		136,230,760
Goodwill		45,326,774
Other assets, net		2,043,643
Total other assets		47,370,417
Total assets	$	203,873,471
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Book overdraft	$	1,142,347
Current maturities of long-term debt		5,145,045
Accounts payable		4,046,083
Accrued expenses		8,935,262
Total current liabilities		19,268,737
Long-term debt, less current maturities		74,397,079
Interest rate swap agreements		1,027,414
Total liabilities		94,693,230
Members' equity		
Members' contributions		73,915,034
Note receivable for members' contributions		(240,150)
Retained earnings		36,532,771
Accumulated other comprehensive income (loss)		(1,027,414)
Total members' equity		109,180,241
Total liabilities and members' equity	$	203,873,471

See accompanying notes.

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES
Consolidated Statement of Income and Other Comprehensive Income
Year Ended December 31, 2016

Revenues		
Patient service revenue (net of contractual allowances and discounts)	$	143,735,723
Provision for bad debts		(3,547,908)
Net patient service revenue, less provisions for bad debts		140,187,815
Expenses		
Salaries and benefits		85,967,575
Professional fees		14,518,156
Supplies		8,131,622
Management and incentive fees		1,205,851
Depreciation and amortization		5,090,208
Rent		1,018,331
Utilities		2,132,838
Insurance		980,403
Interest		3,550,365
Property tax		1,238,012
Travel		2,564,466
Other expenses		3,646,632
Total expenses		130,044,459
Net income		10,143,356
Comprehensive income		
Net income		10,143,356
Other comprehensive income		
Unrealized gain on interest rate swaps		51,823
Comprehensive income	$	10,195,179

See accompanying notes.

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES
Consolidated Statement of Changes in Members' Equity
Year Ended December 31, 2016

	Members' Contributions	Note Receivable for Members' Contributions	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance, January 1, 2016	$ 45,915,034	$ (17,110)	$ 28,441,128	$ (1,079,237)	$ 73,259,815
Net income	-	-	10,143,356	-	10,143,356
Other comprehensive income	-	-	-	51,823	51,823
Note receivable on members' contribution	-	(235,300)	-	-	(235,300)
Payment on note receivable from members	-	12,260	-	-	12,260
Contributions from members	28,000,000	-	-	-	28,000,000
Distributions to members	-	-	(2,051,713)	-	(2,051,713)
Balance, December 31, 2016	$ 73,915,034	$ (240,150)	$ 36,532,771	$ (1,027,414)	$ 109,180,241

See accompanying notes.

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year Ended December 31, 2016

Cash flows from operating activities	
Net income	$ 10,143,356
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation and amortization	5,090,208
Amortization of debt issue costs	320,769
Provision for bad debts	3,547,908
Change in assets and liabilities	
Patient accounts receivable	(6,075,080)
Due from third-party payors	(493,784)
Inventories	(76,751)
Prepaid expenses	(494,258)
Other assets	(203,720)
Accounts payable	844,810
Book overdraft	(2,534,884)
Accrued expenses	2,556,664
Net cash provided by operating activities	12,625,238
Cash flows from investing activities	
Acquisitions of certificate of need	(551,519)
Acquisitions of property and equipment	(34,888,300)
Net cash used in investing activities	(35,439,819)
Cash flows from financing activities	
Debt proceeds received	30,047,888
Repayment of long-term debt	(32,764,554)
Cash contributions from members	27,764,700
Payments of debt issuance costs	(194,000)
Proceeds received on members' note receivable for contributions	12,260
Cash distributions to members	(2,051,713)
Net cash provided by financing activities	22,814,581
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ -
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 3,809,962
Supplemental disclosure of non-cash financing activities	
Members' contribution by issuance of note receivable	$ 235,300

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business

Strategic Behavioral Health and its subsidiaries (collectively "SBH" or the "Company") provide a variety of services for individuals with psychiatric disorders, including emotional and behavioral disorders. Services provided include but are not limited to therapy, education, nursing and medical services, treatment planning, social skills training and substance abuse counseling. At December 31, 2016, SBH operated 9 behavioral healthcare facilities, with over 800 beds, located in the states of Colorado, Nevada, New Mexico, North Carolina, and Texas.

The Company's significant accounting policies are summarized below:

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

During 2016, the Company elected to change the presentation of the consolidated financial statements from a modified cash basis presentation to GAAP presentation. This election resulted in a restatement adjustment to members' equity as of January 1, 2016 to record a liability for the fair value of the Company's interest rate swap agreements in the amount of $1,079,237.

Principles of Consolidation

The accompanying consolidated financial statements include SBH and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Actual results could differ from those estimates. The amounts recorded as revenues from certain governmental payors are subject to future reviews that could result in refunds of the amounts previously received. Should any refunds of these amounts occur, they will be presented as a reduction of net revenues in the period that the amounts are refunded.

Cash and Cash Equivalents

For purposes of reporting cash flows, SBH considers all cash accounts and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable, Net

SBH reports patient accounts receivable at net realizable value after deduction of allowances for doubtful accounts. Management determines the allowance for doubtful accounts based on historical losses, aging of accounts and current economic and regulatory conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be

Note 1. Continued

uncollectible, they are written off through a charge against an existing allowance account or against earnings. For receivables associated with services provided to patients who have third-party coverage, SBH analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts predominately based on the aging of accounts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for the part of the bill), SBH records a provision for bad debts based on the age of the accounts. 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.

The Company's allowance for doubtful accounts was 20 percent of patient accounts receivable at December 31, 2016. The Company has not changed its charity care polices related to discounts for certain uninsured patients during fiscal year 2016.

Inventories

Inventories consist primarily of pharmaceutical supplies and are stated at the lower of cost, using the first-in, first-out method, or market.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the useful lives of the assets. Assets under capital leases are recorded at the present value of the future minimum rentals at the lease inception and are amortized over the shorter of the lease term or the useful life of the related asset. Amortization of assets under capital lease obligations is included in depreciation and amortization expense.

Debt Issue Costs

Debt issue costs, which include underwriting, legal and other direct costs related to the issuance of debt, are capitalized and amortized to interest expense over the contractual term of the debt using the effective interest method.

