

MARBRIDGE FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2015

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	10
SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Assets by Location	31
Schedule of Expenses by Location	33



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Audit and Finance Committee
Marbridge Foundation, Inc.

We have audited the accompanying financial statements of Marbridge Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 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 financial statements.

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

To the Board of Directors and the Audit and Finance Committee
Marbridge Foundation, Inc.

Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marbridge Foundation, Inc. as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance 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 financial statements as a whole. The accompanying schedule of changes in net assets by location and schedule of expenses by location for the year ended June 30, 2015 are presented for additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
November 16, 2015

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 426,578	\$ 470,855
Restricted cash	561,651	2,501,459
Accounts receivable, net of allowance for uncollectible accounts of \$99,394 and \$64,572, respectively	1,138,340	1,030,017
Contributions receivable, net of allowance for uncollectible accounts of \$19,977 and \$11,434, respectively	195,524	331,789
Prepaid expenses	23,900	30,641
Note receivable	-	2,644
Total current assets	2,345,993	4,367,405
LONG-TERM INVESTMENTS		
Investments	2,421,548	2,502,731
Marbridge Foundation Assistance Trust	2,204,803	2,250,835
Other investment	268,930	332,070
Total long-term investments	4,895,281	5,085,636
PROPERTY, PLANT, AND EQUIPMENT, NET	12,944,994	10,008,642
CONTRIBUTIONS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS OF \$14,501 AND \$45,734, RESPECTIVELY	272,737	200,372
OTHER NON-CURRENT ASSETS	42,000	32,000
TOTAL ASSETS	\$ 20,501,005	\$ 19,694,055
CURRENT LIABILITIES		
Accounts payable	\$ 394,771	\$ 299,075
Current portion of long-term debt	141,570	104,832
Tuition and fees billed in advance	567,799	555,587
Accrued expenses	472,920	397,027
Deferred income	67,815	-
Residents' fund	210,593	182,403
Total current liabilities	1,855,468	1,538,924
LIFETIME CARE INCOME DEFERRED	46,722	47,581
LONG-TERM DEBT, LESS CURRENT PORTION	786,425	575,919
Total liabilities	2,688,615	2,162,424
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted net assets	15,141,305	12,836,825
Temporarily restricted net assets	678,918	2,702,639
Permanently restricted net assets	1,992,167	1,992,167
Total net assets	17,812,390	17,531,631
TOTAL LIABILITIES AND NET ASSETS	\$ 20,501,005	\$ 19,694,055

The Notes to Financial Statements are an integral part of these statements.

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

UNRESTRICTED NET ASSETS	2015	2014
REVENUES AND SUPPORT		
Tuitions and fees	\$ 11,595,316	\$ 11,505,012
Contributions	1,773,734	1,138,758
Interest and dividends	41,703	42,248
Lifetime care income	859	777
Rental income	7,010	6,968
Net gain (loss) on asset dispositions	22,144	(9,179)
Unrealized market value increases (decreases) on investments	(97,151)	450,926
Realized gains on investments in Assistance Trust	89,525	98,507
Realized gains on investments	24,207	77,631
Miscellaneous income	82,231	57,529
	Total unrestricted revenues and support	13,369,177
	Net assets released from restrictions	1,207,344
	Total unrestricted revenues, support, and net assets released from restrictions	14,576,521
EXPENSES		
Program services	11,268,930	10,544,723
Management and general	2,647,592	2,484,794
Fundraising	365,346	358,276
	Total expenses	13,387,793
TRANSFER TO TEMPORARILY RESTRICTED NET ASSETS		
Transfer to other investment	(157,853)	(2,442,739)
	INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(1,254,011)

The Notes to Financial Statements are
an integral part of these statements.

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014
(CONTINUED)

TEMPORARILY RESTRICTED NET ASSETS	2015	2014
	<u> </u>	<u> </u>
REVENUES AND SUPPORT		
Temporarily restricted contributions	1,023,049	807,790
NET ASSETS RELEASED FROM RESTRICTIONS		
Expenditures on renovation & building campaign	635,408	407,635
Sidewalk	23,427	-
Gym construction	2,178,381	396,859
Non-MFAT scholarships awarded and other	367,407	402,850
	<u> </u>	<u> </u>
Total net assets released from restrictions	3,204,623	1,207,344
TRANSFER FROM UNRESTRICTED NET ASSETS		
Transfer from other investment	157,853	2,442,739
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(2,023,721)	2,043,185
PERMANENTLY RESTRICTED NET ASSETS		
REVENUES AND SUPPORT		
Contribution to assistance trust	-	-
	<u> </u>	<u> </u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	-	-
INCREASE IN TOTAL NET ASSETS	280,759	789,174
NET ASSETS, beginning of year	17,531,631	16,742,457
	<u> </u>	<u> </u>
NET ASSETS, end of year	\$ 17,812,390	\$ 17,531,631
	<u> </u>	<u> </u>

The Notes to Financial Statements are an integral part of these statements.

