LIGHTHOUSE GUILD INTERNATIONAL
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

DECEMBER 31, 2014

LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Directors
Lighthouse Guild International and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lighthouse Guild International and Affiliates, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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.

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

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 Lighthouse Guild International and Affiliates as of December 31, 2014, the results of their operations, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Loeb & Troper LLP

March 24, 2015

EXHIBIT A

LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2014

(In Thousands)

ASSETS

Current assets		
Cash and cash equivalents	$	14,844
Investments (Note 3)		350,341
Investments - certificate of deposit (Note 2)		70
Accounts receivable (net of allowance for bad debts of $1,710)		8,302
Due from third-party payors (Note 10)		9,770
Contributions, grants and legacies receivable (Note 4)		1,504
Note receivable		380
Accrued interest receivable		51
Prepaid expenses and other current assets		1,490
Total current assets		386,752
Assets limited as to use		
Money market funds - statutory reserve (Notes 3 and 13)		35,276
Funds held by trustee (Note 6)		743
Total assets limited as to use		36,019
Fixed assets - net (Note 5)		43,960
Other assets		
Contributions and legacies receivable (net of allowance of $700) (Note 4)		646
Deferred financing costs		350
Investments (Notes 3 and 9)		21,766
Beneficial interest in irrevocable trusts (Note 16)		6,409
Beneficial interest in perpetual trusts (Notes 3 and 16)		10,807
Total other assets		39,978
Total assets	$	506,709

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LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2014

(In Thousands)

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	$	7,465
Accrued claims payable (Note 22)		103,728
Accrued salaries and related expenses		5,793
Accrued pension and postretirement medical benefits (Notes 11 and 12)		1,910
Payable to establish The Guild Institute for Vision and Aging and The Guild Research Center (Note 20)		2,500
Capital lease payable (Note 7)		183
Due to third-party payors (Note 10)		9,948
Deferred revenue		294
Security deposits		305
Annuity obligations		712
Total current liabilities		132,838
Long-term liabilities		
Capital lease payable (Note 7)		332
Payable to establish The Guild Institute for Vision and Aging and The Guild Research Center (Note 20)		160
Mortgage loan payable (Note 6)		45,000
Annuity obligations		2,923
Accrued pension and postretirement medical benefits (Notes 11 and 12)		22,619
Total long-term liabilities		71,034
Total liabilities		203,872
Net assets (Exhibit B)		
Unrestricted		252,242
Temporarily restricted (Note 8)		18,022
Permanently restricted (Note 9)		32,573
Total net assets		302,837
Total liabilities and net assets	$	506,709

See independent auditor's report.

The accompanying notes are an integral part of these statements.

LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES **EXHIBIT B**

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

(In Thousands)

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support from operations					
Program fees (Note 2)		$ 835,373			$ 835,373
Patient service revenue (net of contractual allowances)	$ 13,158				
Provision for bad debts (Note 2)	(133)	13,025			13,025
Rentals, grants and other revenue (net of rental expenses of $5,869) (Note 23)		584			584
Sale of consumer products (net of cost of goods sold of $498)		420			420
Total revenues and other support from operations		849,402			849,402
Operating expenses (includes interest of $2,700)					
Program services					
Managed care		778,859			778,859
Adult day health care		10,912			10,912
Clinical and rehabilitation		9,115			9,115
Behavioral health		6,226			6,226
Education		8,657			8,657
Other programs		3,149			3,149
Total program services		816,918			816,918
Supporting services					
Management and general		57,658			57,658
Public education and information		2,444			2,444
Fund raising		3,812			3,812
Total supporting services		63,914			63,914
Total operating expenses		880,832			880,832
Loss from operations		(31,430)			(31,430)

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CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

(In Thousands)

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating revenues, gains and losses					
Contributions and grants (including in-kind of $49)		$ 1,433	$ 1,536	$ 893	$ 3,862
Special events	$ 2,881				
Less direct costs of special events	(1,058)	1,823			1,823
Legacies and bequests		2,412	10		2,422
Interest and dividend income (net of expenses of $1,472)		5,260	326	1	5,587
Net realized and unrealized gain on investments		8,809	1,066	5	9,880
Distributions from perpetual trusts		403	55		458
Loss on sale/disposal of fixed assets		(19)			(19)
Change in value of annuity obligations (Note 17)		(454)			(454)
Change in value of beneficial interest in trusts (Note 17)			1,291	(151)	1,140
Net assets released from restrictions (Note 8)		3,877	(3,877)		
Total nonoperating revenues, gains and losses		23,544	407	748	24,699
Excess of revenues, gains and losses over expenses before other changes		(7,886)	407	748	(6,731)
Other changes					
Adjustment to reflect funded status on balance sheet of pension and postretirement medical benefits (Notes 11 and 12)		(10,565)			(10,565)
Prior years' IBNR adjustments		7,336			7,336
Reclassification			157	(157)	
Change in net assets (Exhibit C)		(11,115)	564	591	(9,960)
Net assets - beginning of year		263,357	17,458	31,982	312,797
Net assets - end of year (Exhibit A)		$ 252,242	$ 18,022	$ 32,573	$ 302,837

See independent auditor's report.

The accompanying notes are an integral part of these statements.

LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

(In Thousands)

Cash flows from operating activities		
Change in net assets (Exhibit B)	$	(9,960)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for annuity agreements		(29)
Contributions restricted for long-term investments		(1,179)
Interest, dividends and gains restricted for long-term investment		(6)
Depreciation and amortization		5,091
Amortization of deferred financing costs		54
Net realized and unrealized gain on investments		(9,880)
Loss on sale/disposal of fixed assets		19
Change in value of annuity obligations		454
Change in value of beneficial interest in irrevocable trusts		(1,291)
Change in value of beneficial interest in perpetual trusts		151
Decrease (increase) in assets		
Accounts receivable		701
Due from third-party payors		12,087
Contributions, grants, and legacies receivable		1,254
Accrued interest receivable		(4)
Prepaid expenses and other current assets		894
Prepaid pension costs		1,361
Increase (decrease) in liabilities		
Accounts payable and accrued expenses		(2,039)
Accrued claims payable		(5,275)
Accrued salaries and related expenses		462
Accrued pension and postretirement medical benefits payable		8,591
Due to third-party payors		3,450
Deferred revenue		(240)
Security deposits		1
Net cash provided by operating activities		4,667

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LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

(In Thousands)

Cash flows from investing activities		
Acquisition of fixed assets	$	(6,009)
Proceeds from sales of investments		164,835
Purchases of investments		(159,951)
Proceeds from note receivable		380
Increase in assets limited as to use		(10,105)
Net cash used by investing activities		(10,850)
Cash flows from financing activities		
Interest, dividends and gains restricted for reinvestment		6
Proceeds from contributions restricted for annuity obligations		65
Proceeds from contributions restricted for investment in endowment		349
Payment on capital lease payable		(177)
Payment of annuity obligations		(744)
Net cash used by financing activities		(501)
Net decrease in cash and cash equivalents		(6,684)
Cash and cash equivalents - beginning of year		21,528
Cash and cash equivalents - end of year	$	14,844
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$	(2,700)

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NOTE 1 - NATURE OF ORGANIZATION

Nature of organization **-** The accompanying financial statements include the financial position, results of operations, changes in net assets and cash flows of Lighthouse Guild International, which includes The Jewish Guild for the Blind and Affiliates d/b/a Jewish Guild Healthcare and Affiliates (the Guild), and Lighthouse International and Affiliate (the Lighthouse) (collectively, LGI).

The Guild and the Lighthouse entered into a Membership Change Agreement on November 8, 2013, pursuant to which the Guild and the Lighthouse established a corporate affiliation with a common parent, Lighthouse Guild International. The closing of the affiliation transaction occurred on December 23, 2013.

Lighthouse Guild International (LGI) was incorporated on November 7, 2013 to improve the operational effectiveness of The Jewish Guild for the Blind d/b/a Jewish Guild Healthcare and Affiliates and Lighthouse International and Affiliate by providing administrative and consulting services as well as funding to promote the good health and well-being of visually impaired and other persons in need.

LGI Services, LLC, the sole member of which is The Jewish Guild for the Blind d/b/a Jewish Guild Healthcare and LGI Programs, LLC, the sole member of which is Lighthouse Guild International, were both formed to advance and support the charitable, educational and scientific purposes of The Jewish Guild for the Blind d/b/a Jewish Guild Healthcare, Lighthouse International, and Lighthouse Guild International. They are considered disregarded entities for federal income tax purposes.