In 2016, the Company adopted ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount to estimated undiscounted future cash flows. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized based upon the amount by which the carrying amount exceeds the fair value of the asset. No such impairment losses have been recognized during 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

Goodwill

The Company's goodwill was recorded as a result of the Company's business combinations. The Company has recorded these business combinations using the acquisition method of accounting. In 2013, the Company recorded the purchase of SBH-El Paso, which resulted in an addition of $16,710,662 to previously existing goodwill. During 2012, the Company recorded the acquisitions of SBH-Red Rock and SBH-Montevista, which resulted in $28,616,112 of goodwill. There were no business combinations that occurred in 2016. The Company tests its recorded goodwill for impairment on an annual basis, or more often if indicators of potential impairment exist. The Company first assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. Because it was determined that it was not more-likely-than-not that impairment existed, the two-step impairment test was not performed and no impairment loss was recognized during the year ended December 31, 2016. Accordingly, the accompanying consolidated balance sheet as of December 31, 2016 reflects $45,326,774 as goodwill from business combinations.

Derivatives and Hedging Activities

The Company utilizes interest rate swap agreements to hedge changes in interest rates. The interest rate swaps are designated and qualifies as a cash flows hedge, which requires the fair value of the swap to be recorded as an asset or liability. Changes in the fair value are reported in the combined statement of income and other comprehensive income. The swap was adjusted to its fair value, which resulted in a liability of $1,027,414 as of December 31, 2016 and in an unrealized gain of $51,823 for the year ended December 31, 2016.

Compensated Absences

SBH employees are granted both vacation and sick leave. Accumulated time off is accrued at the balance sheet date because the employees' right to receive the compensation for the future absences is vested.

Net Revenues

Other than certain enhanced revenue payments received from governmental payors, net revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

Medicare reimbursement generally is based on the Inpatient Psychiatric Facility Prospective Payment System ("IPF PPS"). Under this methodology, the facility is paid on the basis of a federal per diem base rate, limited by a specific target amount per discharge, and adjusted annually for such factors as wage index, DRG assignment, rural location and other facility-level adjustments.

These annual adjustments are subject to frequent changes and could impact future reimbursement. In addition to the per diem rate, the IPF PPS provides additional payment policies for outlier cases, stop-loss protection, Electroconvulsive Therapy ("ECT") treatments and interrupted stays.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

Medicaid

Services rendered to Medicaid beneficiaries are generally reimbursed on a per-diem rate set by each state's division of Medicaid.

Other

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

The laws and regulations under which the Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As a part of operating under these programs, there is a possibility that government authorities may review SBH's compliance under these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject SBH to fines and penalties. Although no assurance can be given, management believes that it has complied with the requirements of these programs. As of December 31, 2016, cost reports for fiscal years 2015 and forward have not been settled.

Charity Care

SBH provides medical care without charge or at a reduced charge to patients that meet certain criteria. Because SBH does not pursue collection of amounts determined to qualify as charity, these charges are not reported as revenue.

Advertising Costs

Advertising costs are charged to operations as incurred. For the year ended December 31, 2016, advertising costs totaled approximately $605,000.

Income Taxes

SBH files a consolidated federal income tax return with its subsidiaries. SBH is structured as a limited liability company and therefore does not incur federal income taxes. The federal taxable earnings are reported by and taxed to the members of SBH individually. SBH also files composite tax returns in several states and makes payments for state income taxes to each of those states on behalf of its members. The state payments are reflected as distributions to members on the accompanying consolidated financial statements.

The Company is subject to excise taxes on earnings allocated to the State of Tennessee. The amount of Tennessee excise tax is not considered material and accordingly, no deferred or current income taxes are reflected in the accompanying consolidated financial statements.

Accounting Pronouncements Issued Not Yet Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The amendments in ASU 2014-09 will supersede the existing revenue recognition guidance under US GAAP, requiring an entity to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the Company expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

The Company is currently assessing the impact of the adoption of these ASUs and their effect on the Company's financial position or results of operations.

In March 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 also provides more guidance on how to identify and separate lease components from non-lease components. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently assessing the impact of the adoption of ASU 2016-02 and its effect on the Company's financial position or results of operations.

In January 2017, FASB issued ASU 2017-04, *Intangibles – Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment*. The amendments in ASU 2017-04 eliminate Step Two from the goodwill impairment test. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company intends to early adopt the accounting guidance effective January 1, 2017. The Company does not expect the adoption of ASU 2017-04 to have a material effect on the Company's financial position or results of operations.

Note 2. Long-Term Debt

Long-term debt consists of the following at December 31, 2016:

Credit Facility (see below)	
Term loan	$ 60,666,666
Development loan	14,779,153
Revolver loan	5,100,000
Total long-term debt	80,545,819
Less current maturities	5,145,045
Less unamortized debt issuance costs	1,003,695
Long-term debt, less current maturities	$ 74,397,079

In December 2014, SBH entered into a $130 million Credit Facility (the "Credit Facility") with a syndicated group of lenders with a maturity date of December 2019. The Credit Facility consists of an initial Term Loan of $70 million, a Development Loan (the "Development Loan") of up to $50 million and a Revolving Line of Credit (the "Revolver Loan") of up to $10 million. The Revolver Loan provides for a sublimit of $2 million for standby letters of credit, of which $41,005 was outstanding at December 31, 2016. The Credit Facility also has an accordion option in which borrowing limits can be increased by up to $20 million. The purpose of the Credit Facility was to increase funds available for growth, as well as refinance substantially all existing debt. There is also a commitment fee charged on all unused borrowing capacity equal to a range of .25 percent up to .5 percent dependent upon amounts of total indebtedness less cash on hand in excess of $2.5 million (not to exceed $10 million) factored by adjusted EBITDA ("net leverage ratio").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

Provisions of the Development Loan require monthly interest payments on advances. Advances taken during the year must be aggregated each December 31 (commencing December 31, 2016) and converted to term loans in tranches. The term loans will begin amortization on the last day of the first quarter following the anniversary of the closing date. Each term loan will be payable in quarterly installments of 1.25 percent of the respective tranche amount.

