LYRASIS and Subsidiary

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
LYRASIS and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of LYRASIS and Subsidiary (LYRASIS), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 LYRASIS as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statement of financial position and consolidating statement of activities for LYRASIS are presented for the purpose of additional analysis and are 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.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
August 16, 2016

FINANCIAL STATEMENTS

June 30,	**2016**	2015
Assets		
Current assets		
Cash and cash equivalents	**$ 6,544,108**	$ 4,745,311
Restricted cash	**290,444**	1,133,888
Investments - marketable securities	**10,109,410**	10,618,818
Receivables		
Member	**1,956,767**	3,663,353
Grants - federal	**8,822**	13,247
Other	**391,336**	148,028
	2,356,925	3,824,628
Deferred costs	**6,128,692**	7,169,142
Other prepaid expenses	**127,417**	147,780
Total current assets	**25,556,996**	27,639,567
Property and equipment		
Building	**-**	856,248
Computer equipment	**92,069**	191,033
Furniture and fixtures	**284,814**	757,655
Computer software	**424,340**	463,165
	801,223	2,268,101
Less accumulated depreciation	**772,742**	1,593,575
	28,481	674,526
Land	**-**	1,310,519
	28,481	1,985,045
Other assets		
Intangible assets	**130,000**	170,000
Deferred lease incentive	**-**	43,530
Total other assets	**130,000**	213,530
Total assets	**$ 25,715,477**	$ 29,838,142

The accompanying footnotes are an integral part of these statements.

June 30,		**2016**		2015
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**2,572,190**	$	5,202,015
Member deposits		**5,238,268**		6,613,199
Deferred revenue		**9,479,280**		11,181,981
Unearned grant income		**119,295**		1,069,552
Current portion of deferred gain on sale of building		**140,420**		-
Total current liabilities		**17,549,453**		24,066,747
Deferred gain on sale of building, less current portion		**876,831**		-
Total liabilities		**18,426,284**		**24,066,747**
Net assets, unrestricted				
Board designated for future operations		**2,234,017**		2,234,017
Undesignated		**5,055,176**		3,537,378
Total net assets, unrestricted		**7,289,193**		5,771,395
Total liabilities and net assets	**$**	**25,715,477**	$	29,838,142

The accompanying footnotes are an integral part of these statements.

Years ended June 30,	**2016**	2015
Revenues and support		
Sales of services and products	**$ 72,998,242**	$ 71,819,624
Grant - federal	**128,468**	176,126
Grant - other	**1,024,725**	1,210,904
Membership dues	**1,258,026**	1,300,287
Rent income	**280,019**	247,493
Other revenues	**48,890**	39,067
Total revenues and support	**75,738,370**	74,793,501
Operating expenses		
Cost of sales	**68,858,283**	67,862,772
Salaries	**4,111,010**	4,801,343
Fringe benefits	**821,191**	932,022
Depreciation and amortization	**200,217**	204,101
Building operations	**321,210**	291,252
Office operations	**58,483**	53,774
Data processing supplies and maintenance	**92,690**	118,149
Travel and conferences	**499,579**	511,128
Telephone	**72,036**	99,539
Professional fees	**421,113**	408,794
Property taxes	**61,782**	68,928
Advertising and promotion	**20,333**	19,591
Other	**31,811**	206,060
Total operating expenses	**75,569,738**	75,577,453
Operating income (loss)	**168,632**	(783,952)
Other gains (losses)		
Investment income (loss)	**(53,379)**	330,963
Gain on sale of building	**1,473,004**	-
Abortive merger costs	**(70,459)**	-
Total other gains (losses)	**1,349,166**	330,963
Change in net assets, unrestricted	**1,517,798**	(452,989)
Net assets, unrestricted at beginning of year	**5,771,395**	6,224,384
Net assets, unrestricted at end of year	**$ 7,289,193**	$ 5,771,395

The accompanying footnotes are an integral part of these statements.