The Jewish Guild Healthcare affiliates include: J.G.B. Health Facilities Corporation, J.G.B. Rehabilitation Corporation, J.G.B. Education Services, GuildNet, Inc., Greater Boston Guild for the Blind, Greater Boston Diabetes Society, Inc., J.G.B. Mental Health and Mental Retardation Services, Inc. and National Association of Parents of Children with Visual Impairments, Inc. (collectively, the Guild).

The Jewish Guild for the Blind d/b/a Jewish Guild Healthcare was incorporated on October 23, 1916 and provides services to visually impaired persons. In 2012, the organization filed a certificate of assumed name in order to do business as Jewish Guild Healthcare. The organization's primary sources of revenues are grants and contributions from the general public.

J.G.B. Health Facilities Corporation (H.F.C.) was incorporated on September 18, 1979 and operates adult day health care programs in New York City, Buffalo, Albany, Niagara Falls and Yonkers. H.F.C.'s sources of revenues are reimbursements from Medicaid and other third-party payors.

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NOTE 1 - NATURE OF ORGANIZATION (continued)

J.G.B. Rehabilitation Corporation (Rehab) was incorporated on June 23, 1987 and operates a diagnostic and treatment clinic. The primary sources of revenues are reimbursements from Medicaid, Medicare, other third-party payors and clients.

J.G.B. Education Services (ED) was granted a charter on July 27, 1990 and provides functional, academic, sensory motor and prevocational training for visually impaired children with additional disabilities. The primary sources of revenues are program fees charged to third-party payors.

GuildNet, Inc. (GuildNet) is a managed long-term care plan designed primarily for persons who are blind or visually impaired. Operations began on July 1, 2000. On May 1, 2008, GuildNet began to operate a Medicare Advantage Special Needs Plan which was approved by the Centers for Medicare and Medicaid Services (CMS) and the New York State Department of Health (NYSDOH). On August 1, 2012, GuildNet began to operate a Medicare Advantage Health Maintenance Organization (HMO) Special Needs Plan (SNP) which terminated its contract in 2014. In 2014, GuildNet was approved to establish a Fully Integrated Dual Advantage (FIDA) Plan beginning January 1, 2015. The primary source of revenues is premium capitation payments received from Medicaid and Medicare.

Greater Boston Guild for the Blind, Inc. (GBGB) provides programs and materials designed to provide blind and visually impaired people with help and support that will enhance their physical, emotional and intellectual functioning. GBGB's primary sources of funding are contributions and grants.

Greater Boston Diabetes Society, Inc. (GBDS) is an affiliate of GBGB. GBDS is a nonprofit organization established to educate and improve the well-being of persons affected by diabetes. GBDS ceased operations in 2014 and is in the process of dissolution.

J.G.B. Mental Health and Mental Retardation Services, Inc. (MHS) was incorporated on April 22, 2004. MHS commenced operations July 1, 2004 and operates a mental health clinic and day treatment programs for individuals with vision loss. MHS's primary sources of revenues are reimbursement for services rendered from Medicaid, Medicare and private insurance companies.

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NOTE 1 - NATURE OF ORGANIZATION (continued)

Effective March 1, 2013, the Guild became the controlling member of National Association of Parents of Children with Visual Impairments, Inc. (NAPVI). NAPVI is a nonprofit membership organization whose purpose is to provide support to parents and families of visually impaired children. NAPVI’s primary sources of revenues are contributions and grants and membership fees.

The Lighthouse, founded in 1905, helps people of all ages overcome the challenges of vision loss. Through its various programs and services, education, research and advocacy, the Lighthouse assists people with low vision and blindness to enjoy safe, independent and productive lives. The primary sources of revenues are government and foundation grants.

Effective June 24, 2011, the Lighthouse became the sole member of Lighthouse International Real Estate Holdings, LLC (the LLC), a Delaware limited liability company, wholly owned by the Lighthouse. The purpose of the LLC is to fulfill the terms of its mortgage loan agreement whereby the Lighthouse contributed its entire interest in the property known and designated as “The Sol and Lillian Goldman Building” located at 111 East 59th Street, New York, New York 10022 (the Property) to the LLC to provide security to the Lender and to secure said loan. The LLC holds the building and improvements and conducts the leasing activities of the Property. The primary source of revenues is rental income from tenants. The LLC is considered a disregarded entity for federal income tax purposes and, as such, is covered under the Lighthouse’s exemption.

LGI and all of its affiliates are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations under Section 509(a).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Basis of consolidation - All material intercompany balances and transactions have been eliminated in the consolidation. The 2013 financial statements were presented on a combined basis and not on a consolidated basis. As discussed in Note 1, the merger was completed on December 23, 2013 and a consolidated presentation would not have presented a full year’s activity.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates - The preparation of 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents include highly liquid investments with original maturities, when acquired, of three months or less.

Investments **-** Investments are recorded at fair value. LGI invests in various securities. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect LGI's financial statements.

Investments - certificates of deposit **-** Certificates of deposit have maturity dates of more than three months and are considered investments for cash flow purposes.

Fair Value Measurements

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

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that LGI has the ability to access.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 valuation methodologies included inputs that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014, as compared to those used at December 31, 2013.

Cash and cash equivalents, money market funds, U.S. Government obligations, corporate bonds, municipal bonds, exchange traded funds and equity securities **-** Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds **-** Valued at the net asset value ("NAV") of shares held at year end.

Alternative investments **-** Estimated fair values, in the absence of readily ascertainable market values, have been determined by the investment manager. The methods and procedures used to value these investments may include, but are not limited to: (1) performing comparisons with prices of comparable or similar securities; (2) obtaining valuation-related information from issuers; and/or (3) other analytical data relating to the investment and using other available indications of value.

Beneficial interest in perpetual trusts **-** Valued using the fair values of the underlying assets held by the trusts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while LGI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

See Note 3 for the table which sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2014.

Accounts receivable, grants receivable and allowance for doubtful accounts **-** LGI records receivables based on established rates or contracts for service provided. Bad debt is charged if a receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts. Interest is not charged on outstanding receivables.

Contributions receivable and allowance for doubtful accounts **-** Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions receivable are reported net of allowances for doubtful accounts. Factors used to determine whether an allowance for doubtful accounts should be recorded include the age of the receivable and a review of payments subsequent to year end.

Note receivable **-** The note receivable represents the balance due from the sale of a property. Notes receivable are assessed by management for collectibility.

Assets limited as to use **-** Assets limited as to use include the escrow deposit required for the New York State Department of Financial Services' statutory reserve requirement as detailed in Note 13 and funds held by trustee in escrow in accordance with the terms of the loan (Note 6).

Fixed assets **-** Fixed assets are stated at cost. Items costing in excess of $1 and all computer equipment which have an estimated useful life of greater than one year are subject to capitalization. Depreciation and amortization of fixed assets are provided on the straight-line method over their estimated useful lives. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the lease term or the life of the asset.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to/from third-party payors - Due from third-party payors represents retroactive rate adjustments due from NYSDOH and CMS. Due to third-party payors represent premium capitation overpayments and retroactive rate adjustments due to NYSDOH and New York City Department of Education (Note 10).

Accrued claims payable - Unpaid claims and unpaid claims adjustment expenses include reported claims and claims incurred but not yet reported (IBNR) to GuildNet. The estimated expense of processing these claims is included in accounts payable. The liabilities are estimated based upon assumptions and estimates developed from prior claims experience. Although there is variability in such estimates, management believes that the unpaid claims and unpaid claims adjustment expense liabilities are adequate. The estimates are continually reviewed and adjusted as experience develops or new information becomes known. Adjustment of prior-year IBNR is reflected as other changes on the consolidated statement of operations and changes in net assets.

Annuity obligations - Annuity obligations are recorded at the actuarial present value of future payments.

Net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Temporarily restricted net assets are those funds restricted by donors, to be used for a specified time period or purpose. Permanently restricted funds are to be maintained in perpetuity at the behest of the donor and the income generated by such funds is utilized for operating purposes except if otherwise indicated by the donor.