The Revolver Loan requires monthly interest-only payments through maturity, with all principal due at the maturity date of December 31, 2019.

The interest rates on all the loans under the Credit Facility are based on the net leverage ratio as follows:

Net Leverage Ratio	Spread
Less than 2.50	30-Day LIBOR + 250 basis points
Greater than or equal to 2.50 but less 3.00	30-Day LIBOR + 275 basis points
Greater than or equal to 3.00 but less 3.50	30-Day LIBOR + 300 basis points
Greater than or equal to 3.50	30-Day LIBOR + 350 basis points
Greater than or equal to 4.00	30-Day LIBOR + 400 basis points

The interest rate at December 31, 2016 was at 4.77 percent.

The Credit Facility is secured by substantially all of the assets of the Company.

The terms of the Credit Facility described above requires certain affirmative and negative debt covenants including the maintenance of a minimum fixed charge coverage ratio and a maximum net leverage ratio. At December 31, 2016, SBH was in compliance with all required covenants.

The maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2017	$ 5,145,045
2018	5,169,520
2019	70,231,254
Total	$ 80,545,819

Note 3. Interest Rate Swaps

The Company has entered into various interest rate swap agreements to manage interest costs and risks associated with changes in interest rates. These agreements effectively convert underlying variable-rate debt based on the 30-Day LIBOR to fixed-rate debt through the exchange of fixed and floating interest payment obligations without the exchange of underlying principal amounts. The swaps are recorded at market value as determined using a valuation based on a discounted cash flow analysis.

The increase in fair value of the interest rate swaps of $51,823 was charged to other comprehensive income as of and for the year ended December 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

At December 31, 2016 the following interest rate swap agreements were in effect:

	Description	Notional Value	Maturity	Pay Index	Receive Index	Fair Value
Swap 1						
December 31, 2016	Fixed payer	$ 4,108,166	June 2017	4.29%	30-Day LIBOR	$ (70,893)
Swap 2						
December 31, 2016	Fixed payer	16,844,000	June 2017	1.06%	30-Day LIBOR	(16,052)
Swap 3						
December 31, 2016	Fixed payer	5,495,000	June 2017	.87%	30-Day LIBOR	(1,025)
Swap 4						
December 31, 2016	Fixed payer	4,821,000	June 2017	.87%	30-Day LIBOR	(899)
Swap 5						
December 31, 2016	Fixed payer	16,870,749	June 2017	.90%	30-Day LIBOR	(13,748)
Swap 6						
December 31, 2016	Fixed payer	45,410,000	May 2018	2.96%	30-Day LIBOR	(674,578)
Swap 7						
December 31, 2016	Fixed payer	21,000,000	Dec 2019	2.05%	30-Day LIBOR	(250,219)
					Fair value	$ (1,027,414)

Swap 6 is a forward interest rate swap that becomes effective on July 1, 2017. Swap 7 is a forward interest rate swap that becomes effective on January 31, 2018.

As a result of the interest rate swap agreements, interest expense increased by approximately $394,000 in relation to the required debt service for the year ended December 31, 2016.

Note 4. Property and Equipment

A summary of property and equipment at December 31, 2016 follows:

Land and improvements	$ 14,321,171
Building and improvements	109,384,257
Fixed and major moveable equipment	13,242,724
	136,948,152
Less accumulated depreciation and amortization	(16,198,143)
	120,750,009
Construction in progress	15,480,751
Property and equipment, net	$ 136,230,760

Note 4. Continued

Depreciation expense related to these assets for the year ended December 31, 2016 amounted to $5,090,208. The amount of interest capitalized by the Company was $580,366 for the year ended December 31, 2016.

At December 31, 2016, the Company had outstanding construction commitments related to construction in progress of $63,056.

Note 5. Other Assets

Other assets at December 31, 2016 consisted of the following:

Certificate of Need	$	1,585,048
Other		458,595
	$	2,043,643

Note 6. Leases

SBH leases certain property and equipment from third parties and related parties under long-term operating leases. Total rental expense for all operating leases for the year ended December 31, 2016 was $1,018,331. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2016 are as follows:

Year Ending December 31,		Amount
2017	$	307,885
2018		310,976
2019		309,767
2020		310,965
2021		293,377
Total	$	1,532,970

Note 7. Patient Accounts Receivable and Net Patient Service Revenue

<u>Patient Accounts Receivable, Net</u>

SBH grants credit without collateral to its patients. The percentage mix of receivables from patients and third-party payors as of December 31, 2016 is as follows:

Medicare	19%
Medicaid	47
Commercial	33
Self Pay	1
Total	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Continued

A summary of the activity in the allowance for doubtful accounts for 2016 is as follows:

	Balance at Beginning of Year	Additions to Allowance	Accounts Written Off, Net of Recoveries	Balance End of Year
Allowance for doubtful accounts year ended December 31, 2016	$ 2,661,541	$ 3,547,908	$ (1,871,540)	$ 4,337,909

A summary of net revenue for patient services rendered for the year ended December 31, 2016 is as follows:

	Amount	Percentage
Medicare	$ 28,458,249	20%
Medicaid	70,185,177	50
Commercial	49,737,076	35
Self Pay	730,602	1
Uncompensated care and provision for bad debts	(8,923,289)	-6
	$ 140,187,815	100%

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	Year Ended December 31, 2016		
	Third-Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 143,058,874	$ 676,849	$ 143,735,723

The following is a summary of gross and net patient service revenue for the year ended December 31, 2016.

	Amount	Percentage
Gross patient service revenue	$ 294,054,938	
Less provisions for contractual adjustments	144,943,834	
Net revenue before uncompensated care and provision for bad debts	149,111,104	106%
Uncompensated care and provision for bad debts	8,923,289	-6
Net patient service revenue	$ 140,187,815	100%

Note 8. Charity

The Company maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The direct and indirect cost, which includes all operating expenses excluding the provision for bad debts, associated with these services cannot be identified to specific charity care patients. Therefore, management estimated the costs of these services by calculating a ratio of cost to gross charges and multiplying that ratio by the gross charges associated with providing care to charity patients. The estimated direct and indirect cost incurred is approximately $114,000 for the year ended December 31, 2016.