Years ended June 30,	**2016**	2015
Operating activities		
Change in net assets	**$ 1,517,798**	$ (452,989)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	**200,217**	204,101
Net realized and unrealized gain on investments	**262,395**	(61,328)
Gain on sale of property	**(1,473,004)**	-
(Increase) decrease in assets and increase (decrease) in liabilities		
Restricted cash	**843,444**	494,374
Receivables	**1,689,703**	(1,015,324)
Deferred costs and prepaid expenses	**1,060,815**	(1,785,050)
Deferred lease incentive	**12,881**	6,858
Accounts payable and accrued liabilities	**(2,629,825)**	943,874
Member deposits	**(1,374,931)**	332,189
Deferred revenue	**(1,702,701)**	2,300,854
Unearned grant income	**(950,257)**	(1,171,658)
Net cash used in operating activities	**(2,543,465)**	(204,099)
Investing activities		
Purchase of property and equipment	**(268,434)**	(4,965)
Net sales of investments - marketable securities	**247,013**	(2,130,659)
Proceeds from sales of property and equipment	**4,363,685**	-
Net cash provided by (used in) investing activities	**4,342,264**	(2,135,624)
Net increase (decrease) in cash and cash equivalents	**1,798,799**	(2,339,723)
Cash and cash equivalents at beginning of year	**4,745,311**	7,085,034
Cash and cash equivalents at end of year	**$ 6,544,110**	$ 4,745,311

Supplemental schedule of non-cash investing and financing activities and certain cash flow information:

There were no non-cash investing and financing activities during the years ended June 30, 2016 and 2015.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LYRASIS partners with member libraries and cultural heritage organizations to create, access and manage information with an emphasis on digital content, while building and sustaining collaboration, enhancing operations and technology, and increasing buying power. A non-profit membership organization, LYRASIS was established in April 2009 with a collective history of legacy networks that dates back to 1936. LYRASIS continues its mission of supporting information professionals by offering creative solutions and increased savings opportunities. With a diverse membership and large in scale, LYRASIS works closely with library and cultural heritage organization professionals and their staff to build and maintain valued relationships, making frequent connections with site visits, conferences and e-communications.

The accompanying consolidated financial statements include the accounts of LYRASIS and its wholly owned real estate holding company, 1438, Inc., hereinafter jointly referred to as LYRASIS. The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

A summary of the significant accounting policies of LYRASIS applied in the preparation of the accompanying consolidated financial statements follows.

Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* (ASC 958). Under ASC 958, LYRASIS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. LYRASIS considers all of its net assets to be unrestricted net assets. In addition, LYRASIS is required to present a statement of cash flows.

Principles of Consolidation

The consolidated financial statements include the accounts of LYRASIS and its wholly owned subsidiary, 1438, Inc. All intercompany transactions have been eliminated.

Allowance for Doubtful Accounts

LYRASIS provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in the collection of all receivables. The estimated losses, if any, are based upon historical collection experience coupled with a review of the current status of existing receivables. In management's opinion, the allowance for doubtful accounts at June 30, 2016 and 2015, of approximately $75,000 is adequate. These amounts are included in the member receivables balance in the accompanying consolidated statements of financial position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, LYRASIS considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Certain grants awarded to LYRASIS require unexpended funds to be maintained in separate bank accounts. As such, the use of these funds has been restricted for current grant program purposes. The amount of restricted cash at June 30, 2016 and 2015, was approximately $290,000 and $1,134,000, respectively.

Intangible Assets

As of October 1, 2009, NELINET, Inc. (NELINET) was combined with LYRASIS whereby the net assets of NELINET were transferred to LYRASIS. A portion of the net assets, as determined by an independent appraiser, was recorded as a member list. This total of $400,000 is being amortized to operations over ten years. Amortization expense for this member list was $40,000 for each of the years ended June 30, 2016 and 2015.

