THE DEGEN FOUNDATION

JUNE 30, 2017 AND 2016

CONTENTS

Beall Barclay & Company, PLC

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Degen Foundation
Fort Smith, Arkansas

Report on the Financial Statements

We have audited the accompanying statements of financial position of **The Degen Foundation** (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Disclaimer of Opinion on 2016 Statements of Activities and Cash Flows

Because we were not engaged to audit the 2016 statements of activities and cash flows, we did not extend our auditing procedures to enable us to express an opinion on the changes in net assets and cash flows for the year ended June 30, 2016. Accordingly, we express no opinion on the changes in net assets or cash flows for the year ended June 30, 2016.

Disclaimer of Opinion on 2016 Statements of Activities and Cash Flows

Because we were not engaged to audit the 2016 statements of activities and cash flows, we did not extend our auditing procedures to enable us to express an opinion on changes in net assets and cash flows for the year ended June 30, 2016. Accordingly, we express no opinion on changes in net assets and cash flows for the year ended June 30, 2016.

Unmodified Opinion on 2017 Financial Statements and 2016 Statement of Financial Position

In our opinion, the statements of financial position as of June 30, 2017 and 2016 and the statements of activities and cash flows for the year ended June 30, 2017 present fairly, in all material respects, the financial position of **The Degen Foundation** as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Beall Barclay & Company, PLC

BEALL BARCLAY & COMPANY, PLC
Certified Public Accountants

Fort Smith, Arkansas
November 29, 2017

THE DEGEN FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 169,248	$ 238,901
Accounts receivable	95,290	92,313
Prepaid expenses	5,784	-
Debt issuance costs, net of accumulated amortization of $9,314	-	13,039
Investments in marketable securities	11,221,527	10,416,148
Clinic construction in progress	-	249,315
	11,491,849	11,009,716
ASSETS RESTRICTED FOR ACHE		
Cash and cash equivalents	1,484,449	1,248,514
Interest receivable	10,528	9,319
Investments in marketable securities	33,055,181	32,592,392
Land	-	5,000,000
Construction in progress	-	23,870,326
	34,550,158	62,720,551
Total Assets	$ 46,042,007	$ 73,730,267
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 32,000	$ 27,500
Accounts payable - related party	-	120,326
Accounts payable - restricted for ACHE	-	16,994
Accrued expenses	121,485	103,007
Long-term debt	-	10,004,286
Total Liabilities	153,485	10,272,113
NET ASSETS		
Unrestricted net assets	11,212,792	10,483,031
Temporarily restricted net assets	125,572	125,572
Temporarily restricted net assets - ACHE	34,550,158	52,849,551
	45,888,522	63,458,154
TOTAL LIABILITIES AND NET ASSETS	$ 46,042,007	$ 73,730,267

See Independent Auditors' Report and notes to financial statements.

THE DEGEN FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Temporarily Restricted for ACHE	Total
REVENUES, GAINS AND OTHER SUPPORT				
Realized and unrealized gains on investments and land	$ 1,971,988	$ -	$ 1,274,843	$ 3,246,831
Interest and dividend income	281,136	-	519,868	801,004
Miscellaneous income	3,007	-	-	3,007
Net assets released from restrictions:				
Purpose restrictions satisfied	20,094,104	-	(20,094,104)	-
	22,350,235	-	(18,299,393)	4,050,842
EXPENSES				
Consulting fees	23,101	-	-	23,101
Depreciation and amortization	688,263	-	-	688,263
Donations	20,525,989	-	-	20,525,989
Insurance	27,807	-	-	27,807
Interest expense	157,307	-	-	157,307
Professional services	71,158	-	-	71,158
Management fee	126,000	-	-	126,000
Supplies	828	-	-	828
Travel	21	-	-	21
	21,620,474	-	-	21,620,474
CHANGE IN NET ASSETS	729,761	-	(18,299,393)	(17,569,632)
NET ASSETS, JUNE 30, 2016	10,483,031	125,572	52,849,551	63,458,154
NET ASSETS, JUNE 30, 2017	$ 11,212,792	$ 125,572	$ 34,550,158	$ 45,888,522