Note 9. Fair Value of Financial Instruments

Authoritative guidance regarding Fair Value Measurements establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value, and outlines the related disclosure requirements.

The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements).

Financial assets and liabilities recorded on the balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level I — Quoted prices in active markets for identical assets or liabilities. Level I assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level II — Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments or derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level III — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note. 9 Continued

The following tables represent the Company's fair value hierarchy for its financial assets and liabilities, and changes therein, measured at fair value on a recurring basis as of and for the year ended December 31, 2016:

Fair Value Measurements at December 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at December 31, 2016
Interest rate swap liability	$ -	$ 1,027,414	$ -	$ 1,027,414
Total	$ -	$ 1,027,414	$ -	$ 1,027,414

The fair market value of the swap is based on the expected cash flows over the life of the swap. The expected cash flows are determined by evaluating transactions with a pricing model using a specific market environment. The expected cash flows are estimated using the closing mid-market market rate/price environment as of December 31, 2016. These values do not take into account liquidity, hedging cost, bid/offer, credit or other considerations that are specific to each counterparty and transaction, and that vary over time. The values are produced using proprietary models that rely on certain assumptions and available market data.

Note 10. Insurance Programs

SBH purchases professional and general liability insurance to cover medical malpractice claims. Management believes that any claims would be substantially covered under its insurance program and would not have a significant effect on the consolidated financial statements. Nevertheless, the future assertion of claims for occurrences prior to year-end is possible and may occur, although not anticipated.

Note 11. Related Party Transactions

Dobbs Management Service, LLC ("Dobbs") is a related party entity due to common ownership by certain members of SBH. SBH's business formation agreement requires a base management fee to Dobbs in an amount not to exceed $5,000 per month. Management fees incurred to Dobbs were $60,000 for the year ended December 31, 2016.

The business formation agreement also requires that guaranteed payments be made to certain SBH members. For the year ended December 31, 2016, the amounts of guaranteed payments totaled $455,000, and are included in salaries and benefits on the accompanying consolidated financial statements.

Additionally, the business formation agreement requires that an incentive fee based on a percentage of net income be paid to certain members of SBH and Dobbs, respectively. The incentive fees for the year ended December 31, 2016 was $792,531.

Note 11. Continued

The Company allows members from time to time to transact equity transactions in the form of secured promissory notes. At December 31, 2016 outstanding amounts receivable from members was 240,150. Interest is charged at a variable rate. The Company received $12,260 of principal payments related to the notes receivable during 2016. Note receivable balances due from members are presented as a component of members' equity on the accompanying consolidated financial statements.

SBH purchases property, casualty, and malpractice insurance coverage from a company that is owned by Dobbs. During 2016, SBH paid insurance premiums of approximately $3,109,458 to this related party.

Note 12. Employee Benefits

SBH participates in a multi-employer defined contribution 401(k) plan sponsored by Dobbs for its eligible employees. Contributions by the Company to the plan for the year ended December 31, 2016 were $377,124.

SBH also provides health insurance benefits to its eligible employees. Health insurance benefits provided were $4,248,085 for the year ended December 31, 2016.

Note 13. Risks and Uncertainties

SBH is involved in litigation in the normal course of business. Management is of the opinion that likelihood of any financial impact to SBH would be minimal and would be covered by insurance. The amounts of certain enhanced revenues received from certain governmental payors are subject to future reviews that could result in refunds of the amounts previously received. Should any refunds of these amounts occur, they will be presented as a reduction of net revenues in the period that the amounts are refunded.

SBH maintains cash deposits that are at times in excess of FDIC insurance limits. The Company has not experienced any losses as a result of this concentration.

Note 14. Subsequent Events

SBH has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through May 20, 2017, the date the consolidated financial statements were available to be issued.

In January 2017, the Company opened a 72 bed acute facility in Green Bay, Wisconsin.

STRATEGIC BEHAVIORAL HEALTH, LLC
AND SUBSIDIARIES
Memphis, Tennessee

Consolidated Financial Statements – Modified Cash Basis
Years Ended December 31, 2015 and 2014

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HORNE
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Members
Strategic Behavioral Health, LLC
Memphis, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Strategic Behavioral Health, LLC and Subsidiaries (the "Company"), which comprise the consolidated statements of assets, liabilities and members' equity on a modified cash basis as of December 31, 2015 and 2014, and the consolidated statements of revenues and expenses, changes in members' equity and cash flows on a modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements on a modified cash basis that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Company'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 Company'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 opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities and members' equity of the Company as of December 31, 2015 and 2014, and its revenues and expenses, changes in members' equity and cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Horne LLP

Memphis, Tennessee
May 16, 2016

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES

Consolidated Statements of Assets, Liabilities and Members' Equity - Modified Cash Basis

December 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Patient accounts receivable, net of allowance for doubtful accounts of $2,661,541 at 2015 and $908,652 at 2014	$ 14,959,509	$ 14,677,544
Due from third-party payors	395,761	776,604
Inventories	118,363	102,971
Prepaid expenses	1,206,696	1,376,727
Total current assets	16,680,329	16,933,846
Property and equipment	117,755,552	94,518,057
Less accumulated depreciation	(11,322,884)	(7,555,502)
Property and equipment, net	106,432,668	86,962,555
Goodwill	45,326,774	45,326,774
Other assets, net	2,418,869	1,813,441
Total other assets	47,745,643	47,140,215
Total assets	$ 170,858,640	$ 151,036,616
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Book overdraft	$ 3,677,231	$ 864,940
Current maturities of long-term debt	4,666,667	4,666,667
Accounts payable	3,201,273	4,130,616
Accrued expenses	6,378,598	6,046,970
Accrued distributions to members	-	1,026,371
Total current liabilities	17,923,769	16,735,564
Long-term debt, less current maturities	78,595,819	69,053,333
Total liabilities	96,519,588	85,788,897
Members' equity		
Members' contributions	45,915,034	45,915,034
Note receivable for members' contributions	(17,110)	(63,255)
Retained earnings	28,441,128	19,395,940
Total members' equity	74,339,052	65,247,719
Total liabilities and members' equity	$ 170,858,640	$ 151,036,616

See accompanying notes.