Property, Equipment, Depreciation

Property and equipment with a cost in excess of $2,000 and a useful life in excess of one year is capitalized. Depreciation is provided in amounts sufficient to charge the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. Repairs and maintenance are expensed as incurred; betterments are capitalized and depreciated over the estimated useful lives of the asset.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss on the sale, or retirement of assets is typically included in current earnings, with the exception of gain deferral in relation to a sale leaseback transaction.

The estimated useful lives of various classes of assets are as follows:

Class of Asset	Estimated Useful Lives (years)
Computer Equipment	3
Furniture and fixtures	5-10
Computer software	3-5

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Direct Cost Recognition

Revenue is recognized as services are provided. Deferred revenues represent annual dues and database licensing fees that are recognized over the annual membership period and over the period the services are provided, respectively.

Member deposits represent current year prepayments by member libraries for subsequent year subscription and bibliographic services. These prepayments are refundable to the member if not used for services. The deposits are recognized as revenue over the period the services are provided.

LYRASIS recognizes the cost of sales for reference products at the time revenue is recognized for providing services. Deferred costs represent costs incurred to provide database licensing to members. These costs are matched to the database licensing revenues and recognized over the life of the database license subscription period.

Unearned grant income represents funds received from grantor agencies that have not yet been expended for their intended purpose.

Cost of Sales

Cost of sales primarily consists of purchased on-line cataloging and licensing services for members.

Concentrations of Credit Risk

Financial instruments, which potentially subject LYRASIS to concentrations of credit risk, are principally receivables and investments. Concentration of credit risk is limited due to the members comprising LYRASIS' member base and the profession in which its members operate. To reduce risk, LYRASIS routinely assesses the financial strength of its members and, as a consequence, believes that its receivables credit risk exposure is limited. Concentration of credit risk with respect to investments is limited due to the diversified nature of LYRASIS' investment portfolio (Note 2). To further reduce credit risk, LYRASIS routinely assesses the financial strength and diversification of the investments.

Investment Expenses

Expenses related to investment income, including custodial fees and investment advisory fees, amounted to approximately $67,000 and $66,000 during the years ended June 30, 2016 and 2015, respectively. These expenses have been netted with investment income in the consolidated statement of activities.

Advertising

Advertising costs are expensed as incurred. Advertising expense was approximately $20,000 and $19,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

LYRASIS is exempt from federal income taxes under the provisions of §501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that LYRASIS is not a private foundation as defined by §509(a)(1) of the Code.

1438, Inc. is exempt from federal income taxes under the provisions of §501(c)(2) of the Internal Revenue Code.

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements in order to be in conformity with classifications used in the 2016 consolidated financial statements.

NOTE 2: INVESTMENTS - MARKETABLE SECURITIES

Investments at June 30, 2016 and 2015, are recorded at fair value based on quoted market prices in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). LYRASIS' investments represent funds held for future operational or capital needs. Changes in the fair value of investments held at the end of the year are reflected in the consolidated statement of activities as unrealized gain/loss on investments. Realized gains and losses on the sale of investments are recorded based upon the difference between the proceeds and the basis of the investments. The fair value of the investments is determined by the specific-identification method. Interest income and dividends are recognized when earned.

ASC 820 defines fair value as 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 (exit price). ASC 820 classifies inputs used to measure fair value into the following hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

Assets measured at fair value on a recurring basis comprise investments totaling approximately $10,109,000 and $10,619,000 as of June 30, 2016 and 2015, respectively.