THE DEGEN FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

2016
(Unaudited)

	Unrestricted	Temporarily Restricted	Temporarily Restricted for ACHE	Total
REVENUES, GAINS AND OTHER SUPPORT				
Realized and unrealized gains (losses) on investments	$ (371,659)	$ -	$ (964,032)	$ (1,335,691)
Interest and dividend income	233,686	-	464,718	698,404
Miscellaneous income	12,979	-	-	12,979
Net assets released from restrictions:				
Purpose restrictions satisfied	10,192,328	(12,188)	(10,180,140)	-
	10,067,334	(12,188)	(10,679,454)	(624,308)
EXPENSES				
Consulting fees	17,151	-	-	17,151
Depreciation and amortization	9,314	-	-	9,314
Donations	10,412,084	-	-	10,412,084
Insurance	7,056	-	-	7,056
Professional services	79,795	-	-	79,795
Management fee	126,000	-	-	126,000
Supplies	2,032	-	-	2,032
Travel	419	-	-	419
	10,653,851	-	-	10,653,851
CHANGE IN NET ASSETS	(586,517)	(12,188)	(10,679,454)	(11,278,159)
NET ASSETS, JUNE 30, 2015	11,069,548	137,760	63,529,005	74,736,313
NET ASSETS, JUNE 30, 2016	$ 10,483,031	$ 125,572	$ 52,849,551	$ 63,458,154

See Independent Auditors' Report and notes to financial statements.

THE DEGEN FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (17,569,632)	$ (11,278,159)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation and amortization	688,263	9,314
Net realized and unrealized (gains) losses on investments and land	(3,246,831)	1,335,691
Non-cash donation expenses	19,400,005	-
Change in:		
Accounts receivable	(2,977)	(810)
Prepaid expenses	(5,784)	102,253
Interest receivable	(1,209)	(7,406)
Pledges receivable	-	15,901,616
Accounts payable	4,500	(67,620)
Accounts payable - related party	211,386	120,326
Accounts payable - restricted for ACHE	(16,994)	5,283
Accrued expenses	18,478	103,007
Total adjustments	17,048,837	17,501,654
Net Cash From (Used For) Operating Activities	(520,795)	6,223,495
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(3,771,623)	(18,304,901)
Proceeds from sale of investments	1,978,663	-
Purchases of investments	-	(441,373)
Net Cash (Used For) Investing Activities	(1,792,960)	(18,746,274)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt issuance costs paid	-	(22,353)
Proceeds from issuance of long-term debt	2,480,037	10,004,286
Net Cash From Financing Activities	2,480,037	9,981,933
NET CHANGE IN CASH AND CASH EQUIVALENTS	166,282	(2,540,846)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,487,415	4,028,261
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,653,697	$ 1,487,415

See Independent Auditors' Report and notes to financial statements.

THE DEGEN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
The Degen Foundation (the Foundation), located in Fort Smith, Arkansas, is organized as a not-for-profit corporation under the laws of the State of Arkansas and is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Foundation is an organization that promotes, develops and improves the quality and availability of health care services and education in western Arkansas and eastern Oklahoma.

On May 16, 2014, the Arkansas Colleges of Health Education (ACHE) was organized with the State of Arkansas as a not-for-profit public benefit corporation. The Degen Foundation is the supporting organization for ACHE. The purpose of ACHE is to educate and train a diverse group of highly competent and compassionate health care professionals; to create health and research support facilities; and to provide healthy living environments to improve the lives of others.

Basis of Accounting
The Foundation's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized, net of sales tax, in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

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. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Foundation considers cash equivalents to be all short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. As of June 30, 2017 and 2016, the Foundation had cash equivalents totaling $1,550,466 and $1,251,616, respectively. At June 30, 2017 and 2016, cash equivalents consisted primarily of investments in money market funds.

Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Recognition of Support

The Foundation reports gifts of cash and other assets as 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 to unrestricted net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as unrestricted support. Other contributed services that enhance the Foundation's programs, but are not so essential that they would otherwise be purchased, are not recorded as support.

Income Tax and Uncertain Tax Positions

The Foundation qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not subject to tax at the entity level for Federal tax purposes. The Foundation accounts for uncertain tax positions in accordance with the provisions of Financial Accounting Standards Board (FASB) Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Foundation to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Foundation and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes.*

The Foundation files informational *"Return of Organization Exempt from Income Tax"* (Form 990) in the U.S. Federal jurisdiction and does not file any state returns.

Property and Equipment
The Foundation's policy is for property and equipment to be depreciated on a straight-line basis over the estimated useful lives of each asset, which range from five to forty years. Depreciation expense for the year ended June 30, 2017 amounted to $675,224 before the assets were transferred to ACHE (see Note 9). There was no depreciation expense during the year ended June 30, 2016 as the assets had not yet been placed in service.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-Lived Assets
FASB issued Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* which requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Foundation's reported earnings or financial condition.

Accounts Receivable
At June 30, 2017 and 2016, accounts receivable consist of the cash surrender value of life insurance policies held by the Foundation.

Pledges Receivable
Pledges receivable and unconditional promises to give that are to be received in less than one year are recorded at face value because of their short maturity. The value of pledges receivable and unconditional promises to be received in more than one year are estimated based on future cash flows discounted at the year-end 3-month Treasury rate. There were no pledges receivable at June 30, 2017 or 2016.

Advertising and Promotions
The Foundation follows the policy of charging any advertising and promotions to expense as incurred.

Debt Issuance Costs
Costs in the amount of $22,353 were incurred due to the financing of the Foundation's construction of the medical clinic during the year ended June 30, 2016. Amortization expense for the years ended June 30, 2017 and 2016 (unaudited) was $13,039 and $9,314, respectively.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. Early implementation of the ASU is permitted.

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on direct costs for the program during the year.

Subsequent Events

Subsequent events are evaluated through the date the financial statements were available to be issued, which is the date of the Independent Auditors' Report.

NOTE 2: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Foundation uses financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash. At June 30, 2017, the Foundation's uninsured/uncollateralized cash balance was approximately $1,424,000.

See Notes 4 and 6 for other financial instruments with risk of accounting loss.

NOTE 3: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, the Foundation entered into an agreement with ACHE to reimburse the ACHE for shared staff, office space, etc. For each of the years ended June 30, 2017 and 2016 (unaudited), the Foundation paid ACHE management fees in the amount of $126,000 in each year.

During the year ended June 30, 2014, Fort Smith Regional HealthCare Foundation donated investments with a fair market value of $20,703,184 on the date of donation and made a pledge to donate an additional $23,470,932 to the Foundation to be restricted for the use of ACHE. The remaining $10,000,000 of the pledges were received by the Foundation during the year ended June 30, 2016.

At June 30, 2017 and 2016, the Foundation had accounts payable to ACHE of $-0- and $120,326, respectively.

During the years ended June 30, 2017 and 2016, the Foundation donated $694,098 and $10,180,140, respectively, directly to ACHE, and transferred assets as well as notes and accounts payable totaling $19,400,005 and $-0-, respectively, directly to ACHE as detailed in Note 9.

During the year ended June 30, 2016, the Foundation donated debt issuance costs of $96,527 to ACHE related to securing the construction loan.

The City of Fort Smith received a grant from the U.S. Economic Development Administration (EDA) for property improvements to the building site of the medical college. As part of the grant process, the Foundation (along with ACHE) agreed to participate in the improvement costs up to $359,000 and the City of Fort Smith required a promissory note to cover the Foundation's future liability on this project. On December 26, 2014, the Foundation and ACHE obtained a promissory note in the amount of $359,000 with interest at 3.5% and due on demand. At June 30, 2017 and 2016, no amounts had been drawn on this loan. During the year ended June 30, 2017, this project was completed and all costs allocated to the medical college were incurred by ACHE.