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Program Services	Management and General	Fund Raising	Totals	Program Services	Management and General	Fund Raising	Totals
EMPLOYEE EXPENSES								
Salaries and wages	\$ 5,931,073	\$ 1,523,625	\$ 187,026	\$ 7,641,724	\$ 5,513,101	\$ 1,393,345	\$ 176,898	\$ 7,083,344
Retirement benefits	46,272	24,920	3,175	74,367	58,646	28,304	4,050	91,000
Health and medical insurance	580,783	110,270	16,677	707,730	511,742	88,338	15,108	615,188
Occupational injury insurance	92,872	14,664	878	108,414	90,890	15,113	794	106,797
HSA saving	42,300	8,125	1,550	51,975	41,880	7,400	1,675	50,955
Payroll taxes	442,881	110,107	13,677	566,665	411,992	101,046	12,930	525,968
Total employee related	7,136,181	1,791,711	222,983	9,150,875	6,628,251	1,633,546	211,455	8,473,252
OTHER EXPENSES								
Advertising and promotion	27,055	51,999	63,745	142,799	32,905	23,851	67,692	124,448
Athletic & other resident's activities	171,393	-	-	171,393	156,096	-	-	156,096
Bad debts	50,775	-	-	50,775	46,333	-	-	46,333
Bank charges	-	1,305	3,489	4,794	-	1,372	4,162	5,534
Computer expenses	79,465	27,381	11,637	118,483	65,693	28,249	13,700	107,642
Consultants	67,715	27,465	-	95,180	42,635	2,820	-	45,455
Contract labor	104,606	37,683	19,480	161,769	43,347	45,800	14,725	103,872
Depreciation and amortization	743,818	69,654	-	813,472	656,812	77,843	-	734,655
Dues and subscriptions	6,135	5,645	-	11,780	6,139	6,159	-	12,298
Extermination	14,296	2,327	-	16,623	12,991	2,355	-	15,346
Fees and licenses	15,687	1,869	-	17,556	7,623	2,600	-	10,223
Groceries	755,606	14,556	-	770,162	771,448	12,788	-	784,236
In-kind donation	-	-	125	125	-	-	287	287
Insurance	207,367	31,772	-	239,139	193,418	30,003	11	223,432
Interest expense	2,034	32,924	-	34,958	612	36,039	-	36,651

The Notes to Financial Statements are an integral part of these statements.

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014
(CONTINUED)

	2015			2014				
	Program Services	Management and General	Fund Raising	Totals	Program Services	Management and General	Fund Raising	Totals
OTHER EXPENSES								
Landscaping	-	6,153	-	6,153				
Laundry	12,549	-	-	12,549	12,636	-	-	12,636
Legal and professional	-	89,743	-	89,743	-	100,537	-	100,537
Livestock and pet expenses	51,407	-	-	51,407	52,470	-	-	52,470
Medical services, drugs & supplies	834,561	-	-	834,561	809,134	-	-	809,134
Office supplies	31,751	25,035	706	57,492	28,928	27,114	503	56,545
Postage	177	15,036	170	15,383	304	15,981	160	16,445
Rent - expense	2,870	16,947	-	19,817	4,003	14,082	-	18,085
Repairs and maintenance	24,070	194,542	25	218,637	2,405	201,431	-	203,836
Residents' direct costs	3,862	17,994	2,055	23,911	9,196	20,458	1,316	30,970
Sanitation	28,684	-	-	28,684	25,218	-	-	25,218
Scholarships - MFAT	12,307	79,903	-	92,210	13,748	66,974	-	80,722
Scholarships - Other	62,279	-	-	62,279	141,984	-	-	141,984
Software maintenance & upgrades	-	1,965	-	1,965	-	3,229	-	3,229
Staff expenses	39,110	31,781	21,868	92,759	18,534	37,505	1,916	57,955
Staff training	21,363	3,959	813	26,135	25,990	20,520	22,731	69,241
Supplies	215,733	3,788	-	219,521	180,215	3,142	234	183,591
Telephone	69,190	36,288	3,606	109,084	39,464	14,807	2,523	56,794
Transportation	70,894	9,063	585	80,542	82,911	15,837	271	99,019
Travel	-	9,863	13,359	23,222	-	26,983	16,175	43,158
Utilities	294,069	6,628	-	300,697	330,753	8,074	-	338,827
City sewage - wastewater	101,739	-	-	101,739	94,258	-	-	94,258
Miscellaneous and other	10,182	2,613	700	13,495	8,269	4,695	415	13,379
	<u>\$ 11,268,930</u>	<u>\$ 2,647,592</u>	<u>\$ 365,346</u>	<u>\$ 14,281,868</u>	<u>\$ 10,544,723</u>	<u>\$ 2,484,794</u>	<u>\$ 358,276</u>	<u>\$ 13,387,793</u>

The Notes to Financial Statements are an integral part of these statements.

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 280,759	\$ 789,174
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net loss (gains) on disposal of property and equipment	(22,144)	9,179
Depreciation and amortization	813,472	734,655
Amortization of deferred lifetime care income	(859)	(777)
Provision for bad debt	50,775	49,219
Net realized gains on investments in Assistance Trust	(89,525)	(98,507)
Net realized gains on investments	(24,207)	(77,631)
Net unrealized loss (gains) on investments	97,151	(450,926)
Change in assets and liabilities		
Accounts receivable	(159,098)	(176,686)
Contributions receivable	63,900	85,676
Prepaid expenses	6,741	2,647
Other non-current assets	(10,000)	-
Accounts payable	95,696	(7,027)
Tuition and fees billed in advance	12,212	21,806
Accrued expenses	75,893	38,973
Residents' fund	28,190	(15,143)
Deferred income	67,815	-
Net cash provided by operating activities	<u>1,286,771</u>	<u>904,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	2,644	585
Proceeds from disposal of property and equipment	23,500	1,500
Acquisitions of property and equipment	(3,751,180)	(1,650,842)
Proceeds from sale of investments	2,069,194	3,151,974
Purchases of investments	(1,862,258)	(1,247,042)
Net cash (used in) provided by investing activities	<u>(3,518,100)</u>	<u>256,175</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	356,320	64,276
Payments on long-term debt	(109,076)	(89,636)
Net cash provided by (used in) financing activities	<u>247,244</u>	<u>(25,360)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,984,085)</u>	<u>1,135,447</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	<u>2,972,314</u>	<u>1,836,867</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	<u>\$ 988,229</u>	<u>\$ 2,972,314</u>
CASH AND CASH EQUIVALENTS	<u>\$ 426,578</u>	<u>\$ 470,855</u>
RESTRICTED CASH	<u>561,651</u>	<u>2,501,459</u>
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$ 988,229</u>	<u>\$ 2,972,314</u>