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES

Consolidated Statements of Revenues and Expenses -
Modified Cash Basis
Years Ended December 31, 2015 and 2014

	2015	2014
Revenues		
Patient service revenue (net of contractual allowances and discounts)	$ 126,150,668	$ 106,680,067
Provision for bad debts	(5,202,777)	(2,100,378)
Net patient service revenue, less provisions for bad debts	120,947,891	104,579,689
Expenses		
Salaries and benefits	71,537,577	60,619,766
Professional fees	9,937,230	8,870,831
Supplies	7,254,270	6,016,083
Management and incentive fees	1,518,779	1,034,914
Depreciation and amortization	3,866,469	3,242,843
Rent	1,226,855	1,085,786
Utilities	1,902,468	1,713,589
Insurance	864,443	801,419
Interest	3,386,982	3,202,997
Property tax	845,682	480,990
Travel	1,808,773	1,387,043
Other expenses	3,260,324	3,523,320
Total expenses	107,409,852	91,979,581
Excess of revenues over expenses - modified cash basis	$ 13,538,039	$ 12,600,108

See accompanying notes.

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES
Consolidated Statements of Changes in Members' Equity -
Modified Cash Basis
Years Ended December 31, 2015 and 2014

	Members' Contributions	Note Receivable for Members' Contributions	Retained Earnings	Total
Balance, January 1, 2014	$ 45,915,034	$ (161,878)	$ 10,781,819	$ 56,534,975
Excess of revenues over expenses - modified cash basis	-	-	12,600,108	12,600,108
Contributions	1,000,000	-	-	1,000,000
Redemption of equity	(1,000,000)	-	-	(1,000,000)
Payment on note receivable from members	-	98,623	-	98,623
Distributions to members	-	-	(3,985,987)	(3,985,987)
Balance, December 31, 2014	45,915,034	(63,255)	19,395,940	65,247,719
Excess of revenues over expenses - modified cash basis	-	-	13,538,039	13,538,039
Payment on note receivable from members	-	46,145	-	46,145
Distributions to members	-	-	(4,492,851)	(4,492,851)
Balance, December 31, 2015	$ 45,915,034	$ (17,110)	$ 28,441,128	$ 74,339,052

See accompanying notes.

STRATEGIC BEHAVIORAL HEALTH, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows - Modified Cash Basis

Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Excess of revenues over expenses - modified cash basis	$ 13,538,039	$ 12,600,108
Adjustments to reconcile excess of revenues over expenses (modified cash basis) to net cash provided by operating activities		
Depreciation and amortization	3,866,469	3,242,843
Amortization of debt issue costs	287,027	231,754
Provision for bad debts	5,202,777	2,100,378
Change in assets and liabilities		
Patient accounts receivable	(5,484,742)	(3,184,650)
Due from third-party payors	380,843	(560,736)
Inventories	(15,392)	(16,230)
Prepaid expenses	170,031	(155,402)
Other assets	(181,391)	(61,316)
Accounts payable	(929,343)	835,807
Book overdraft	2,812,291	864,940
Accrued expenses	331,628	1,352,889
Net cash provided by operating activities	19,978,237	17,250,385
Cash flows from investing activities		
Acquisitions of certificate of need	(681,425)	(131,351)
Acquisitions of property and equipment	(23,336,582)	(21,110,886)
Net cash used in investing activities	(24,018,007)	(21,242,237)
Cash flows from financing activities		
Debt proceeds received	34,379,153	73,720,000
Repayment of long-term debt	(24,836,667)	(68,600,381)
Cash contributions from members	-	1,000,000
Payments of debt issuance costs	(29,639)	(381,908)
Proceeds received on members' note receivable for contributions	46,145	98,623
Redemption of members' equity	-	(1,000,000)
Cash distributions to members	(5,519,222)	(3,115,558)
Net cash provided by financing activities	4,039,770	1,720,776
Net decrease in cash and cash equivalents	-	(2,271,076)
Cash and cash equivalents, beginning of year	-	2,271,076
Cash and cash equivalents, end of year	$ -	$ -
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 3,154,856	$ 3,060,969
Supplemental disclosure of non-cash investing and financing activities		
Accrued distributions to members	$ -	$ 1,026,371

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MODIFIED CASH BASIS

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business

Strategic Behavioral Health and its subsidiaries (collectively "SBH" or the "Company") provide a variety of services for individuals with psychiatric disorders, including emotional and behavioral disorders. Services provided include but are not limited to therapy, education, nursing and medical services, treatment planning, social skills training and substance abuse counseling. At December 31, 2015, SBH operated 9 behavioral healthcare facilities, with over 800 beds, located in the states of Colorado, Nevada, New Mexico, North Carolina, and Texas.

The Company's significant accounting policies are summarized below:

Basis of Presentation

The Company's policy is to prepare its consolidated financial statements on a modified cash basis of accounting. Except as described below, the Company records amounts due from patients and third-party payors at the time services are rendered and costs and expenses associated with providing services as they are incurred. If an expenditure results in the acquisition of an asset having an estimated useful life that extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset. Due to the uncertainty regarding the realization of certain enhanced revenue payments received from governmental payors, these payments are recorded as revenues when the cash is received without considering the potential uncertainties pertaining to any subsequent review by the governmental payors. Additionally, the Company has entered into interest rate swap agreements (see Note 3) with a third party, which are recorded on an accrual basis whereby cash flows are included in interest expense during the period. However, the interest rate swap agreement is not recorded at fair value at the end of each period as required by accounting principles generally accepted in the United States of America.