NOTE 4: INVESTMENTS

Investments are stated at fair value. Fair values and unrealized appreciation (depreciation) at June 30, 2017 and 2016 are summarized as follows:

	Book Value	Fair Value	Unrealized Appreciation (Depreciation)
June 30, 2017			
Held by investment manager			
Private equity funds	$ 2,808,622	$ 3,472,565	$ 663,943
Equity mutual funds	4,497,722	5,523,435	1,025,713
Fixed income mutual funds	2,351,559	2,225,527	(126,032)
Private equity funds - ACHE	4,165,402	5,010,004	844,602
Equity mutual funds - ACHE	3,610,846	4,814,210	1,203,364
Fixed income mutual funds - ACHE	23,407,897	23,230,967	(176,930)
Total investments	$ 40,842,048	$ 44,276,708	$ 3,434,660
June 30, 2016			
Held by investment manager			
Private equity funds	$ 2,852,620	$ 3,204,066	$ 351,446
Equity mutual funds	4,494,804	5,052,232	557,428
Fixed income mutual funds	2,287,654	2,159,850	(127,804)
Private equity funds - ACHE	4,338,409	4,664,485	326,076
Equity mutual funds - ACHE	3,662,090	4,133,334	471,244
Fixed income mutual funds - ACHE	23,675,765	23,794,573	118,808
Total investments	$ 41,311,342	$ 43,008,540	$ 1,697,198

At June 30, 2017 and 2016, the Foundation had marketable securities of $44,276,708 and $43,008,540, respectively, which are subject to market risk.

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30, 2017 and 2016:

	2017	2016 (Unaudited)
Interest, dividend, and capital gains income	$ 801,004	$ 698,404
Net realized gain on investments and land	1,509,369	172,213
Net unrealized gain (loss) on investments	1,737,462	(1,507,904)
Total investment return (loss)	$ 4,047,835	$ (637,287)

***NOTE 5:* LONG-TERM DEBT**

On February 19, 2015, the Foundation (along with ACHE) signed a promissory note with Arvest Bank for a construction loan to finance the construction of the ACHE facilities in the principal sum of $18,000,000. At June 30, 2016, $9,733,681 had been drawn on this note by the Foundation and the liability was included in Long-term debt on the Statements of Financial Position. This liability was transferred from the Foundation to ACHE during the year ended June 30, 2017. At June 30, 2017, the amount outstanding on this loan was $11,951,383 payable by ACHE and the overall loan amount has been reduced by the bank to $12,481,613. This loan has been reflected as a liability at June 30, 2017 on the separate financial statements of ACHE.

On January 15, 2016, the Foundation (along with ACHE) signed a promissory note with Arvest bank for a construction loan to finance the construction of a medical clinic in the principal sum of $4,200,000. At June 30, 2016, $270,605 had been drawn on this note by the Foundation and the liability was included in Long-term debt on the Statements of Financial Position. This liability was transferred from the Foundation to ACHE during the year ended June 30, 2017. At June 30, 2017, the amount outstanding on this loan was $3,376,247 payable by ACHE and the overall loan amount has been reduced to $4,066,849. This loan has been reflected as a liability at June 30, 2017 on the separate financial statements of ACHE.

On January 20, 2016, the Foundation and ACHE signed a promissory note with Arvest Bank to purchase furniture and equipment for ACHE in the principal sum of $3,565,733. At June 30, 2017 and 2016, $3,449,164 and $2,468,256, respectively, had been drawn on this note and is payable by ACHE and reflected as a liability on the separate financial statements of ACHE.

On March 14, 2017, the Foundation and ACHE signed a promissory note with Arvest Bank to purchase furniture and equipment for ACHE in the principal sum of $500,000. At June 30, 2017, $500,000 had been drawn on this note and is payable by ACHE and reflected as a liability on the separate financial statements of ACHE.