Program fees and patient service revenues - Program fees and patient service revenues include premium capitation payments, outpatient fees, fee-for-service reimbursements and tuition fees that are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the programs and services provided are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicare and Medicaid programs. Program fees include premium capitation payments of $826,020 for the year ended December 31, 2014. Patient service revenues net of contractual allowances and discounts include third-party payors of $13,138 and self-pay of $20 for the year ended December 31, 2014.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses **-** The majority of expenses are directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services on the basis of square footage of office space occupied, time reports, and other bases determined by the management of LGI.

Leases **-** Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair market value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the lease is amortized over the estimated useful life of the asset. Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

Measure of operations **-** LGI includes in its definition of operations all revenues and expenses associated with its program services, provided primarily to visually impaired persons. Excluded from operations are contributions and grants, special events, legacies and bequests, investment income, distributions from perpetual trusts, loss on sale/disposal of fixed assets, change in value of annuity obligations, change in value of beneficial interest in trusts, pension and postretirement medical benefits adjustments, prior years' IBNR adjustments and net assets released from restrictions.

Contributions and grants **-** Unconditional promises to give cash and other assets are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-kind contributions and expenses **-** In-kind contributions and expenses are for professional service fees and rentals, which are reported at fair value at the date the contributions are received.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants **-** Grants are recorded at the contracted rate. Revenues from government agencies are subject to audit by those agencies. No provision for disallowance is reflected in the financial statements, since management does not anticipate any material adjustments.

Deferred financing costs **-** Deferred financing costs are amortized over the term of the mortgage loan, which is 10 years. Accumulated amortization of deferred financing costs totaled $189 at December 31, 2014.

Advertising costs **-** Advertising costs are expensed as incurred. LGI incurred advertising costs of $1,799 in 2014.

Uncertainty in income taxes **-** LGI has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2011 or June 30, 2011, as applicable, and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events **-** Subsequent events have been evaluated through March 24, 2015, which is the date the financial statements were available to be issued.

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LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 3 - INVESTMENTS AND OTHER ASSETS REPORTED AT FAIR VALUE

	Level 1	Level 3	Total
Assets			
Investments			
Cash and cash equivalents	$ 150	$ -	$ 150
Money market funds	63,243	-	63,243
U.S. Government obligations	522	-	522
Equity securities			
Emerging markets	181	-	181
International equity	4,606	-	4,606
Real estate and infrastructure	466	-	466
U.S. large cap	48,092	-	48,092
U.S. small/mid cap	2,633	-	2,633
Total equity securities	55,978	-	55,978
Alternative investments			
Equity hedge	-	3,677	3,677
International equity	-	1,310	1,310
Multi strategy	-	30,904	30,904
Private equity	-	1,910	1,910
U.S. small/mid cap equity	-	16,454	16,454
U.S. small/mid cap hedged	-	10,583	10,583
Total alternative investments	-	64,838	64,838

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LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 3 - INVESTMENTS AND OTHER ASSETS REPORTED AT FAIR VALUE (continued)

	Level 1	Level 3	Total
Assets (continued)			
Investments (continued)			
Mutual funds			
U.S. large cap	$ 9,049	$ -	$ 9,049
U.S. small/mid cap	911	-	911
International equity	43,782	-	43,782
Fixed income	7,400	-	7,400
Emerging markets	9,734	-	9,734
Multi strategy	25,280	-	25,280
Real assets	12,947	-	12,947
Balanced/asset allocation	231	-	231
Total mutual funds	109,334	-	109,334
Exchange traded funds			
U.S. large cap	38,455	-	38,455
Emerging markets	10,635	-	10,635
Fixed income	22,904	-	22,904
International equity	5,528	-	5,528
Total exchange traded funds	77,522	-	77,522
Corporate bonds	131	-	131
Municipal bonds	389	-	389
Total investments	307,269	64,838	372,107
Assets limited as to use			
Money market funds	35,276	-	35,276
Beneficial interest in perpetual trusts	-	10,807	10,807
Total	$ 342,545	$ 75,645	$ 418,190

-continued-

LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 3 - INVESTMENTS AND OTHER ASSETS REPORTED AT FAIR VALUE (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended December 31, 2014:

	Alternative Investments	Beneficial Interest in Perpetual Trusts
Beginning balance	$ 66,449	$ 10,414
Total realized and unrealized gains or losses included in changes in net assets for 2014	4,170	(151)
Contributions		544
Purchases	2,739	
Redemptions	(8,520)	-
Ending balance	$ 64,838	$ 10,807
The amount of total gains (losses) for the period attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ 4,024	$ (151)

-continued-

(In Thousands)

NOTE 3 - INVESTMENTS AND OTHER ASSETS REPORTED AT FAIR VALUE (continued)

Alternative Investments

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity hedge (a)	$ 3,677	$ -	Quarterly	0-60 days
U.S. small/mid cap hedged (a)	10,583	-	Quarterly	60 days
International equity (b)	1,310		Monthly	30 days
Multi-strategy (c)	30,904	-	Monthly/Quarterly/ Semiannually/ Annually/Biennially	0-92 days
Private equity (d)	1,910	1,199	N/A	N/A
U.S. small/mid cap equity (e)	16,454	-	Monthly	15 days
Total	$ 64,838	$ 1,199		

a. ***Equity hedge, U.S. small/mid cap hedged*** - Hedged equity investments are focused on managers that have the ability to purchase companies long as well as sell short. The primary role of these investments is to complement the traditional equity investments by providing access to a growth-oriented return stream with a reduced dependence on upwardly trending equity markets and lower volatility. Small/mid cap investing is typically focused on companies with market capitalization of less than $5 billion.

b. ***International equity*** - International equity investments are focused on the largest and most successful components in developed and developing markets.

c. ***Multi-strategy*** - Investments are typically focused in credit, market neutral, global macro and arbitrage strategies. In combination, these strategies are designed to produce a consistent return stream with volatility modestly higher than a diversified core, high-quality, fixed-income portfolio. Multi-strategy funds would therefore be utilized primarily as a complement to the traditional fixed-income allocation.

d. ***Private equity*** - Private equity consists of investments directly into private companies or buyouts of public companies that result in a delisting of public equity. Private equity is not quoted on a public exchange and is illiquid in nature.

-continued-

(In Thousands)

NOTE 3 - INVESTMENTS AND OTHER ASSETS REPORTED AT FAIR VALUE (continued)

e. ***U.S. small/mid cap equity*** - Equity in U.S.-based companies whose market capitalization is generally $2 billion and greater and typically less than $7 billion.

NOTE 4 - CONTRIBUTIONS AND LEGACIES RECEIVABLE

Contributions and legacies receivable are expected to be collected as follows:

Within one year	$ 1,504
One to five years	1,372
	2,876
Allowance for doubtful accounts	(700)
Discount to present value (at rates ranging from 1.64% to 2.20%)	(26)
	$ 2,150

NOTE 5 - FIXED ASSETS

		Estimated Useful Lives
Land	$ 1,572	
Buildings and improvements	89,688	5 - 50 years
Furniture and equipment	23,149	3 - 15 years
Leasehold improvements	5,915	4 - 10 years
Computer software	4,718	3 - 15 years
Projects in progress	2,252	
	127,294	
Less accumulated depreciation and amortization	(83,334)	
	$ 43,960	

Leased equipment of $909 is included in furniture and equipment. Associated accumulated amortization thereon totaled $409.

-continued-

(In Thousands)

NOTE 6 - MORTGAGE LOAN PAYABLE

The LLC entered into a $45,000 mortgage loan agreement (Loan) with Ladder Capital Finance LLC on June 27, 2011. Simultaneously, the Lighthouse entered into a Guarantor Agreement with the lender and, in August of 2011, the loan was securitized. The term of the Loan is 10 years, interest only for the first five years, and principal and interest payable under a 30-year amortization schedule for the last five years, with a balloon payment of approximately $42.1 million due in 2021. The interest rate is fixed at 5.87%. Payment of the Loan is secured by, among other collateral, a first mortgage against the land, building and improvements of the Property. The LLC is fully obligated to pay when due all amounts extended under the Loan. The Loan is without recourse to both Lighthouse International and the LLC; however, pursuant to the Loan Agreement and the Guaranty, respectively, the Lighthouse and the LLC may be liable for certain losses incurred by the Lender in connection with this Loan or, in some cases, the full amount of the Loan (collectively, the Recourse Obligations). On December 23, 2013 (Consent Date), Lighthouse International, Lighthouse International Real Estate Holdings, LLC, and Lighthouse Guild International, GuildNet, Inc., The Jewish Guild for the Blind d/b/a Jewish Guild Healthcare (together, “the Added Indemnitor” pursuant to the Consent Agreement) and the holder of the Loan entered into an affirmation and consent (Consent Agreement) by which, among other things, the Added Indemnitor agreed to be jointly and severally liable for all Recourse Obligations arising after the Consent Date.