Principles of Consolidation

The accompanying consolidated financial statements include SBH and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with the modified cash basis of accounting 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. The amounts recorded as revenues from certain governmental payors are subject to future reviews that could result in refunds of the amounts previously received. Should any refunds of these amounts occur, they will be presented as a reduction of net revenues in the period that the amounts are refunded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MODIFIED CASH BASIS

Note 1. Continued

Cash and Cash Equivalents

For purposes of reporting cash flows, SBH considers all cash accounts and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable, Net

SBH reports patient accounts receivable at net realizable value after deduction of allowances for doubtful accounts. Management determines the allowance for doubtful accounts based on historical losses, aging of accounts and current economic and regulatory conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings. For receivables associated with services provided to patients who have third-party coverage, SBH analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts predominately based on the aging of accounts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for the part of the bill), SBH records a provision for bad debts based on the age of the accounts. 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.

The Company's allowance for doubtful accounts was 8 percent and 5 percent of patient accounts receivable at December 31, 2015 and 2014, respectively. The Company has not changed its charity care polices related to discounts for certain uninsured patients during fiscal years 2015 or 2014.

Inventories

Inventories consist primarily of pharmaceutical supplies and are stated at the lower of cost, using the first-in, first-out method, or market.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the useful lives of the assets. Assets under capital leases are recorded at the present value of the future minimum rentals at the lease inception and are amortized over the shorter of the lease term or the useful life of the related asset. Amortization of assets under capital lease obligations is included in depreciation and amortization expense.

Debt Issue Costs

Debt issue costs, which include underwriting, legal and other direct costs related to the issuance of debt, are capitalized and amortized to interest expense over the contractual term of the debt using the effective interest method.

Note 1. Continued

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount to estimated undiscounted future cash flows. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized based upon the amount by which the carrying amount exceeds the fair value of the asset. No such impairment losses have been recognized during 2015 or 2014.

Goodwill

The Company's goodwill was recorded as a result of the Company's business combinations. The Company has recorded these business combinations using the acquisition method of accounting. In 2013, the Company recorded the purchase of SBH-El Paso, which resulted in an addition of $16,710,662 to previously existing goodwill. During 2012, the Company recorded the acquisitions of SBH-Red Rock and SBH-Montevista, which resulted in $28,616,112 of goodwill. There were no business combinations that occurred in 2015 or 2014. The Company tests its recorded goodwill for impairment on an annual basis, or more often if indicators of potential impairment exist. The Company first assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. Because it was determined that it was not more-likely-than-not that impairment existed, the two-step impairment test was not performed and no impairment loss was recognized during the years ended December 31, 2015 and 2014. Accordingly, the accompanying consolidated statements of assets, liabilities and members' equity as of December 31, 2015 and 2014 reflect $45,326,774 as goodwill from business combinations.

Compensated Absences

SBH employees are granted both vacation and sick leave. Accumulated time off is accrued at the balance sheet date because the employees' right to receive the compensation for the future absences is vested.

Net Revenues

Other than certain enhanced revenue payments received from governmental payors, net revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

Medicare reimbursement generally is based on the Inpatient Psychiatric Facility Prospective Payment System ("IPF PPS"). Under this methodology, the facility is paid on the basis of a federal per diem base rate, limited by a specific target amount per discharge, and adjusted annually for such factors as wage index, DRG assignment, rural location and other facility-level adjustments.

Note 1. Continued

These annual adjustments are subject to frequent changes and could impact future reimbursement. In addition to the per diem rate, the IPF PPS provides additional payment policies for outlier cases, stop-loss protection, Electroconvulsive Therapy ("ECT") treatments and interrupted stays.

Medicaid

Services rendered to Medicaid beneficiaries are generally reimbursed on a per-diem rate set by each state's division of Medicaid.

Other

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

The laws and regulations under which the Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As a part of operating under these programs, there is a possibility that government authorities may review SBH's compliance under these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject SBH to fines and penalties. Although no assurance can be given, management believes that it has complied with the requirements of these programs. Due to the uncertainty regarding the realization of certain enhanced payments received from governmental payors, these payments are recorded as revenues when the cash is received. As of December 31, 2015, cost reports for fiscal years 2014 and forward have not been settled.

Charity Care

SBH provides medical care without charge or at a reduced charge to patients that meet certain criteria. Because SBH does not pursue collection of amounts determined to qualify as charity, these charges are not reported as revenue.

Advertising Costs

Advertising costs are charged to operations as incurred. For the years ended December 31, 2015 and 2014, advertising costs totaled approximately $357,000 and $327,000, respectively.

Income Taxes

SBH files a consolidated federal income tax return with its subsidiaries. SBH is structured as a limited liability company and therefore does not incur federal income taxes. The federal taxable earnings are reported by and taxed to the members of SBH individually. SBH also files composite tax returns in several states and makes payments for state income taxes to each of those states on behalf of its members. The state payments are reflected as distributions to members on the accompanying consolidated financial statements. The Company is subject to excise taxes on earnings allocated to the State of Tennessee. The amount of Tennessee excise tax is not considered material and accordingly, no deferred or current income taxes are reflected in the accompanying consolidated financial statements.

Note 1. Continued

Reclassifications

Certain reclassifications have been made in the 2014 consolidated financial statements to conform with the 2015 presentation. There was no impact in members' equity or changes in members' equity, as previously reported.

Note 2. Long-Term Debt

Long-term debt consists of the following at December 31:

	2015	2014
Credit Facility (see below)		
Term loan	$ 65,333,333	$ 70,000,000
Development loan	14,779,153	-
Revolver loan	3,150,000	3,720,000
Total long-term debt	83,262,486	73,720,000
Less current maturities	4,666,667	4,666,667
Long-term debt, less current maturities	$ 78,595,819	$ 69,053,333

In December 2014, SBH entered into a $130 million Credit Facility (the "Credit Facility") with a syndicated group of lenders with a maturity date of December 2019. The Credit Facility consists of an initial Term Loan of $70 million, a Development Loan (the "Development Loan") of up to $50 million and a Revolving Line of Credit (the "Revolver Loan") of up to $10 million. The Revolver Loan provides for a sublimit of $2 million for standby letters of credit, of which $245,000 was outstanding at December 31, 2015 and 2014. The Credit Facility also has an accordion option in which borrowing limits can be increased by up to $20 million. The purpose of the Credit Facility was to increase funds available for growth, as well as refinance substantially all existing debt. There is also a commitment fee charged on all unused borrowing capacity equal to a range of .25 percent up to .5 percent dependent upon amounts of total indebtedness less cash on hand in excess of $2.5 million (not to exceed $10 million) factored by adjusted EBITDA ("net leverage ratio").