Additionally, during the year ended June 30, 2015, line of credit was signed for a revolving line of credit of $7,920,000. At June 30, 2017 and 2016, $-0- had been drawn on the line of credit. On March 17, 2017, the loan was modified with a new revolving line of credit for $13,438,387 when $5,518,387 was transferred to this line of credit from the medical college construction loan. Any borrowings on this line of credit are considered to be payable by ACHE and would be reflected as a liability on the separate financial statements of ACHE.

Interest paid during the year ended June 30, 2017 was $157,307 prior to the transfer of all the debt to ACHE. There was no interest paid during the year ended June 30, 2016.

NOTE 6: FAIR VALUE MEASUREMENTS

FASB Codification Topic *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That 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 under this Codification Topic are described as follows:

Level 1 These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2 These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3 These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

The asset's 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

Private equity funds: Consist of investments in partnerships which are valued at calculated estimates from the investment managers at year end.

Equity mutual funds and fixed income mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation method is 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.

The following tables present the Foundation's hierarchy for the investments measured at fair value as of June 30, 2017 and 2016.

Assets at Fair Value as of June 30, 2017

	Level 1	*Level 2*	*Level 3*	*Total*
Fixed income mutual funds	$ 25,456,494	$ -	$ -	$ 25,456,494
Equity mutual funds	10,337,645	-	-	10,337,645
Private equity funds	-	-	8,482,569	8,482,569
Total assets at fair value	$ 35,794,139	$ -	$ 8,482,569	$ 44,276,708

Assets at Fair Value as of June 30, 2016

	Level 1	*Level 2*	*Level 3*	*Total*
Fixed income mutual funds	$ 25,954,423	$ -	$ -	$ 25,954,423
Equity mutual funds	9,185,566	-	-	9,185,566
Private equity funds	-	-	7,868,551	7,868,551
Total assets at fair value	$ 35,139,989	$ -	$ 7,868,551	$ 43,008,540

Level 3 Gains and Losses

Unrealized and realized gains (losses) are considered either temporarily restricted or unrestricted depending on the nature of the investment account with which the gains (losses) are associated. The Foundation keeps any temporarily restricted investment accounts separate so that any gains (losses) can be specifically allocated to those temporarily restricted accounts. The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2017 and 2016.

Balance,	June 30, 2015	$ 7,413,487
	Additions	2,164,979
	Liquidations	(1,456,153)
	Realized gains	199,182
	Unrealized (loss)	(452,944)
Balance,	June 30, 2016	$ 7,868,551
	Additions	91,256
	Liquidations	(308,262)
	Realized gains	-
	Unrealized gains	831,024
Balance,	June 30, 2017	$ 8,482,569

Additionally during the year ended June 30, 2017, the land held by the Foundation was transferred to ACHE. As part of this transfer, the land was reappraised and a gain of $1,246,629 was recorded by the Foundation to adjust the land to fair value prior to the donation to ACHE. This is a non-recurring transaction and no additional land is held by the Foundation as of June 30, 2017.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

		2017		2016
Health education	$	19,332	$	19,332
Pastoral care		48,938		48,938
Scholarships		53,747		53,747
Other		3,555		3,555
Total	$	125,572	$	125,572
RESTRICTED FOR ACHE				
Cash and cash equivalents	$	1,484,449	$	1,248,514
Interest receivable		10,528		9,318
Investments in marketable securities		33,055,181		32,592,392
Land		-		5,000,000
Construction in progress		-		23,870,328
Accounts payable - related party		-		(120,326)
Accounts payable - restricted for ACHE		-		(16,994)
Long-term debt		-		(9,733,681)
Total	$	34,550,158	$	52,849,551

As disclosed in Note 1, the purpose of ACHE is to construct, develop, and operate an osteopathic medical college in Fort Smith, Arkansas. During the years ended June 30, 2017 and 2016, assets were transferred to ACHE toward the construction and completion of the medical college in satisfaction of the purpose restrictions.