The Notes to Financial Statements are an integral part of these statements.

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014
(CONTINUED)

	<u>2015</u>	<u>2014</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for Interest	\$ 34,958	\$ 36,651
NON CASH OPERATING INFORMATION		
In-kind gifts	\$ 162,512	\$ 11,508

The Notes to Financial Statements are
an integral part of these statements.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES

The Marbridge Foundation, Inc. (the Foundation), a not-for-profit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code (classified as a non-private foundation by the Internal Revenue Service) and incorporated under the laws of the State of Texas, is a residential community that offers transitional and lifetime care to adults with a wide range of cognitive abilities and – through compassion and faith – provides them opportunities to learn, experience and achieve a whole new life. Marbridge offers a unique full spectrum of residential care and training for adults with special needs from age 18 to the end of life. The true mission is helping adults with intellectual disabilities reach their highest potential. Marbridge offers residents (and their families) the security of knowing they can have a college-like post-secondary living experience or a life-long residence. Marbridge’s care philosophy focuses on abilities, never disabilities, and Marbridge assists and encourages residents to grow and achieve the highest independence possible. Additionally, Marbridge provides skilled nursing care through its Villa skilled Nursing Center and The Bridges Skilled Nursing and Rehabilitation Center, both of which provide nursing care to the general public, in addition to Marbridge residents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 whereby the Foundation 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. As permitted under FASB ASC 958-205, the Foundation also discloses management-designated limitations on the use of its unrestricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all short-term instruments that have an original maturity of three months or less as cash equivalents, with exceptions for certain restricted funds as explained below. Funds that would otherwise meet the foregoing criteria, but are permanently restricted, are shown as long-term investments. Temporarily restricted assets of the Marbridge Foundation Assistance Trust that would otherwise meet the criteria are reflected in long-term investments. Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are considered current assets on the Foundation’s statement of financial position.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable are presented at estimated net realizable value. The Foundation makes regular reviews of accounts for activity, delinquencies, and potential write-offs, and provisions for uncollectible accounts are made on the basis of prior write-offs and historical collection experience.

Investments

Investments are carried at their fair market values in the statements of financial position. Dividend and interest income is included in the changes in net assets in the accompanying statements of activities unless the income is restricted by donor or law. Realized and unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities.

The Foundation's investments include a private equity placement investment. The amount of unfunded commitments related to these investments at June 30, 2015 and 2014 was approximately \$28,000 and \$9,000, respectively. Distributions are at the discretion of the individual investors.

Investments in assets that, at time of inception, are not expected to be converted to cash within a twelve-month period are classified as long-term.

Concentration of Credit Risk

The Foundation invests in various types of marketable securities and money market funds. The Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified.

The Foundation maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the years ended June 30, 2015 and 2014, the Foundation held cash in excess of federally insured limits.

The Foundation also invests in various investments securities. Investment securities in general are subject 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 the changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

Financial instruments, other than short-term and long-term investments and debt obligations, that potentially subject the Foundation to interest and credit risk consist of cash and cash equivalents, accounts receivable, note receivable, accounts payable, and accrued expenses, the carrying values of which are reasonable estimates of their fair values due to their short maturities. Based on borrowing rates currently available to the Foundation for loans with similar terms, the carrying value of its debt obligations approximate fair value.

Property, Plant and Equipment

All acquisitions of property, plant, and equipment in excess of \$2,500, including the costs of significant improvements or renovations that materially extend asset lives, are capitalized.

Property, plant and equipment, consisting of buildings and improvements, equipment, furniture and fixtures and vehicles, are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation on assets is computed on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Buildings and improvements	7 - 39 years
Equipment	5 - 15 years
Furniture and fixtures	5 years
Vehicles	4 years

Repairs and maintenance are charged to expense as incurred. When property and equipment are sold or otherwise disposed, the related costs and accumulated depreciation are removed from the accounts, and any resultant gain or loss on disposition is recognized in changes in net assets in the accompanying statements of activities and change in net assets.

Long-Lived Assets

The Foundation evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds estimated fair value and is recorded in the period which the determination is made. The Foundation has determined there are no impairment losses for the years ended June 30, 2015 and 2014.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue and Expense Recognition

Charges to residents for tuition are billed in advance at the end of the month along with fees for current month activity. The tuition charges are deferred until the end of the following month, at which time revenue is recognized.

Revenue to the Foundation as a result of lifetime care agreements is recognized based upon amortization of the consideration proceeds over the life expectancy of the resident as of the date of the agreement. In the event that a resident under a lifetime care agreement subsequently qualifies for Medicaid assistance, the entire unamortized remainder (if any) of that resident's deferred lifetime care liability is recognized as revenue.