NOTE 2: INVESTMENTS - MARKETABLE SECURITIES (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, investments in marketable securities at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Mututal funds				
Small-Cap	$ 330,781	$ -	$ -	$ 330,781
Mid-Cap	487,780	-	-	487,780
Growth	1,021,001	-	-	1,021,001
Value	1,133,553	-	-	1,133,553
Blended equity	900,529	-	-	900,529
Bond Fund	977,516	-	-	977,516
Global Fund	1,137,453	-	-	1,137,453
Biotech Fund	51,468	-	-	51,468
Total mutual funds	6,040,081	-	-	6,040,081
Preferred shares	214,504	-	-	214,504
Asset backed securities	15,503	-	-	15,503
Corporate bonds	129,936	-	-	129,936
Certificates of Deposit	199,732	-	-	199,732
Common stock				
Energy	801,463	-	-	801,463
Manufacturing	548,364	-	-	548,364
Technology	735,020	-	-	735,020
Healthcare	540,119	-	-	540,119
Retail	117,096	-	-	117,096
Transportation	119,591	-	-	119,591
Service	225,415	-	-	225,415
Financial	422,587	-	-	422,587
Total common stock	3,509,655	-	-	3,509,655
	$ 10,109,411	$ -	$ -	$ 10,109,411

NOTE 2: INVESTMENTS - MARKETABLE SECURITIES (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, investments in marketable securities at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Mututal funds				
Growth funds	$ 974,472	$ -	$ -	$ 974,472
Global funds	1,330,709	-	-	1,330,709
Blended equity	1,190,696	-	-	1,190,696
Bond funds	1,287,307	-	-	1,287,307
Value funds	971,435	-	-	971,435
Bio-tech fund	129,140	-	-	129,140
Mid-cap funds	374,682	-	-	374,682
Total mutual funds	6,258,441	-	-	6,258,441
Preferred shares	235,589	-	-	235,589
Asset backed securities	38,761	-	-	38,761
Corporate bonds	150,823	-	-	150,823
Common stock				
Financial	851,497	-	-	851,497
Energy	561,346	-	-	561,346
Manufacturing	719,453	-	-	719,453
Technology	691,615	-	-	691,615
Healthcare	737,147	-	-	737,147
Retail	150,122	-	-	150,122
Services	123,099	-	-	123,099
Transportation	100,925	-	-	100,925
Total common stock	3,935,204	-	-	3,935,204
	$ 10,618,818	$ -	$ -	$ 10,618,818

Generally, for all investments, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 3: RETIREMENT PLAN

LYRASIS has several defined contribution pension plans in which substantially all employees of LYRASIS are eligible to participate. Under the requirements of the plans, the employees may contribute up to 5% of their regular salary (as defined), and LYRASIS contributes up to 7% of the employee's regular salary (as defined) for the purchase of individual deferred annuity contracts from an insurance company. LYRASIS’ pension expenses were approximately $195,000 and $214,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 4: OPERATING LEASE AS LESSOR

1438, Inc. was the lessor of office space to another organization under an operating lease which was transferred concurrent with the June 15, 2016 sale of the building located at 1438 West Peachtree Street (Note 9). The lease agreement contained scheduled rent increases as well as certain rent abatement features. 1438, Inc. recognizes rental income on a straight-line basis and records the difference between the amount recognized as revenue and rent received as deferred rent receivable. There was no deferred rent receivable as of June 30, 2016. The total amount of deferred rent receivable at June 30, 2015 was approximately $5,000, and was included in other receivables.

NOTE 5: MAJOR SUPPLIERS

For the years ended June 30, 2016 and 2015, approximately 43% and 41% of LYRASIS' costs of sales were from three suppliers, respectively. LYRASIS' accounts payable as of June 30, 2016 and 2015, included approximately $36,000 and $27,000 due to these suppliers, respectively.

NOTE 6: COMMITMENTS AND CONTINGENCIES

LYRASIS has cash deposits with a certain financial institution in excess of federally insured limits. If this financial institution were not to honor its contractual liability, LYRASIS could incur losses. Management is of the opinion that there is no risk of loss because of the financial strength of the financial institution.

LYRASIS entered into a 5 year non-cancelable operating lease agreement concurrent with the sale of 1438 West Peachtree (Note 9) on June 15, 2016. This lease has been classified as an operating lease in accordance with FASB ASC 840, Leases.