Required principal payments are as follows:

2015	$ -
2016	210
2017	541
2018	575
2019	610
Thereafter	43,064
Total	$ 45,000

In accordance with the terms of the Loan, the Lighthouse is required to establish escrow accounts for replacements, tenant improvements and insurance. The total amounts held by the trustee for the year ended December 31, 2014 was $743.

The Loan also requires Lighthouse International, the LLC and the Added Indemnitor to comply with certain affirmative and negative covenants. At December 31, 2014, Lighthouse International, the LLC and the Added Indemnitor were in compliance.

-continued-

(In Thousands)

NOTE 6 - MORTGAGE LOAN PAYABLE (continued)

The Guild has lines of credit of $35,000 bearing interest at .90% above the LIBOR 30-day rate. The lines expired in August 2014 and were renewed through August 2015. There is no outstanding balance as of December 31, 2014. Borrowing up to $25,000 is secured by the Guild's investment portfolio.

NOTE 7 - CAPITAL LEASE PAYABLE

The Guild has entered into a five-year capital lease agreement with interest at a rate of 3%. The future lease payments are as follows:

2015	$ 196
2016	195
2017	146
	537
Less amount representing interest	(22)
Present value of net minimum lease payments	515
Less current portion	(183)
Long-term obligation under capital lease	$ 332

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Scholarships	$ 6,950
Various projects	1,413
Grunwald Technology Center	117
Purchase of equipment	91
Educational services	277
Low vision services	112
Research	45
For periods after December 31	9,017
	$ 18,022

-continued-

LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Bressler fund projects	$	175
Scholarships		295
Various projects		1,053
Grunwald Technology Center		266
Center for Vision Care		230
Educational services		400
Research		40
Purchase of equipment		14
Low vision services		48
Time restriction expired		1,356
Total net assets released from restriction	$	3,877

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

General

LGI's endowments consist of individual donor-restricted endowment funds established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

-continued-

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Interpretation of Relevant Law - New York

As of September 17, 2010, New York State adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The NYPMIFA spending policy defines typical prudent management to include a standard maximum prudent spending limit of 7% of the average of its previous five years’ balance. As a result, LGI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Interpretation of Relevant Law - Massachusetts

The State of Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 2, 2009, effective June 30, 2009. The Board of Directors of GBGB has interpreted UPMIFA as requiring preservation of the fair value of a gift as of the gift date of donor-restricted endowment funds (historic dollar value), absent explicit donor stipulations to the contrary. As a result, and in accordance with the direction of the original donor gift instruments, GBGB classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of any subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

-continued-

(In Thousands)

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Return Objectives, Strategies Employed and Spending Policy

The Guild maintains the principal of endowment funds at the original amount designated by donors while generating income for the specified programs. The investment policy is designed to achieve this objective. Investment earnings in relation to the endowment funds are recorded as temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

The Lighthouse relies on a total return strategy in which active equity managers/funds are expected to achieve an annualized total rate of return over a five-year period which exceeds an agreed-upon benchmark rate of return, net of costs and fees. Total return is defined as dividend and interest income plus realized and unrealized capital appreciation or depreciation. Active fixed-income managers are expected to exceed appropriate market indices, net of costs and fees. When index funds are used, the return should closely track the appropriate index.

Funds with Deficiencies

LGI does not have any funds with deficiencies.

Permanently Restricted Net Asset Composition by Type of Fund as of December 31, 2014

Permanently restricted net assets consist of the following:

Endowments

Income which is expendable to support activities of the organization	$ 21,572
Income to be added to original gift	194
Total endowments	21,766
Beneficial interest in perpetual trusts	10,807
Total	$ 32,573

Included in permanently restricted net assets are third-party perpetual trusts for the benefit of the Guild and Lighthouse. Permanently restricted net assets include 16 perpetual trusts totaling $10,807 as of December 31, 2014.

-continued-

LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,336	$ 21,568	$ 23,904
Contributions		349	349
Interest and dividends	261	1	262
Realized and unrealized gain	835	5	840
Reclassification	157	(157)	-
Appropriation of endowment assets for expenditure	(1,123)		(1,123)
Endowment net assets, end of year	$ 2,466	$ 21,766	$ 24,232

NOTE 10 - DUE TO/FROM THIRD-PARTY PAYORS AND OTHER CONTINGENCIES

LGI is responsible for reporting to various governmental agencies including the Centers for Medicare and Medicaid Services (CMS), New York State Department of Health (NYSDOH), the New York State Department of Financial Services (NYSDFS), New York State Office of Mental Health (NYSOMH), New York State Office for People With Developmental Disabilities (OPWDD), New York State Education Department (NYSED), and New York City Department of Education (NYCDOE). These agencies, as well as the New York State Office of Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Taxation and Finance, the Office of Inspector General (OIG) and the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG) and other agencies have the right to audit LGI. These agencies have the right to audit fiscal, as well as programmatic compliance, e.g., clinical documentation, among other compliance requirements.

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NOTE 10 - DUE TO/FROM THIRD-PARTY PAYORS AND OTHER CONTINGENCIES (continued)

A. ***Managed Long-Term Care Plan and Medicare Advantage Special Needs Plan***

Managed Long-Term Care Plan

Effective July 1, 2012 and continuing through fiscal year 2014, NYSDOH established three premium capitation categories for managed long-term care including

1. Non-mandatory, risk-adjusted premium capitation
2. Mandatory premium capitation for nursing facility eligible members
3. Mandatory premium capitation for non-nursing facility eligible members

Effective April 1, 2014, NYSDOH created a blended rate for the two mandatory premiums.

Non-mandatory Premium Capitations

NYSDOH issued final rates through March 31, 2014 and draft rates through December 31, 2014 for the non-mandatory, risk-adjusted premiums. These premium rates are the basis for revenue recognition for non-mandatory premium revenue in these financial statements.

Effective April 1, 2010, NYSDOH began a four-year phase-in transition from the negotiated Medicaid premium reimbursement methodology to a risk-based premium reimbursement methodology. Under the risk-based premium methodology, plans in the same region receive a regional average premium adjusted by a plan-specific risk adjustment factor that accounts for differences in enrollee acuity. For 2014, the non-mandatory premium reflects 100% of the risk-based premium. The data used to develop the risk-adjusted premiums, including operating report data, plan encounter data and patient assessment data is subject to review and audit.

-continued-

NOTE 10 - DUE TO/FROM THIRD-PARTY PAYORS AND OTHER CONTINGENCIES (continued)

A. ***Managed Long-Term Care Plan and Medicare Advantage Special Needs Plan* (continued)**

Managed Long-Term Care Plan (continued)

In 2012, NYSDOH received approval from CMS to require certain Medicaid consumers to enroll in managed long-term care plans. The mandatory program began in 2012 with the New York City home attendant population. In 2013 mandatory enrollment requirements were expanded to additional beneficiary groups in NYC, Westchester, Nassau and Suffolk counties including Personal Care, Adult Day Health Care Program, Certified Home Health Agency Programs and Long Term Home Health Care Program beneficiaries. NYSDOH issued final non-risk-adjusted rates through March 31, 2014, draft non-risk-adjusted rates for April 1 through September 30, 2014 and draft risk-adjusted rates for October 1 through December 31, 2014. These premium rates are the basis for revenue recognition for mandatory premium revenue in these financial statements

Quality Incentive Payments

Beginning April 1, 2013, NYSDOH introduced quality incentive payments for managed long-term care plans that meet certain quality indicators. The quality incentive measures and plan-specific results for the period April 1, 2013 through March 31, 2014 were announced in early 2014 and were included in the rates recognized for 2013 and 2014 revenue.

For the period April 1, 2014 through December 31, 2014, NYSDOH has established a quality pool which will be distributed to plans based on certain quality indicators. 2014 premium income does not include an accrual for potential quality incentive payments for this period.