Program services expenses include all costs directly allocable to residents' life skills training and care, other instruction and activities, medical expenses, and other direct expenses of the residents. Costs of activities that involve a substantial fundraising objective are recognized as fundraising expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Contributions

Contributions are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions of long-term assets are reported as restricted. Contributions for restricted, but not long-term purposes, and for which the restrictions are met during the year of the contribution are accounted for as temporarily restricted and released from restriction during the year.

In accordance with ASC 958-605, unconditional promises to give are to be recorded as revenues and contributions receivable when the promise is made. In the first year an unconditional promise to give is made, a contribution receivable is to be recorded at its fair value by applying a discount rate (risk-free rate plus a risk premium) to the probability weighted cash flows for each year in which the cash is expected to be received. In subsequent years, amortization of the discount is credited to contribution income. Contributions that are expected to be received in one year are reported at net realizable value. The estimate of uncollectible contributions receivable is determined based upon historical experience with the donors.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions – Continued

Contributions which are not designated by the donor to be for property and equipment or for endowment purposes, but which are in some other way restricted by the donor, are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is when a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of property are recorded at fair market value at the date of contribution. Contributions of services that create or enhance nonfinancial assets, and contributions of services that require specialized skills that would typically need to be purchased if not provided by donation are reflected in the financial statements at the fair value of such services.

In-Kind Contributions and Donated Services

It is the Foundation's policy to record non-cash items and in-kind gifts at their fair value on the date they are received.

Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed.

Advertising Costs

Advertising costs are charged to expense as incurred. The Foundation incurred \$142,799 and \$124,448 in advertising costs for the years ended June 30, 2015 and 2014, respectively.

Income Taxes

The Foundation is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

Pursuant to accounting guidance related to uncertain tax positions, the Foundation must recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes – Continued

Similarly, the guidance also provides guidance on measurement, classification, interest and penalties and disclosure. Tax positions taken by the Foundation have been reviewed, and management is of the opinion that material tax positions taken by the Foundation would more likely than not be sustained by examination. Accordingly, the Foundation has not recorded an income tax liability for uncertain tax benefits. As of June 30, 2015, the Foundation's tax years 2012 to 2014 remain subject to examination.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated subsequent events through November 16, 2015, which is the date the financial statements were available to be issued, and determined that no events have occurred subsequent to June 30, 2015 that warrant additional disclosure.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Petty cash	\$ 7,800	\$ 9,800
Interest-bearing checking accounts	<u>418,778</u>	<u>461,055</u>
	<u>\$ 426,578</u>	<u>\$ 470,855</u>

**MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. RESTRICTED CASH

Restricted cash consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Residents' fund	\$ 210,593	\$ 182,403
Construction fund	92,981	75,273
Gym and wellness center	158,475	1,481,095
Designated gifts	97,602	127,280
Building fund	<u>2,000</u>	<u>635,408</u>
	<u>\$ 561,651</u>	<u>\$ 2,501,459</u>

NOTE 5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Accounts receivable from residents	\$ 685,678	\$ 646,528
Accounts receivable from third party payer	<u>552,056</u>	<u>448,061</u>
Total accounts receivable	1,237,734	1,094,589
Less: allowance for uncollectible accounts	<u>99,394</u>	<u>64,572</u>
	<u>\$ 1,138,340</u>	<u>\$ 1,030,017</u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CONTRIBUTIONS RECEIVABLE, NET

Included in contributions receivable at June 30, 2015 and 2014 are the following unconditional promises to give:

	<u>2015</u>	<u>2014</u>
Unspecified	\$ 426,097	\$ 348,131
Restricted for building and improvements	<u>76,642</u>	<u>241,198</u>
Unconditional promises to give	502,739	589,329
Less: allowance for uncollectible accounts	<u>34,478</u>	<u>57,168</u>
Net contributions receivable	<u><u>\$ 468,261</u></u>	<u><u>\$ 532,161</u></u>
Amounts due in:		
Less than one year	\$ 195,524	\$ 331,789
One to five years	263,737	190,172
More than five years	<u>9,000</u>	<u>10,200</u>
Total	<u><u>\$ 468,261</u></u>	<u><u>\$ 532,161</u></u>

NOTE 7. LONG-TERM INVESTMENTS

Investment Income

The following is a summary of the return from investments carried at fair value and its classification in the statements of activities for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 41,703	\$ -	\$ 41,703
Assistance Trust net realized gain	89,525	-	89,525
Realized gains	24,207	-	24,207
Unrealized market value decreases	<u>(97,151)</u>	<u>-</u>	<u>(97,151)</u>
	<u><u>\$ 58,284</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,284</u></u>

**MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM INVESTMENTS – CONTINUED

Investment Income – Continued

The following is a summary of the return from investments carried at fair value and its classification in the statements of activities for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 42,248	\$ -	\$ 42,248
Assistance Trust net realized gain	98,507	-	98,507
Realized gains	77,631	-	77,631
Unrealized market value increases	<u>450,926</u>	<u>-</u>	<u>450,926</u>
	<u>\$ 669,312</u>	<u>\$ -</u>	<u>\$ 669,312</u>

Investment income is recorded net of expenses of approximately \$41,000 and \$23,000 for the years ended June 30, 2015 and 2014, respectively in unrealized market value increases (decreases) on the statements of activities and changes in net assets.