Provisions of the Development Loan require monthly interest payments on advances. Advances taken during the year must be aggregated each December 31 (commencing December 31, 2016) and converted to term loans in tranches. The term loans will begin amortization on the last day of the first quarter following the anniversary of the closing date. Each term loan will be payable in quarterly installments of 1.25 percent of the respective tranche amount.

The Revolver Loan requires monthly interest only payments through maturity with all principal due at the maturity date of December 31, 2019.

Note 2. Continued

The interest rates on all the loans under the Credit Facility are based on the net leverage ratio as follows:

Net Leverage Ratio	Spread
Less than 2.50	30-Day LIBOR + 250 basis points
Greater than or equal to 2.50 but less 3.00	30-Day LIBOR + 275 basis points
Greater than or equal to 3.00 but less 3.50	30-Day LIBOR + 300 basis points
Greater than or equal to 3.50	30-Day LIBOR + 350 basis points

The interest rate at December 31, 2015 and 2014 was at 3.43 percent and 3.67 percent, respectively.

The Credit Facility is secured by substantially all of the assets of the Company.

The terms of the Credit Facility described above requires certain affirmative and negative debt covenants including the maintenance of a minimum fixed charge coverage ratio and a maximum net leverage ratio. At December 31, 2015 and 2014, SBH was in compliance with all required covenants.

The maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2016	$ 4,666,667
2017	5,145,045
2018	5,169,520
2019	68,281,254
Total	$ 83,262,486

Note 3. Interest Rate Swaps

The Company has entered into various interest rate swap agreements to manage interest costs and risks associated with changes in interest rates. These agreements effectively convert underlying variable-rate debt based on the 30-Day LIBOR to fixed-rate debt through the exchange of fixed and floating interest payment obligations without the exchange of underlying principal amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MODIFIED CASH BASIS

Note 3. Continued

At December 31, 2015 and 2014, the following interest rate swap agreements were in effect:

	Description	Notional Value	Maturity	Pay Index	Receive Index	Fair Value
Swap 1						
December 31, 2015	Fixed payer	$ 4,447,766	June 2017	4.29%	30-Day LIBOR	(219,469)
December 31, 2014	Fixed payer	4,768,166	June 2017	4.29%	30-Day LIBOR	(367,155)
Swap 2						
December 31, 2015	Fixed payer	17,988,000	June 2017	1.06%	30-Day LIBOR	(59,534)
December 31, 2014	Fixed payer	19,188,000	June 2017	1.06%	30-Day LIBOR	(51,348)
Swap 3						
December 31, 2015	Fixed payer	5,783,000	June 2017	.87%	30-Day LIBOR	$ (3,282)
December 31, 2014	Fixed payer	6,080,000	June 2017	.87%	30-Day LIBOR	11,601
Swap 4						
December 31, 2015	Fixed payer	5,076,000	June 2017	.87%	30-Day LIBOR	(2,885)
December 31, 2014	Fixed payer	5,337,000	June 2017	.87%	30-Day LIBOR	10,161
Swap 5						
December 31, 2015	Fixed payer	17,891,157	June 2017	.90%	30-Day LIBOR	(30,528)
December 31, 2014	Fixed payer	18,911,565	June 2017	.90%	30-Day LIBOR	250
Swap 6						
December 31, 2015	Fixed payer	45,410,000	May 2018	2.96%	30-Day LIBOR	(555,600)
December 31, 2014	Fixed payer	45,410,000	May 2018	2.96%	30-Day LIBOR	(309,020)
Swap 7						
December 31, 2015	Fixed payer	21,000,000	Dec 2019	2.05%	30-Day LIBOR	(207,939)
					Fair value 2015	$ (1,079,237)
					Fair value 2014	$ (705,511)

Note 3. Continued

Swap 6 is a forward interest rate swap that becomes effective on July 1, 2017. Swap 7 is a forward interest rate swap that becomes effective on January 31, 2018.

As a result of the interest rate swap agreements, interest expense increased by $434,400 and $590,560 in relation to the required debt service for the years ended December 31, 2015 and 2014, respectively.

Note 4. Property and Equipment

A summary of property and equipment follows:

	December 31, 2015	December 31, 2014
Land and improvements	$ 14,264,979	$ 11,753,592
Building and improvements	80,348,463	67,254,093
Fixed and major moveable equipment	10,808,798	9,050,777
	105,422,240	88,058,462
Less accumulated depreciation and amortization	(11,322,884)	(7,555,502)
	94,099,356	80,502,960
Construction in progress	12,333,312	6,459,595
Property and equipment, net	$ 106,432,668	$ 86,962,555

Depreciation expense related to these assets for the years ended December 31, 2015 and 2014 amounted to $3,866,469 and $3,242,843, respectively. The amount of interest capitalized by the Company was $554,658 and $89,726 for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015, the Company had outstanding construction commitments related to construction in progress of $18,863,784.