High Need/High Cost Payments

For the period April 1, 2014 - December 31, 2014, NYSDOH reduced managed long-term care premiums by 2% to create a high need/high cost pool. NYSDOH will distribute this pool to plans that have a high proportion of members needing live-in or twenty-four hours of personal care services relative to the regional average. During 2014, NYSDOH provided a partial high need/high cost premium add back, which is subject to adjustment based on NYSDOH's final distribution model. In 2014, GuildNet estimated revenue from this pool based on the partial add back included in the premium, which is subject to adjustments based on the final distribution model.

-continued-

NOTE 10 - DUE TO/FROM THIRD-PARTY PAYORS AND OTHER CONTINGENCIES (continued)

A. ***Managed Long-Term Care Plan and Medicare Advantage Special Needs Plan*** ***(continued)***

Medicare Advantage Special Needs Plan

NYSDOH has indicated its intention to issue revised Medicaid premiums for fiscal years 2012, 2013 and 2014. The impact of the revised premiums is not known at this time and is not reflected herein. Revenue is recognized based on the Medicaid premiums previously issued and paid by NYSDOH.

The CMS Hierarchical Condition Category (CMS-HCC) reimbursement model uses demographic data, prior-year diagnostic data, a frailty factor, Medicaid eligibility status and community or institutional status to develop a “risk score” for each enrollee. For 2014, the risk-adjusted portion of the Medicare premiums was based on data from physician and acute care (inpatient and outpatient) Medicare claims filed during 2014 for 2013 service dates. In 2015, CMS will retroactively adjust the risk-adjusted portion of the 2014 premiums to reflect more recent 2013 Medicare claims data. The impact of this Medicare update cannot be determined at this time. For 2013, the risk-adjusted portion of the Medicare premiums was based on data from physician and acute care (inpatient and outpatient) Medicare claims filed during 2013 for 2012 service dates. In 2014, GuildNet received approximately $598,000 from CMS based on updated risk scores for fiscal year 2013.

In March 2014, GuildNet was notified that CMS will be conducting an audit of 2012 financial activity associated with its Medicare Advantage (MA) and Prescription Drug Program that was approved by CMS. As of the date of this report, the audit is in progress. Management does not believe there will be any material adjustments.

-continued-

NOTE 10 - DUE TO/FROM THIRD-PARTY PAYORS AND OTHER CONTINGENCIES (continued)

A. ***Managed Long-Term Care Plan and Medicare Advantage Special Needs Plan*** ***(continued)***

All Plans

Recruitment, Training and Retention

NYSDOH increased Medicaid rates for the period June 1, 2006 through March 31, 2013 to provide funding for RT&R of home health aides and/or other personnel with direct patient care responsibility. These funds are reported as revenue earned. The methodology employed to make this determination was based on the approach approved by NYSDOH under a similar program implemented in 2002. This methodology and supporting documentation are subject to audit by third parties. RT&R funds have been authorized for the period April 1, 2013 through December 31, 2014 but have not been distributed by NYSDOH. GuildNet is eligible to receive RT&R funding for this period; however, the amount of the distribution is not known at this time and is not reflected in the accompanying financial statements.

Plan Eligibility Audits

In order to be eligible to enroll in a managed long-term care plan, a member must require more than 120 days of certain qualifying long-term care services. In 2013, NYSDOH revised the list of qualifying long-term care services to exclude social day care services. Further, in 2013 NYSDOH issued a letter to all managed long-term care plans directing them to reassess any member receiving social day care as a plan benefit for plan eligibility. GuildNet complied with this directive. Further, NYSDOH informed managed long-term care plans that OMIG will conduct audit activities on all enrollments per the OMIG workplan and the Department will recoup any premium capitation payments made for non-eligible enrollees. OMIG has not audited the Plan's records to date.

-continued-

NOTE 10 - DUE TO/FROM THIRD-PARTY PAYORS AND OTHER CONTINGENCIES (continued)

B. ***Ambulatory Patient Groups***

Ambulatory Patient Groups (APGs) is a patient classification system designed to characterize the amount and type of resources used in an ambulatory care visit for patients with similar clinical characteristics. Rehab and Lighthouse's Article 28 Diagnostic and Treatment Center and MHS's free-standing Article 31 Mental Health Clinic are reimbursed based on this methodology.

C. ***GuildNet OMIG Audits***

In December 2013, GuildNet was notified that OMIG will be conducting a review of enrollments and care management for a sample of enrollees. As of the date of this report, the audit is in progress. Management does not believe there will be any material adjustments.

In 2013, NYSDOH conducted a PARIS (Public Assistance Reporting Information System) match to identify GuildNet members who have an active Medicaid case in both New York State and, concurrently, another state. The match was conducted for the period October 2009 through March 2012. NYSDOH identified three cases in which a member was enrolled in both GuildNet and another state. GuildNet has submitted documentation to NYSDOH showing claims paid for those members for the period reviewed. A final report has not been issued, but management does not anticipate any material adjustments.

During the year ended December 31, 2014, OMIG conducted a review of "capitation payments for deceased managed care enrollees" for dates of service February 1, 2009 through September 23, 2013. The final audit report stated no changes for the period audited.

D. ***Litigation***

LGI is subject to various legal proceedings and claims that arise in the ordinary course of business. However, based upon available information, management believes that ultimately they will not have a material adverse impact on the financial position.

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NOTE 11 - PENSION PLANS

A. ***Defined Benefit Plans***

LGI has three defined benefit pension plans; The Jewish Guild for the Blind Bargaining Unit Employees' Pension Plan (Bargaining), The Jewish Guild for the Blind Non-Bargaining Unit Employees' Pension Plan (Non-Bargaining) and Retirement Plan for Employees of Lighthouse International (Lighthouse Retirement Plan). No contributions are required from employees. Each plan covers all of its eligible employees and were frozen as of June 30, 2011, 2010 and 2007, respectively.

Adjusted Funding Target Attainment Percentage (Bargaining and Non-Bargaining)

The Adjusted Funding Target Attainment Percentage (AFTAP) provides a measure of the funded status of a pension plan based on ERISA minimum funding requirements, which differ from the requirements of sponsor reporting in accordance with accounting principles generally accepted in the United States of America.

The Guild obtained from its independent actuary the AFTAP calculations as of December 31, 2014, which indicated that the AFTAP funded status for the Bargaining plan was overfunded by approximately $600 and the Non-Bargaining plan was overfunded by approximately $5,600.

-continued-

(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans*** ***(continued)***

The following table sets forth the plans' funded status under accounting principles generally accepted in the United States of America and amounts recognized in the balance sheet as of December 31, 2014:

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan
Projected benefit obligation	$ (26,068)	$ (28,651)	$ (48,015)
Plan assets at fair value	18,415	27,648	35,333
Funded status	$ (7,653)	$ (1,003)	$ (12,682)
Pension cost (benefit)	$ 492	$ 431	$ (493)
Employer contributions	-	-	1,138
Benefits paid	1,339	2,146	2,866
Funded status adjustment	(3,040)	(1,933)	(5,274)
Weighted average assumptions used for net pension cost:			
Discount rate	4.75%	4.75%	4.82%
Expected return on plan assets	6.25%	6.25%	7.5%
Rate of compensation increase	N/A	N/A	N/A

Weighted average assumptions used for pension obligations:

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan
Discount rate	3.75%	3.75%	3.75%
Expected return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

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NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans** (continued)*

	Bargaining		
	Level 1	**Level 3**	**Total**
Assets			
Investments			
Cash and cash equivalents	$ 1,092	$ -	$ 1,092
Equity securities			
Consumer discretionary	42	-	42
Consumer staples	36	-	36
Energy	37	-	37
Financials	27	-	27
Health care	168	-	168
Industrials	66	-	66
Information technology	231	-	231
Materials	31	-	31
Total equity securities	638	-	638

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(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans* (continued)**

	Bargaining		
	Level 1	**Level 3**	**Total**
Assets (continued)			
Investments (continued)			
Alternative investments			
Multi-strategy	$ -	$ 2,406	$ 2,406
U.S. small/mid cap	-	1,759	1,759
Private equity	-	13	13
Total alternative investments	-	4,178	4,178
Exchange-traded funds			
Fixed income	6,141	-	6,141
International equity	307	-	307
U.S. large cap	692	-	692
Total exchange-traded funds	7,140	-	7,140
Mutual funds			
Emerging markets	346	-	346
International equity	1,380	-	1,380
Multi-strategy	3,636	-	3,636
Total mutual funds	5,362	-	5,362
Total bargaining investments	$ 14,232	$ 4,178	18,410
Net accrued income and expenses			5
Total			$ 18,415