Investments

Investments consisted of the following at June 30, 2015:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 137,032	\$ 137,032
Municipal bonds	79,837	79,837
Exchange trade funds - fixed income	50,549	50,220
Equity securities	<u>1,596,061</u>	<u>2,154,459</u>
	<u>\$ 1,863,479</u>	<u>\$ 2,421,548</u>

Investments consisted of the following at June 30, 2014:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 302,233	\$ 302,233
Municipal bonds	81,423	81,423
Mutual funds	450,434	450,403
Equity securities	<u>1,031,375</u>	<u>1,668,672</u>
	<u>\$ 1,865,465</u>	<u>\$ 2,502,731</u>

**MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM INVESTMENTS – CONTINUED

Marbridge Foundation Assistance Trust (MFAT)

The Marbridge Foundation Assistance Trust (MFAT), assets of which are managed by the trustee, was established to allow the granting of financial assistance to qualified and needy individual residents. Per terms of the MFAT agreement, the fund principal will remain intact, and only the realized fund earnings may be utilized for assistance grants. The current trustee, designation of which is controlled by the Foundation, is PlainsCapital Bank.

According to the investment policy, the primary objective is to maintain a balanced approach of investments, utilizing both equity and fixed income securities. The performance of the MFAT is compared to a benchmark composed of 55% S&P 500 Stock Index and 45% Barclays Intermediate Government/Credit Bond Index. The Foundation received quarterly distributions of \$20,000 solely from income earned of the trust and net realized capital gains/losses for a calendar year. The money manager for the MFAT is expected to equal or exceed the benchmark performance over a complete market cycle, which is typically a three to five year period.

The portfolio's holdings in common stocks should be diversified on an industry and issue basis, with no one security exceeding 10% of the portfolio's aggregate market value. Additionally, the policy states that the fixed income category of investments should stress quality, taxable fixed income instruments. A Moody's rating of "BBB", or better, or a comparable rating is considered acceptable. With the exception of U.S. Government and/or Federal Agency securities, no security issuer commitment should exceed 10% of the total portfolio on a market value basis.

The MFAT has the following asset allocation ranges:

	<u>MIN</u>	<u>MAX</u>	<u>TARGET</u>
Equity securities	25%	75%	55%
Fixed income securities*	25%	75%	45%

*Includes cash and cash equivalents

Determinations of the recipients and amounts of endowment assistance awards are made on the basis of reviews of individual circumstances and financial need made by the Executive Committee of the Foundation's Board of Directors.

**MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM INVESTMENTS – CONTINUED

Marbridge Foundation Assistance Trust (MFAT) – Continued

MFAT consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Endowment trust principal	\$ 1,992,167	\$ 1,992,167
Accumulated net realized income available for distribution from inception	(126,700)	(158,007)
Realized income during the fiscal year	89,525	98,507
Scholarship awarded during the fiscal year	<u>(80,000)</u>	<u>(67,200)</u>
Net realized income available for distribution	<u>(117,175)</u>	<u>(126,700)</u>
Historical cost basis of MFAT	1,874,992	1,865,467
Accumulated net unrealized gains from inception	<u>329,811</u>	<u>385,368</u>
	<u>\$ 2,204,803</u>	<u>\$ 2,250,835</u>

As of June 30, 2015, Marbridge Foundation Assistance Trust had the following investments:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 61,608	\$ 61,608
Corporate and government bonds	518,145	530,387
Equity securities	<u>1,295,239</u>	<u>1,612,808</u>
	<u>\$ 1,874,992</u>	<u>\$ 2,204,803</u>

As of June 30, 2014, Marbridge Foundation Assistance Trust had the following investments:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 21,880	\$ 21,880
Corporate and government bonds	380,727	396,501
Equity securities	<u>1,462,860</u>	<u>1,832,454</u>
	<u>\$ 1,865,467</u>	<u>\$ 2,250,835</u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS

The Foundation has adopted standards for fair value measurement, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes 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 FASB ASC 820 are described below:

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

Level 2 Inputs: 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.

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 Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. There have been no changes in the methodologies used at June 30, 2015.

Common stocks, mutual funds, corporate bonds, and U.S. government and municipal securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange traded funds and money market funds: Valued at the net asset value (NAV) of shares held by the Foundation at year-end.

Investment in private equity: Valued at the most recent NAV per unit or capital account information available from the general partner.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

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 the Foundation 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.

The Foundation's investment in private equity, classified as "other investment" in the accompanying statement of financial position, is recorded at fair value using the Foundation's proportionate net asset value, or its equivalent, as reported by the investee's management, and is classified within Level 3 of the fair value hierarchy, as the investment meets the requirements to be valued using net asset value or its equivalent, but the Foundation may not fully redeem its investment with the investee at net asset value at June 30, 2015 or at a future date. The proportionate net asset value has not been adjusted by the Foundation and therefore, no qualitative data is disclosed for this investment carried at fair value with the use of significant unobservable inputs (Level 3).