Future minimum lease payments under the non-cancelable operating lease as of June 30, 2016, are as follows:

Year ending June 30,	
2017	$ 165,600
2018	169,740
2019	173,984
2020	178,333
2021	182,791
	$ 870,448

NOTE 7: FEDERAL GRANTS

LYRASIS has been awarded federal grants by the National Endowment for the Humanities (NEH) during the years ended June 30, 2016 and 2015. The NEH grants represent funding for a regional preservation education and training program, which was developed by LYRASIS. LYRASIS receives funding under this grant after expenditures are made.

NOTE 8: OTHER GRANTS

During the years ended June 30, 2016 and 2015, LYRASIS managed several significant grants from private foundations. The Andrew W. Mellon Foundation awarded several grants of various amounts to support projects such as the stewardship of Collectionspace, an open source collections management system meeting the needs of museums, historical societies, biological collections and other collections holding organizations; Preservation of Photographic Collections at Historically Black Colleges and Universities (HBCUs); and the HBCU Library Leadership Program.

NOTE 9: DISPOSAL OF LONG LIVED ASSETS

On June 15, 2016, LYRASIS sold its principal building located at 1438 West Peachtree Street, Atlanta, GA to 1438 West Peachtree Partners, LLC. in return for consideration given of $4,750,000. A portion of the total consideration comprised a balloon note in the amount of $222,000 to be paid at the conclusion of a 5 year period. In addition a 60-month lease-back agreement for a portion of the building was executed concurrently with the sale. (Note 10).

The net book value of the building at the date of sale was $2,107,665. Including executory costs of $152,080, the sale of the building resulted in a gain of $2,490,255. Of the gain on sale, LYRASIS deferred $1,017,251 related to the promissory note and sale-leaseback transaction (Note 10). The remaining $1,473,004 “Gain on Sale of Building” is recognized in the current year consolidated statement of activities.

NOTE 10: SALE-LEASEBACK

During 2016, LYRASIS, entered into a sale-leaseback transaction with respect to the building located at 1438 West Peachtree Street (Note 9). The company entered into a 5 year operating lease for a portion of the building with a third party. The gain from the sale-leaseback was deferred and is being amortized as a reduction of rental expense over the life of the operating lease agreement. At June 30, 2016, the remaining unrecognized gain was $795,251.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 16, 2016, which is the date that the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

June 30, 2016

	LYRASIS	1438, Inc.	Combined	Eliminating Journal Entries	Consolidated Balance
Assets					
Current assets					
Cash and cash equivalents	$ 2,170,154	$ 4,373,954	$ 6,544,108	$ -	$ 6,544,108
Restricted cash	290,444	-	290,444	-	290,444
Investments - marketable securities	10,109,410	-	10,109,410	-	10,109,410
Receivables					
Member	1,956,767	-	1,956,767	-	1,956,767
Grants - federal	8,822	-	8,822	-	8,822
Other	147,242	244,094	391,336	-	391,336
	2,112,831	244,094	2,356,925	-	2,356,925
Deferred costs	6,128,692	-	6,128,692	-	6,128,692
Other prepaid expenses	127,417	-	127,417	-	127,417
Total current assets	20,938,948	4,618,048	25,556,996	-	25,556,996
Property and equipment					
Computer equipment	92,069	-	92,069	-	92,069
Furniture and fixtures	284,814	-	284,814	-	284,814
Computer software	424,340	-	424,340	-	424,340
	801,223	-	801,223	-	801,223
Less accumulated depreciation	772,742	-	772,742		772,742
	28,481	-	28,481	-	28,481
Other assets					
Intangible assets	130,000	-	130,000	-	130,000
Deferred lease incentive	-	-	-	-	-
	130,000	-	130,000	-	130,000
Due from 1438, Inc.	1,550,566	-	1,550,566	(1,550,566)	-
Total assets	$ 22,647,995	$ 4,618,048	$ 27,266,043	$ (1,550,566)	$ 25,715,477