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NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans* (continued)**

	Bargaining
	Changes in Fair Value of Investments Using Significant Unobservable Inputs (Level 3)
	Alternative Investments
Beginning balance	$ 3,198
Total gains or losses (realized/unrealized) for 2014	380
Purchases	600
Redemptions	-
Ending balance	$ 4,178
The amount of total gains (losses) for the period attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ 380

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(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans** (continued)*

	Non-Bargaining		
	Level 1	**Level 3**	**Total**
Assets			
Investments			
Cash and cash equivalents	$ 1,469	$ -	$ 1,469
Equity securities			
Consumer discretionary	93	-	93
Consumer staples	83	-	83
Energy	86	-	86
Financials	62	-	62
Health care	398	-	398
Industrials	153	-	153
Information technology	541	-	541
Materials	70	-	70
Total equity securities	1,486	-	1,486
Alternative investments			
Multi-strategy	-	4,411	4,411
U.S. small/mid cap	-	1,616	1,616
Private equity	-	21	21
Total alternative investments	-	6,048	6,048
Exchange-traded funds			
Fixed income	10,827	-	10,827
International equity	307	-	307
Total exchange-traded funds	11,134	-	11,134

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans*** ***(continued)***

	Non-Bargaining		
	Level 1	**Level 3**	**Total**
Assets (continued)			
Investments (continued)			
Mutual funds			
International equity	$ 1,596	$ -	$ 1,596
Multi-strategy	5,905	-	5,905
Total mutual funds	7,501	-	7,501
Total non-bargaining investments	$ 21,590	$ 6,048	27,638
Net accrued income and expenses			10
Total			$ 27,648

-continued-

LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans*** ***(continued)***

	Non-Bargaining Changes in Fair Value of Investments Using Significant Unobservable Inputs (Level 3) Alternative Investments
Beginning balance	$ 4,683
Total gains or losses (realized/unrealized) for 2014	510
Purchases	855
Redemptions	-
Ending balance	$ 6,048
The amount of total gains (losses) for the period attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ 510

-continued-

(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans*** ***(continued)***

	Lighthouse Retirement Plan			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Investments				
Equity securities	$ 2	$ -	$ -	$ 2
Common collective trust	-	35,177	-	35,177
Alternative investments - equity hedge	-	-	154	154
Total investments	$ 2	$ 35,177	$ 154	$ 35,333

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2014.

	Changes in Fair Value of Investments Using Significant Unobservable Inputs (Level 3)
	Alternative Investments
Beginning balance	$ 1,349
Total gains or losses (realized/unrealized) for 2014	5
Purchases	-
Redemptions	(1,200)
Ending balance	$ 154
The amount of total gains (losses) for the period attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ (27)

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(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans*** *(continued)*

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan	Redemption Frequency	Redemption Notice Period
Multi-strategy (a)	$ 2,406	$ 4,411		Semi-annually/ Quarterly	90 days
U.S. small/mid cap equity hedged (b)	1,759	1,616	$ 154	Quarterly	60 days
Private equity (c)	13	21	-	N/A	N/A
Total	$ 4,178	$ 6,048	$ 154		

There are no unfunded commitments as of December 31, 2014.

a. ***Multi-strategy*** - Investments are typically focused in credit, market neutral, global macro and arbitrage strategies. In combination, these strategies are designed to produce a consistent return stream with volatility modestly higher than a diversified core, high-quality, fixed-income portfolio. Multi-strategy funds would therefore be utilized as a complement to the traditional fixed-income allocation.

b. ***U.S. small/mid cap equity hedged*** - Hedged equity investments are focused on managers that have the ability to purchase companies long as well as sell short. The primary role of these investments is to complement the traditional equity investments by providing access to a growth-oriented return stream with a reduced dependence on upwardly trending equity markets and lower volatility. Small/mid cap investing is typically focused on companies with market capitalization of less than $5 billion.

c. ***Private equity*** - Private equity consists of investments directly into private companies or buyouts of public companies that result in a delisting of public equity. Private equity is not quoted on a public exchange and is illiquid in nature.

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(In Thousands)

NOTE 11 - PENSION PLANS (continued)

A. ***Defined Benefit Plans*** ***(continued)***

The Guild's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. The Guild formulates its investment portfolio at the discretion of the investment committee in conjunction with actuaries and investment advisors, taking into account long-term expectations for future returns, investment strategy, and cash demands on the plans. Amounts are compared to historical averages for reasonableness.

The Lighthouse's investment policies are designed to improve the plan's funded status and to mitigate funded status volatility. The Lighthouse sets target allocations of assets at the discretion of the investment committee in conjunction with actuaries and investment advisors to achieve this goal. Amounts are compared to benchmarks of the funds in the portfolio for reasonableness.

Cash Flows

Contribution

The Guild's pension plans are on a June 30 fiscal year end. The Guild does not anticipate making contributions in 2015.

The Lighthouse Retirement Plan is on a December 31 fiscal year end. The required contribution to the plan in 2015 is $1,716.

Estimated Future Benefit Payments

Benefit payments are expected to be paid on an annuity basis as follows:

Year Ending December 31	Bargaining	Non-Bargaining	Lighthouse Retirement Plan
2015	$ 1,669	$ 4,821	$ 2,881
2016	896	1,595	2,934
2017	1,153	1,265	2,936
2018	1,274	1,416	2,974
2019	1,381	1,536	2,982
2020-2024	6,623	6,724	14,854

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(In Thousands)

NOTE 11 - PENSION PLANS (continued)

B. ***Defined Contribution Plans***

LGI Services, LLC has a 403(b) plan, a defined contribution plan, for all eligible employees. The expense for the year ended December 31, 2014 was $3,545.

The Lighthouse has a 401(k) defined contribution plan for its eligible employees. Effective 2014, all eligible employees participate in the LGI Services, LLC 403(b) plan and contributions are no longer made to the 401(k) plan.

NOTE 12 - POSTRETIREMENT MEDICAL BENEFIT PLANS

The Guild has noncontributory postretirement medical benefit plans for Non-Bargaining Unit employees hired prior to November 1994 and Bargaining Unit employees who are members of 1199 SEIU United Healthcare Workers East. The following table sets forth the two plans' combined unfunded status and amounts recognized in the balance sheet as of December 31, 2014:

Benefit obligation	$	(3,191)
Fair value of plan assets		-
Funded status	$	(3,191)

Weighted average assumptions as of December 31, 2014:

Discount rate:		
Used for benefit obligation		3.75%
Used for net benefit cost		4.75%
Benefit cost	$	250
Employer contribution		155
Benefits paid		155
Funded status adjustment		(318)

-continued-

(In Thousands)

NOTE 12 - POSTRETIREMENT MEDICAL BENEFIT PLANS (continued)

The expense computation assumes the future cost of inflation for the year ended December 31, 2014 as follows:

Medical care	7.3%
Pharmaceuticals	7.3%

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate: increasing the assumed health care cost trend by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2014 by $42 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $2. The expected contribution in 2015 is $194.

Estimated Future Benefit Payments

2015	$	194
2016		185
2017		183
2018		176
2019		170
2020-2024		885

NOTE 13 - STATUTORY RESERVE

Under the laws of the State of New York, GuildNet is required to provide a total statutory reserve equal to the greater of its escrow deposit or its contingent reserve. The escrow deposit calculation is 5% based on unaudited management projections of medical expenses. The contingent reserve is calculated as 5% of gross Medicaid premium capitations before reduction for client spenddown. The March 31, 2015 escrow deposit includes projected FIDA activity.

NYSDFS requires the escrow deposit to be funded with cash, cash equivalents and/or obligations of the United States (or its affiliated agencies). In March 2015, GuildNet deposited $5,630 to satisfy the 2014 estimated escrow deposit requirement of $40,906. The contingent reserve may be offset by the escrow deposit. The differential between the total statutory reserve calculation and the escrow deposit calculation is the contingent reserve.

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(In Thousands)

NOTE 13 - STATUTORY RESERVE (continued)

The statutory reserve for 2014 was calculated as follows:

Escrow Deposit

Calculated @ 5% of 2015 total projected medical expenses (unaudited)	$ 818,123
	x 5%
	$ 40,906

Contingent Reserve

2014 Net premium capitation income	$ 826,020
	x 5%
	$ 41,301

The statutory reserve is based upon the greater of the two calculations. The reserve is segregated as follows:

Escrow deposit	$ 40,906
Contingent reserve	395
	$ 41,301

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments as reported in LGI's financial statements approximate their fair value.