As a part of the accreditation process of the medical college, the Foundation was required to open two reserve accounts in July 2014. The “teach out reserve” and “operating reserve” accounts are to be maintained at levels of at least $25,800,000 and $6,450,000, respectively, until graduation of the first class from the medical college. These accounts are included in Assets Restricted for ACHE on the Statements of Financial Position. Subsequent to the year ended June 30, 2017, these reserve accounts were transferred to ACHE.

At June 30, 2017 and 2016, the fair value of the “teach out reserve” was $27,945,193 and $26,545,340, respectively, which included $1,471,446 and $1,193,561, respectively, in cash and cash equivalents, $26,468,528 and $25,342,627, respectively in investments, and $5,219 and $9,152, respectively, in interest receivable. At June 30, 2017 and 2016, the fair value of the “operating reserve” was $6,604,965 and $6,571,152, respectively, which included $13,003 and $49,098, respectively, in cash and cash equivalents, $6,586,653 and $6,521,888, respectively, in investments, and $5,309 and $166, respectively, in interest receivable.

NOTE 8: CONCENTRATIONS, COMMITMENTS AND CONTINGENCIES

During the years ended June 30, 2017 and 2016, the Foundation had subscription commitments with Dover Street VII Cayman Fund LP and RCP Fund VIII, LP (the Fund) of $1,500,000. As of June 30, 2017 and 2016, $1,084,714 and $994,401, respectively, of the commitment had been called by the Fund leaving $415,286 and $505,599, respectively, outstanding.

Land with a $5,000,000 appraised value was donated for the benefit of ACHE for the purpose of constructing the medical college. The agreement relating to the land donation includes specific use and time restrictions for the building of the medical college and the proposed timeline when construction on the college and surrounding areas must be started. If these restrictions are not met, the land is to revert to the donor organization. During the year ended June 30, 2017, this land was reappraised and a realized gain in the amount of $1,246,629 was recognized by the Foundation prior to the transfer of the land to ACHE.

Additionally, an addendum was entered into during the year ended June 30, 2014 that allows the Foundation the right of first refusal at a set price to purchase land adjoining the donated land if the adjoining land becomes available for purchase in the future. This land was purchased during the year ended June 30, 2016 by ACHE.

Agreements have been entered into by the Foundation related to the construction and development of the medical college. All of the assets related to the college and its construction (including any related agreements) were transferred to ACHE during the year ended June 30, 2017.

Workers’ Compensation Claims

During the year ended June 30, 2016, the liability for potential workers’ compensation claims was transferred to the Foundation from the Fort Smith Regional HealthCare Foundation. At June 30, 2017 and 2016, $121,485 and $103,007, respectively, of potential claims were included in accrued expenses. In order for the State of Arkansas Workers’ Compensation Commission (the Commission) to release security deposits previously held for these potential claims, the Commission required that the Foundation obtain a letter of credit in the amount of $200,000 for the benefit of the Commission. This letter of credit was obtained with Arvest Bank and currently expires January 11, 2018.

NOTE 9: NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended June 30, 2017, The Degen Foundation transferred the following to ACHE:

Land	$ 6,246,629
Buildings	23,355,225
Furniture, fixtures, and equipment	2,301,655
Construction in progress	987,756
	32,891,265
Less accumulated depreciation	(675,225)
Property and equipment, net	32,216,040
Notes payable	(12,484,323)
Due to ACHE	(331,712)
Included in donation expense	$ 19,400,005

As discussed in Notes 1 and 3, $96,527 in debt issuance costs were transferred from the Foundation to ACHE during the year ended June 30, 2016.

NOTE 10: FUNCTIONAL EXPENSES

During the years ended June 30, 2017 and 2016, functional expenses were incurred for:

	2017	**2016 (Unaudited)**
Program Services	$21,201,213	$10,412,084
Management and General	419,261	241,767
Total	$21,620,474	$10,653,851