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

The following tables set forth, by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

<u>Marbridge Foundation Assistance Trust (MFAT)</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 61,608	\$ -	\$ -	\$ 61,608
Common stock - United States				
Energy	223,513	-	-	223,513
Materials	36,961	-	-	36,961
Capital goods	39,191	-	-	39,191
Consumer staples	286,473	-	-	286,473
Healthcare	252,211	-	-	252,211
Financials	151,650	-	-	151,650
Services	242,518	-	-	242,518
Technology	124,825	-	-	124,825
Transportations	18,717	-	-	18,717
Utilities	77,414	-	-	77,414
Total common stock - United States	1,453,473	-	-	1,453,473
Common stock - International				
Financials	73,180	-	-	73,180
Healthcare	48,424	-	-	48,424
Services	14,033	-	-	14,033
Total common stock - International	135,637	-	-	135,637
Preferred stock	23,698	-	-	23,698
Corporate bonds	346,293	-	-	346,293
Municipal bonds				
General obligation bonds	76,516	-	-	76,516
Revenue bonds	107,578	-	-	107,578
Total municipal bonds	184,094	-	-	184,094
	<u>\$ 2,204,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,204,803</u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

General Investment Account

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 135,681	\$ -	\$ -	\$ 135,681
Municipal bonds	79,837	-	-	79,837
Corporate bonds	50,220	-	-	50,220
Exchange traded funds - fixed income	187,955	-	-	187,955
Common stock - United States				-
Basic materials	50,314	-	-	50,314
Consumer goods	302,061	-	-	302,061
Energy	138,449	-	-	138,449
Financials	288,154	-	-	288,154
Healthcare	235,016	-	-	235,016
Industrial goods	17,736	-	-	17,736
Services	389,777	-	-	389,777
Technology	430,561	-	-	430,561
Transportation	24,224	-	-	24,224
Utilities	22,967	-	-	22,967
Total common stock - United States	<u>1,899,259</u>	<u>-</u>	<u>-</u>	<u>1,899,259</u>
Exchange traded funds				
India	4,598	-	-	4,598
France	1,235	-	-	1,235
Germany	4,572	-	-	4,572
Japan	7,532	-	-	7,532
Taiwan	10,320	-	-	10,320
Europe	22,024	-	-	22,024
Total exchange traded funds	<u>50,281</u>	<u>-</u>	<u>-</u>	<u>50,281</u>
	<u>2,403,233</u>	<u>-</u>	<u>-</u>	<u>2,403,233</u>

Spook Partlow Memorial Special

Mutual fund - large cap value	<u>18,315</u>	<u>-</u>	<u>-</u>	<u>18,315</u>
	<u>\$ 2,421,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,421,548</u>

Private Placement Equity

Private placement equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,930</u>	<u>\$ 268,930</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,930</u>	<u>\$ 268,930</u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

The table below sets forth a summary of changes in fair value of the Foundation's Level 3 investments for the year ended June 30, 2015.

Beginning balance	\$ 332,070
Issuances	(65,908)
Settlements	(6,839)
Unrealized gain	<u>9,607</u>
Ending balance	<u>\$ 268,930</u>

The following tables set forth, by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2014:

<u>Marbridge Foundation Assistance Trust (MFAT)</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 21,880	\$ -	\$ -	\$ 21,880
Common stock - United States				
Energy	199,458	-	-	199,458
Materials	56,252	-	-	56,252
Capital goods	38,763	-	-	38,763
Consumer staples	260,195	-	-	260,195
Healthcare	237,130	-	-	237,130
Financials	142,343	-	-	142,343
Services	245,398	-	-	245,398
Technology	165,386	-	-	165,386
Transportations	29,471	-	-	29,471
Utilities	<u>99,537</u>	<u>-</u>	<u>-</u>	<u>99,537</u>
Total common stock - United States	1,473,933	-	-	1,473,933
Common stock - International				
Financials	86,976	-	-	86,976
Healthcare	53,291	-	-	53,291
Services	<u>34,460</u>	<u>-</u>	<u>-</u>	<u>34,460</u>
Total common stock - International	174,727	-	-	174,727
Preferred stock	131,006	-	-	131,006
Corporate bonds	185,217	-	-	185,217
Municipal bonds				
General obligation bonds	103,630	-	-	103,630
Revenue bonds	<u>107,654</u>	<u>-</u>	<u>-</u>	<u>107,654</u>
Total municipal bonds	211,284	-	-	211,284
Publicly Traded Partnerships	<u>52,788</u>	<u>-</u>	<u>-</u>	<u>52,788</u>
	<u>\$ 2,250,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,250,835</u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

<u>General Investment Account</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 300,882	\$ -	\$ -	\$ 300,882
Municipal bonds	81,423	-	-	81,423
Exchange traded funds - fixed income	450,401	-	-	450,401
Common stock - United States				
Basic materials	12,096	-	-	12,096
Consumer goods	104,122	-	-	104,122
Energy	240,538	-	-	240,538
Financials	190,084	-	-	190,084
Healthcare	136,412	-	-	136,412
Industrial goods	62,502	-	-	62,502
Services	293,642	-	-	293,642
Technology	267,649	-	-	267,649
Transportation	33,724	-	-	33,724
Utilities	41,278	-	-	41,278
Total common stock - United States	1,382,047	-	-	1,382,047
Exchange traded funds				
China	19,664	-	-	19,664
Australia	17,720	-	-	17,720
Germany	31,591	-	-	31,591
Hong Kong	35,705	-	-	35,705
Israel	22,195	-	-	22,195
Japan	40,816	-	-	40,816
Korea	14,630	-	-	14,630
Netherlands	18,176	-	-	18,176
Sweden	14,994	-	-	14,994
Switzerland	37,924	-	-	37,924
Taiwan	16,985	-	-	16,985
Total exchange traded funds	270,400	-	-	270,400
	2,485,153	-	-	2,485,153
<u>Spook Partlow Memorial Special</u>				
Mutual fund - large cap value	17,578	-	-	17,578
	<u>\$ 2,502,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,502,731</u>
<u>Private Placement Equity</u>				
Private placement equity	\$ -	\$ -	\$ 332,070	\$ 332,070
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,070</u>	<u>\$ 332,070</u>

**MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

The table below sets forth a summary of changes in fair value of the Foundation's Level 3 investments for the year ended June 30, 2014.