-continued-

(In Thousands)

NOTE 15 - LEASE COMMITMENTS

GuildNet rents space at various locations. The terms of the leases are as follows:

- A 12-year noncancelable agreement effective January 1, 2007 for space located at 1 North Lexington Avenue, White Plains, New York. In addition, GuildNet allows the Guild to occupy certain space, for which the Guild is charged a pro rata portion of rent expense.
- A 10-year noncancelable agreement effective December 1, 2007 for space located at 125 Baylis Road in Melville, New York.
- A 12-year noncancelable agreement effective November 13, 2013 for space located at 1630 East 15th Street in Brooklyn, New York.

The following are the total future minimum rental payments on those lease commitments:

2015	$ 1,564
2016	1,577
2017	1,636
2018	1,429
2019	219
Thereafter	1,567
Net lease commitments	$ 7,992

H.F.C. rents space at various locations. The terms of the leases are as follows:

- A 5-year noncancelable agreement expiring July 2018 for space located in Buffalo, N.Y.
- A 10-year noncancelable agreement expiring November 2016 for space located in Niagara, N.Y.
- A 5-year noncancelable agreement expiring September 2017 for space located in Albany, N.Y.
- A 7-year noncancelable agreement expiring September 2019 for space located in Yonkers, N.Y. In addition, H.F.C. allows the Guild to occupy certain space, for which the Guild is allocated a pro rata portion of rent expense.

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(In Thousands)

NOTE 15 - LEASE COMMITMENTS (continued)

The following are the total future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year.

2015	$ 716
2016	708
2017	544
2018	378
2019	202
	$ 2,548

The Lighthouse has a 5-year noncancelable agreement expiring October 2015 for space located in Westchester, N.Y.

The following are the total future minimum rental payments on this lease commitment:

2015	$ 21

Rent expense is recorded based on the terms of the various lease agreements. Rent expense including in-kind rent was $2,594 for 2014.

NOTE 16 - BENEFICIAL INTEREST IN TRUSTS

The Guild, Lighthouse and GBGB have irrevocable remainder interests in various trust agreements established by donors. The assets are under the control of third-party trustees who act as a fiduciary of the assets and, upon the death of the annuitants or income beneficiaries, distribute the assets to LGI and other named beneficiaries. Using the age of the surviving beneficiaries, actuarial life expectancy tables, the assets in the trusts and conservative investment return and discount rate assumptions ranging from 2.0% - 5.8%, LGI determined the present value of its future irrevocable interest in these trusts to be $6,409 at December 31, 2014.

The Guild and Lighthouse are income beneficiaries of various trust funds held in perpetuity by others. As a result, the Guild and Lighthouse have recorded assets based upon their respective percentage interest in the fair value of the underlying assets of the trusts, which at the trust level are predominantly Level 1 investments. Changes to the estimated net present value of income to be received are recognized as gains or losses in permanently restricted net assets in the accompanying consolidated statement of activities. The present value of the trust funds as of December 31, 2014 is $10,807.

-continued-

(In Thousands)

NOTE 17 - SPLIT-INTEREST AGREEMENTS

The Guild and Lighthouse have numerous split-interest agreements which include various charitable gift annuities and beneficial interests in trusts (Note 16). The interest rates used to determine the discount ranges from 2.0% to 7.25%. As of December 31, 2014, the statement of operations and changes in net assets and the balance sheet include the various split-interest agreements at fair market value as follows:

	Charitable Gift Annuities - Unrestricted	Trusts - Temporarily Restricted
Statement of Operations and Changes in Net Assets		
Change in value of annuity obligations	$ (454)	
Actuarial gain on beneficial interest in trusts		$ 1,291
Balance Sheet		
Investments	5,690	
Beneficial interest in trusts		6,409

NOTE 18 - CONCENTRATIONS

LGI grants credit without collateral to its patients, most of whom are local residents and are insured under third-party-payor agreements. The mix of receivables and revenues from third-party payors as of and for the year ended December 31, 2014 is as follows:

	Receivables	Revenues
Medicaid	68%	95%
Medicare	2%	2%
Other third-party payors	30%	3%

LGI’s cash accounts are in several financial institutions and at times they exceed the FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

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LIGHTHOUSE GUILD INTERNATIONALAND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(In Thousands)

NOTE 19 - FUNCTIONAL EXPENSES

Program services	$ 816,918
Supporting services	63,914
Direct costs of special events	1,058
Investment expenses	1,472
Rental expenses	5,869
Cost of goods sold	498
Total expenses	$ 889,729

NOTE 20 - PAYABLE TO ESTABLISH THE INSTITUTE FOR VISION AND AGING AND THE GUILD RESEARCH CENTER

On November 28, 2007, the Guild made commitments to Fund for the Aged, Inc. totaling $6,000. The commitments specify that the Guild will pay $4,000 to establish The Guild Institute for Vision and Aging located within Jewish Home Lifecare, Harry and Jeanette Weinberg Campus, Bronx. In addition, the Guild will pay $1,000 to Fund for the Aged, Inc. or its affiliate to establish The Guild Research Center. The Guild would also provide funding for the Research Center in the amount of $100 each year for ten years commencing January 1, 2008. The balance, pending completion of the terms of the commitments, is due as follows:

One to five years	$ 2,660

NOTE 21 - RELATED-PARTY TRANSACTIONS

GuildNet paid a particular home care provider $1,900 in 2014. A shareholder of this provider is related to GuildNet's President.

A member of the Board of Directors of LGI is a partner at a law firm that provides certain legal services which approximate fair value. Legal fees for services provided were approximately $5 for the fiscal year ended December 31, 2014.

-continued-

(In Thousands)

NOTE 22 - ACCRUED CLAIMS PAYABLE

GuildNet engaged the services of actuarial consultants to value its Incurred But Not Reported (IBNR) liability as of December 31, 2014. GuildNet furnished a listing to the actuarial consultants of all claims paid by GuildNet by date of service through December 2014. The consultants, utilizing actuarial standards of practice and actuarial compliance guidelines as promulgated by the Actuarial Standards Board, have computed their best estimate of the ultimate cost of possible IBNR claims. The actuarially calculated IBNR liability as of December 31, 2014 was $103,728.

NOTE 23 - RENTAL INCOME

The Guild leases space under cancelable and noncancelable leases which expire in October 2015 and February 2024, respectively. Rental income for the year was $1,436.

GBGB has entered into a noncancelable lease/sale agreement for its property in Boston whereby the lessee leases the property through June 30, 2015 and purchases it thereafter. The lessee has the right to purchase the property at any time prior to or on June 30, 2015. If the lessee does not purchase the property by that date, they are subject to a penalty of $375. The property was sold subsequent to year end (Note 25).

Future rental income:

2015	$ 42

Rental income for the year was $87.

Lighthouse - Future minimum rental income receivable expected under noncancelable operating leases for space occupied by tenants of the 59th Street property follows:

2015	$ 2,028
2016	1,970
2017	774
	$ 4,772

Rental income for the year was $4,546.

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NOTE 24 - REINSURANCE

GuildNet has an Excess Loss Reinsurance Agreement for its Medicare Advantage Special Needs Plan. This agreement provides reinsurance for hospital inpatient acute and subacute care expenses. The annual deductible per member is $150 with a maximum payable of $1,250.

NOTE 25 - SUBSEQUENT EVENTS

On January 9, 2015, the LLC entered into a contractual agreement for the sale of its building for $170,000. The sale is contingent upon approvals by the State Attorney General.

On March 4, 2015, GBGB closed on the sale of its property in Boston for $1,200 (Note 23).

LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES **SCHEDULE 1**

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2014

	Lighthouse Guild International	Jewish Guild Healthcare & Affiliate	Lighthouse International & Affiliate	GuildNet, Inc.	J.G.B. Health Facilities Corporation	J.G.B. Rehabilitation Corporation	J.G.B. Education Services	J.G.B. Mental Health & Mental Retardation Services, Inc.	National Association of Parents of Children with Visual Impairments, Inc.	Greater Boston Guild for the Blind, Inc. & Affiliate	Eliminations	Total
ASSETS												
Current assets												
Cash and cash equivalents	$ 489	$ 1,499	$ 1,693	$ 10,223	$ 322	$ 88	$ 61	$ 57	$ 39	$ 373		$ 14,844
Investments		122,020	25,628	202,395						298		350,341
Investments - certificate of deposit		70										70
Accounts receivable (net of allowance for bad debts of $1,710)		278	778	4,777	1,472	246	102	649				8,302
Due from third-party payors				9,770								9,770
Contributions, grants and legacies receivable (net)	166		1,338									1,504
Note receivable			380									380
Accrued interest receivable		19	1	31								51
Prepaid expenses and other current assets		958	225	28	90	180	7		2			1,490
Total current assets	655	124,844	30,043	227,224	1,884	514	170	706	41	671		386,752
Assets limited as to use												
Money market funds - statutory reserve				35,276								35,276
Funds held by trustee			743									743
Total assets limited as to use			743	35,276								36,019
Fixed assets - net		17,718	21,253	3,629	75	125	20	33		1,107		43,960
Other assets												
Contributions and legacies receivable (net of allowances and reserves of $700)			646									646
Deferred financing costs			350									350
Investments		8,316	13,319							131		21,766
Beneficial interest in irrevocable trusts		437	5,425							547		6,409
Beneficial interest in perpetual trusts		545	10,262									10,807
Total other assets		9,298	30,002							678		39,978
Total assets	$ 655	$ 151,860	$ 82,041	$ 266,129	$ 1,959	$ 639	$ 190	$ 739	$ 41	$ 2,456	$ -	$ 506,709

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LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2014

	Lighthouse Guild International	Jewish Guild Healthcare & Affiliate	Lighthouse International & Affiliate	GuildNet, Inc.	J.G.B. Health Facilities Corporation	J.G.B. Rehabilitation Corporation	J.G.B. Education Services	J.G.B. Mental Health & Mental Retardation Services, Inc.	National Association of Parents of Children with Visual Impairments, Inc.	Greater Boston Guild for the Blind, Inc. & Affiliate	Eliminations	Total
LIABILITIES AND NET ASSETS												
Current liabilities												
Accounts payable and accrued expenses		$ 3,057	$ 1,701	$ 2,200	$ 338	$ 36	$ 4	$ 129				$ 7,465
Accrued claims payable				103,728								103,728
Accrued salaries and related expenses		5,503	290									5,793
Accrued pension and postretirement medical benefits		194	1,716									1,910
Payable to establish The Guild Institute for Vision and Aging and The Guild Research Center		2,500										2,500
Capital lease payable		183										183
Due to third-party payors		15	64	9,484	93	8	29	255				9,948
Deferred revenue		6	246							$ 42		294
Security deposits		70	235									305
Annuity obligations		233	479									712
Total current liabilities		11,761	4,731	115,412	431	44	33	384		42		132,838
Long-term liabilities												
Capital lease payable		332										332
Payable to establish The Guild Institute for Vision and Aging and The Guild Research Center		160										160
Mortgage loan payable			45,000									45,000
Annuity obligations		1,139	1,784									2,923
Accrued pension and postretirement medical benefits		11,653	10,966									22,619
Total long-term liabilities		13,284	57,750									71,034
Due (to) from affiliates	$ 4,890	(39,497)	3,022	1,936	37,055	21,781	22,289	19,714	$ 825	4,564	$ (76,579)	
Total liabilities	4,890	(14,452)	65,503	117,348	37,486	21,825	22,322	20,098	825	4,606	(76,579)	203,872
Net assets (deficit)	(4,235)	166,312	16,538	148,781	(35,527)	(21,186)	(22,132)	(19,359)	(784)	(2,150)	76,579	302,837
Total liabilities and net assets	$ 655	$ 151,860	$ 82,041	$ 266,129	$ 1,959	$ 639	$ 190	$ 739	$ 41	$ 2,456	$ -	506,709

See independent auditor's report.

LIGHTHOUSE GUILD INTERNATIONAL AND AFFILIATES **SCHEDULE 2**

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

DECEMBER 31, 2014

	Lighthouse Guild International	Jewish Guild Healthcare & Affiliate	Lighthouse International & Affiliate	GuildNet, Inc.	J.G.B. Health Facilities Corporation	J.G.B. Rehabilitation Corporation	J.G.B. Education Services	J.G.B. Mental Health & Mental Retardation Services, Inc.	National Association of Parents of Children with Visual Impairments, Inc.	Greater Boston Guild for the Blind, Inc. & Affiliate	Eliminations	Total
Revenues and other support from operations												
Management services		$ 70,307									$ (70,307)	
Program fees		1,096	$ 5,155	$ 826,020			$ 3,102					$ 835,373
Patient service revenue (net of contractual allowances)			270		$ 10,377	$ 1,213		$ 4,531			(3,233)	13,158
Provision for bad debts					(59)	(46)		(28)				(133)
Net patient service revenue		71,403	5,425	826,020	10,318	1,167	3,102	4,503			(73,540)	848,398
Rentals, grants and other revenue (net of rental expenses of $5,869)	$ 30	817	(672)		257	91	80	98	$ 5	$ 87	(209)	584
Sale of consumer products (net of cost of goods sold of $498)			350			70						420
Total revenues and other support from operations	30	72,220	5,103	826,020	10,575	1,328	3,182	4,601	5	87	(73,749)	849,402
Operating expenses (includes interest of $2,700)												
Program services												
Managed care		61,462		787,741							(70,344)	778,859
Adult day health care					10,912							10,912
Clinical and rehabilitation		2,634	3,965			2,516						9,115
Behavioral health								6,226				6,226
Education			5,118				3,539					8,657
Other programs	613	1,215	955						360	60	(54)	3,149
Total program services	613	65,311	10,038	787,741	10,912	2,516	3,539	6,226	360	60	(70,398)	816,918
Supporting services												
Management and general	3,124	235	2,568	51,017	1,153	1,176	537	909	207	137	(3,405)	57,658
Public education and information	2,444											2,444
Fund raising	3,778	31							2	1		3,812
Total supporting services	9,346	266	2,568	51,017	1,153	1,176	537	909	209	138	(3,405)	63,914
Total operating expenses	9,959	65,577	12,606	838,758	12,065	3,692	4,076	7,135	569	198	(73,803)	880,832
Gain (loss) from operations	(9,929)	6,643	(7,503)	(12,738)	(1,490)	(2,364)	(894)	(2,534)	(564)	(111)	54	(31,430)
Nonoperating revenues, gains and losses												
Contributions and grants (including in-kind of $49)	1,460	1,134	994	4	25	122	64	6	33	20	-	3,862
Special events	2,881											2,881
Less direct costs of special events	(1,058)											(1,058)
Legacies and bequests	2,411		10		1							2,422
Interest and dividend income (net of expenses of $1,472)		1,583	602	3,401	1							5,587
Net realized and unrealized gain on investments		5,685	1,097	3,098								9,880
Distributions from perpetual trusts		16	442									458
Loss on sale/disposal of fixed assets				(19)								(19)
Grant from Jewish Guild Healthcare						37	17				(54)	
Change in value of annuity obligations		(139)	(315)									(454)
Change in value of beneficial interest in trusts			1,132							8		1,140
Total nonoperating revenues, gains and losses	5,694	8,279	3,962	6,484	27	159	81	6	33	28	(54)	24,699
Excess of revenues, gains and other support over expenses before other changes	(4,235)	14,922	(3,541)	(6,254)	(1,463)	(2,205)	(813)	(2,528)	(531)	(83)	-	(6,731)
Other changes												
Adjustment to reflect funded status on balance sheet of pension and postretirement medical benefits		(5,291)	(5,274)									(10,565)
Prior years' IBNR adjustments				7,336								7,336
Change in net assets	(4,235)	9,631	(8,815)	1,082	(1,463)	(2,205)	(813)	(2,528)	(531)	(83)	-	(9,960)
Net assets - beginning of year		156,681	25,353	147,699	(34,064)	(18,981)	(21,319)	(16,831)	(253)	(2,067)	76,579	312,797
Net assets - end of year	$ (4,235)	$ 166,312	$ 16,538	$ 148,781	$ (35,527)	$ (21,186)	$ (22,132)	$ (19,359)	$ (784)	$ (2,150)	$ 76,579	$ 302,837

See independent auditor's report.