June 30, 2016

	LYRASIS	1438, Inc.	Combined	Eliminating Journal Entries	Consolidated Balance
Liabilities and Net Assets					
Current liabilities					
Accounts payable and accrued liabilities	$ 2,561,981	$ 10,209	$ 2,572,190	$ -	$ 2,572,190
Member deposits	5,238,268	-	5,238,268	-	5,238,268
Deferred revenue	9,479,280	-	9,479,280	-	9,479,280
Unearned grant income	119,295	-	119,295	-	119,295
Deferred gain	-	140,420	140,420	-	140,420
Total current liabilities	17,398,824	150,629	17,549,453	-	17,549,453
Deferred gain	-	876,831	876,831	-	876,831
Due to LYRASIS	-	1,550,566	1,550,566	(1,550,566)	-
Total liabilities	17,398,824	2,578,026	19,976,850	(1,550,566)	18,426,284
Net assets, unrestricted					
Board designated for future operations	2,234,017	-	2,234,017	-	2,234,017
Undesignated	3,015,154	2,040,022	5,055,176	-	5,055,176
Total net assets, unrestricted	5,249,171	2,040,022	7,289,193	-	7,289,193
Total liabilities and net assets	$ 22,647,995	$ 4,618,048	$ 27,266,043	$ (1,550,566)	$ 25,715,477

LYRASIS and Subsidiary
Consolidating Statement of Activities

Year ended June 30, 2016

	LYRASIS	1438, Inc.	Combined	Eliminating Journal Entries	Consolidated Balance
Revenues and support					
Sales of services and products	$ 73,051,690	$ -	$ 73,051,690	$ (53,448)	$ 72,998,242
Grant - federal	128,468	-	128,468	-	128,468
Grant - other	1,024,725	-	1,024,725	-	1,024,725
Membership dues	1,258,026	-	1,258,026	-	1,258,026
Rent income	-	395,319	395,319	(115,300)	280,019
Other revenues	48,433	457	48,890	-	48,890
Total revenues and support	75,511,342	395,776	75,907,118	(168,748)	75,738,370
Operating expenses					
Cost of sales	68,858,283	-	68,858,283	-	68,858,283
Salaries	4,111,010	-	4,111,010	-	4,111,010
Fringe benefits	821,191	-	821,191	-	821,191
Depreciation and amortization	149,086	51,131	200,217	-	200,217
Building operations	198,676	237,834	436,510	(115,300)	321,210
Office operations	58,483	-	58,483	-	58,483
Data processing supplies and maintenance	92,690	-	92,690	-	92,690
Travel and conferences	499,579	-	499,579	-	499,579
Telephone	72,036	-	72,036	-	72,036
Professional fees	417,849	3,264	421,113	-	421,113
Property taxes	-	61,782	61,782	-	61,782
Management fees	-	53,448	53,448	(53,448)	-
Advertising and promotion	20,333	-	20,333	-	20,333
Other	31,811	-	31,811	-	31,811
Total operating expenses	75,331,027	407,459	75,738,486	(168,748)	75,569,738

Year ended June 30, 2016

	LYRASIS	1438, Inc.	Combined	Eliminating Journal Entries	Consolidated Balance
Operating income (loss)	180,315	(11,683)	168,632	-	168,632
Other gains (losses)					
Investment loss	(53,379)	-	(53,379)	-	(53,379)
Gain on sale of building	-	1,473,004	1,473,004	-	1,473,004
Abortive merger costs	(70,459)	-	(70,459)	-	(70,459)
Total other gains (losses)	(123,838)	1,473,004	1,349,166	-	1,349,166
Changes in net assets, unrestricted	56,477	1,461,321	1,517,798	-	1,517,798
Net assets, unrestricted at June 30, 2015	5,192,695	578,700	5,771,395	-	5,771,395
Net assets, unrestricted at June 30, 2016	$ 5,249,172	$ 2,040,021	$ 7,289,193	$ -	$ 7,289,193