Beginning balance	\$ 327,524
Issuances	(62,161)
Settlements	(1,552)
Unrealized gain	<u>68,259</u>
Ending balance	<u><u>\$ 332,070</u></u>

NOTE 9. PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment, net, consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Construction in progress	\$ 233,880	\$ 1,030,603
Land	1,013,407	1,013,407
Land improvements	719,845	348,168
Buildings and improvements	16,840,216	13,230,020
Furniture and fixtures	449,639	385,679
Equipment	1,665,977	1,261,371
Vehicles	<u>803,281</u>	<u>817,025</u>
	21,726,245	18,086,273
Less: accumulated depreciation	<u>8,781,251</u>	<u>8,077,631</u>
Net	<u><u>\$ 12,944,994</u></u>	<u><u>\$ 10,008,642</u></u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$813,472 and \$734,655, respectively.

Certain of the Foundation's land is pledged as collateral under a real estate note payable (see Note 10).

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2015 and 2014:

	2015	2014
Note payable with monthly payments of \$7,141, including interest at 5.5%, maturing May 2021, secured by land	\$ 434,134	\$ 493,791
Vehicle notes, interest rates up to 4.5%, payments due monthly	74,261	60,996
Note payable, monthly payments of \$4,308 including interest at 4.5%, commencing November 2015 and maturing October 2020, secured by real property	325,000	-
Note payable, monthly payments of \$2,465 including interest at 5.0%, maturing June 2018, secured by land	81,781	106,440
Vehicle note, monthly payments of \$600, including interest at 2.94%, maturing April 2017	12,819	19,524
	927,995	680,751
Less: current maturities	141,570	104,832
	\$ 786,425	\$ 575,919

The following is a summary of principal maturities of long-term debt at June 30, 2015:

2016	\$ 141,570
2017	160,470
2018	158,044
2019	132,320
2020	125,013
Thereafter	210,578
	\$ 927,995

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT – CONTINUED

On May 25, 2015, the Foundation extended its \$300,000 line of credit agreement with a bank. Interest is due monthly at the bank's prime rate (4.50% as of June 30, 2015 and 2014). The line of credit matures on May 25, 2016. There was no outstanding balance on the line of credit at June 30, 2015 and 2014.

NOTE 11. CONCENTRATIONS

Approximately 28% and 27% of the tuition and fees received by the Foundation during the years ended June 30, 2015 and 2014, respectively, were from the Medicaid benefits of the residents.

Contributors to the Foundation have historically been concentrated in the State of Texas.

At June 30, 2015, approximately 56% of the Foundation's accounts payable are with three vendors. Approximately 23% of the Foundation's accounts payable at June 30, 2014, were with one vendor.

Substantially all of the accounts receivables balances are from individuals located within the same geographic region.

NOTE 12. TAX DEFERRED ANNUITY PLAN

The Foundation sponsors a defined contribution plan which is tax deferred under Section 403(b) of the Internal Revenue Code for all employees who normally work 32 or more hours per week and who have completed a period of service of at least twelve months. Under the defined contribution plan, the Foundation makes matching contributions equal to a percentage of each eligible employee's compensation for each payroll period to purchase annuities under a contract with MetLife RetireSource for the benefit of each eligible employee. Eligible employees may contribute additional amounts to their plan accounts through salary reduction contributions. All contributions are fully vested after three years. Forfeitures are used to offset plan expenses. If forfeitures exceed plan expenses, then the forfeitures are used to decrease the amount of the employer contributions. The Foundation's matching percentage is 3%. Foundation expenses with respect to the defined contribution plan were \$74,367 and \$90,000 for the years ended June 30, 2015 and 2014, respectively.

NOTE 13. RELATED PARTY TRANSACTIONS

The Foundation rents residential properties to families visiting residents. The rental income for the years ended June 30, 2015 and 2014 was \$7,010 and \$6,968, respectively.

**MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 14. RESIDENTS' FUND

As a service to its residents, the Foundation maintains certain cash and investments on behalf of its residents in order to assist them in the management of their personal affairs. The Foundation recognizes no revenues or expenses with respect to these funds, the total amounts and earnings of which are owned solely by the individual residents. These assets of the residents totaled \$210,593 and \$182,403 at June 30, 2015 and 2014, respectively, and are included in restricted cash in the accompanying statements of financial position.

NOTE 15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	2015	2014
Restricted for building and improvements	\$ 312,093	\$ 2,243,289
Activities and other	44,783	43,249
Restricted for financial assistance to residents	43,086	48,839
Programs	10,026	35,192
Goldman Sachs Investment	268,930	332,070
Total	\$ 678,918	\$ 2,702,639

NOTE 16. COMMITMENTS AND CONTINGENCIES

The Foundation is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Foundation.