Note 5. Other Assets

Other assets at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Debt issue costs, net of accumulated amortization of $832,458 and $545,431 at December 31, 2015 and 2014, respectively	$ 1,130,465	$ 1,389,672
Certificate of Need	839,082	157,657
Other	449,322	266,112
	$ 2,418,869	$ 1,813,441

Note 6. Leases

SBH leases certain property and equipment from third parties and related parties under long-term operating leases. Total rental expense for all operating leases for the years ended December 31, 2015 and 2014 was $1,226,855 and $1,085,786, respectively. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2015 are as follows:

Year Ending December 31,	Amount
2016	$ 531,872
2017	305,215
2018	358,015
2019	308,861
Total	$ 1,503,963

Note 7. Patient Accounts Receivable and Net Patient Service Revenue

Patient Accounts Receivable, Net

SBH grants credit without collateral to its patients. The percentage mix of receivables from patients and third-party payors is as follows:

	December 31, 2015	December 31, 2014
Medicare	16%	15%
Medicaid	37	30
Commercial	45	47
Self Pay	2	8
Total	100%	100%

A summary of the activity in the allowance for doubtful accounts for 2015 and 2014 is as follows:

	Balance at Beginning of Year	Additions to Allowance	Accounts Written Off, Net of Recoveries	Balance End of Year
Allowance for doubtful accounts year ended December 31, 2015	$ 908,652	$ 5,202,777	$ (3,449,888)	$ 2,661,541

	Balance at Beginning of Year	Additions to Allowance	Accounts Written Off, Net of Recoveries	Balance End of Year
Allowance for doubtful accounts year ended December 31, 2014	$ 2,544,167	$ 2,100,378	$ (3,735,893)	$ 908,652

Note 7. Continued

A summary of net revenue for patient services rendered for the years ended December 31, 2015 and 2014 is as follows:

	2015 Amount	2015 Percentage	2014 Amount	2014 Percentage
Medicare	$ 22,696,140	19%	$ 21,584,049	20%
Medicaid	58,890,571	49%	42,668,213	41%
Commercial	46,968,889	38%	43,578,891	42%
Self Pay	345,524	1%	894,876	1%
Uncompensated care and provision for bad debts	(7,953,233)	-7%	(4,146,340)	-4%
	$ 120,947,891	100%	$ 104,579,689	100%

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	Year Ended December 31, 2015		
	Third-Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 125,873,233	$ 277,435	$ 126,150,668

	Year Ended December 31, 2014		
	Third-Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 105,809,514	$ 870,553	$ 106,680,067

The following is a summary of gross and net patient service revenue for the years ended December 31, 2015 and 2014.

	2015 Amount	2015 Percentage	2014 Amount	2014 Percentage
Gross patient service revenue	$ 258,182,469		$ 194,460,375	
Less provisions for contractual adjustments	129,281,345		85,734,346	
Net revenue before uncompensated care and provision for bad debts	128,901,124	107%	108,726,029	104%
Uncompensated care and provision for bad debts	7,953,233	-7%	4,146,340	-4%
Net patient service revenue	$ 120,947,891	100%	$ 104,579,689	100%

Note 8. Financial Assistance and Uncompensated Care

The Company maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The direct and indirect cost, which includes all operating expenses excluding the provision for bad debts, associated with these services cannot be identified to specific charity care patients. Therefore, management estimated the costs of these services by calculating a ratio of cost to gross charges and multiplying that ratio by the gross charges associated with providing care to charity patients. The estimated direct and indirect cost incurred is approximately $56,000 and $491,000 for the years ended December 31, 2015 and 2014, respectively.

Note 9. Insurance Programs

SBH purchases professional and general liability insurance to cover medical malpractice claims. Management believes that any claims would be substantially covered under its insurance program and would not have a significant effect on the consolidated financial statements. Nevertheless, the future assertion of claims for occurrences prior to year-end is possible and may occur, although not anticipated.

Note 10. Related Party Transactions

Dobbs Management Service, LLC ("Dobbs") is a related party entity due to common ownership by certain members of SBH. SBH's business formation agreement requires a base management fee to Dobbs in an amount not to exceed $5,000 per month. Management fees incurred to Dobbs were $60,000 for each of the years ended December 31, 2015 and 2014.

The business formation agreement also requires that guaranteed payments be made to certain SBH members. For the years ended December 31, 2015 and 2014, the amounts of guaranteed payments totaled $468,890 and $447,510, respectively, and are included in salaries and benefits on the accompanying consolidated financial statements.

Additionally, the business formation agreement requires that an incentive fee based on a percentage of net income be paid to certain members of SBH and Dobbs, respectively. The incentive fees for the years ended December 31, 2015 and 2014 were $1,037,856 and $974,670, respectively. Accrued incentive fees at December 31, 2015 and 2014 were $-0- and $95,175, respectively.

SBH has declared certain distributions payable to its members as of December 31, 2014 related to income tax distributions. Total accrued distributions to members as of December 31, 2015 and 2014 were $-0- and $1,026,371, respectively.

The Company allows members from time to time to transact equity transactions in the form of secured promissory notes. At December 31, 2015 and 2014 outstanding amounts receivable from members were $17,110 and $63,255, respectively. Interest is charged at a variable rate with the principal to be paid in full in May 2016. The Company received $46,145 and $98,623 of principal payments related to the notes receivable during 2015 and 2014, respectively. Note receivable balances due from members are presented as a component of members' equity on the accompanying consolidated financial statements.

Note 10. Continued

The Company purchases property, casualty, and malpractice insurance coverage from a company that is owned by Dobbs. During 2015 and 2014, the Company paid insurance premiums of approximately $1,740,000 and $1,800,000, respectively, to this related party.

Note 11. Employee Benefits

SBH participates in a multi-employer defined contribution 401(k) plan sponsored by Dobbs for its eligible employees. Contributions by the Company to the plan for the years ended December 31, 2015 and 2014 were $414,261 and $325,859, respectively.

SBH also provides health insurance benefits to its eligible employees. Health insurance benefits provided were $4,210,685 and $3,635,125 for the years ended December 31, 2015 and 2014, respectively.

Note 12. Risks and Uncertainties

SBH is involved in litigation in the normal course of business. Management is of the opinion that likelihood of any financial impact to SBH would be minimal and would be covered by insurance.

The amounts of certain enhanced revenues received from certain governmental payors are subject to future reviews that could result in refunds of the amounts previously received. Should any refunds of these amounts occur, they will be presented as a reduction of net revenues in the period that the amounts are refunded.

SBH maintains cash deposits that are at times in excess of FDIC insurance limits. The Company has not experienced any losses as a result of this concentration.

Note 13. Subsequent Events

SBH has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through May 16, 2016, the date the consolidated financial statements were available to be issued. On March 28, 2016, the Company made a $12,000,000 capital call as provided for in the Company's operating agreement.