SUPPLEMENTARY INFORMATION

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
REVENUES AND SUPPORT								
Tuition and fees								
Private tuitions and medical fees	\$ -	\$ -	\$ -	\$ -	\$ 2,698,231	\$ 3,078,313	1,030,872	\$ 6,807,416
Department of Human Resources (Medicaid)	-	-	-	-	-	-	2,776,647	2,776,647
Medicare income part A	-	-	-	-	-	-	996,568	996,568
Medicare income part B and other	-	-	-	-	-	-	335,249	335,249
Summer camp and activity income	-	-	84,072	244,048	-	-	-	328,120
Hospice income	-	-	-	-	-	-	267,393	267,393
Transportation fees	-	-	-	-	7,993	74,580	1,350	83,923
	-	-	84,072	244,048	2,706,224	3,152,893	5,408,079	11,595,316
Other income and support								
Contributions	-	1,773,734	-	-	-	-	-	1,773,734
Interest and dividends	41,703	-	-	-	-	-	-	41,703
Lifetime care income	-	-	-	-	859	-	-	859
Rental income	7,010	-	-	-	-	-	-	7,010
Net gain on asset dispositions	21,144	-	-	-	-	1,000	-	22,144
Unrealized market value decrease on investments	(97,151)	-	-	-	-	-	-	(97,151)
Realized gains on investments in Assistance Trust	89,525	-	-	-	-	-	-	89,525
Realized gains on investments	24,207	-	-	-	-	-	-	24,207
Miscellaneous income	48,581	-	5,800	5,093	8,304	11,444	3,009	82,231
TOTAL UNRESTRICTED REVENUES AND SUPPORT	135,019	1,773,734	89,872	249,141	2,715,387	3,165,337	5,411,088	13,539,578

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
Expenditures on renovation and building campaign	635,408	-	-	-	-	-	-	635,408
Sidewalk	23,427	-	-	-	-	-	-	23,427
Gym construction	2,178,381	-	-	-	-	-	-	2,178,381
Non-MFAT scholarships	367,407	-	-	-	-	-	-	367,407
	<u>3,204,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,204,623</u>
Program services	-	-	-	1,224,599	2,244,011	2,190,832	5,609,488	11,268,930
Management and general	2,353,201	-	294,391	-	-	-	-	2,647,592
Fundraising	-	365,346	-	-	-	-	-	365,346
	<u>2,353,201</u>	<u>365,346</u>	<u>294,391</u>	<u>1,224,599</u>	<u>2,244,011</u>	<u>2,190,832</u>	<u>5,609,488</u>	<u>14,281,868</u>
TRANSFER TO TEMPORARILY RESTRICTED NET ASSETS								
Transfer to other investment	(157,853)	-	-	-	-	-	-	(157,853)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS								
	828,588	1,408,388	(204,519)	(975,458)	471,376	974,505	(198,400)	2,304,480
Temporarily restricted contributions	-	1,023,049	-	-	-	-	-	1,023,049
Net assets released from restrictions	(3,204,623)	-	-	-	-	-	-	(3,204,623)
TRANSFER FROM UNRESTRICTED NET ASSETS								
Transfer from other investment	157,853	-	-	-	-	-	-	157,853
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS								
	(3,046,770)	1,023,049	-	-	-	-	-	(2,023,721)
Contributions to Assistance Trust	-	-	-	-	-	-	-	-
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS								
	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN TOTAL NET ASSETS	<u>\$ (2,218,182)</u>	<u>\$ 2,431,437</u>	<u>\$ (204,519)</u>	<u>\$ (975,458)</u>	<u>\$ 471,376</u>	<u>\$ 974,505</u>	<u>\$ (198,400)</u>	<u>\$ 280,759</u>

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF EXPENSES BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
Employee costs								
Salaries and wages	\$ 1,330,215	\$ 187,026	\$ 193,410	\$ 644,054	\$ 1,209,652	\$ 1,070,012	\$ 3,007,355	\$ 7,641,724
Retirement benefits	21,571	3,175	3,349	8,344	8,904	10,465	18,559	74,367
Health and medical insurance	98,141	16,677	12,129	80,354	127,641	114,332	258,456	707,730
Occupational injury insurance	14,001	878	663	3,985	6,929	9,338	72,620	108,414
HSA saving	6,925	1,550	1,200	5,475	8,650	8,650	19,525	51,975
Payroll taxes	96,268	13,677	13,839	46,282	81,789	80,011	234,799	566,665
Total employee costs	1,567,121	222,983	224,590	788,494	1,443,565	1,292,808	3,611,314	9,150,875
Other expenses								
Advertising	35,094	63,745	16,905	25	5,063	5,569	16,398	142,799
Athletic and other residents' activities	-	-	-	157,935	2,196	1,942	9,320	171,393
Bad debt provisions	-	-	-	-	6,375	16,500	27,900	50,775
Bank charges	1,305	3,489	-	-	-	-	-	4,794
Computer expenses	25,584	11,637	1,797	13,536	12,664	9,126	44,139	118,483
Consultants	27,465	-	-	3,910	4,745	331	58,729	95,180
Contract labor	37,683	19,480	-	3,000	3,582	11,550	86,474	161,769
Depreciation and amortization	54,838	-	14,816	60,272	104,528	288,607	290,411	813,472
Dues and subscriptions	5,645	-	-	-	-	-	6,135	11,780
Extermination	2,327	-	-	2,591	3,780	5,264	2,661	16,623
Fees and licenses	1,869	-	-	2,908	2,935	4,318	5,526	17,556
Groceries	14,556	-	-	2,430	242,143	215,035	295,998	770,162
In-kind donation	-	125	-	-	-	-	-	125
Insurance	28,273	-	3,499	5,825	57,287	70,242	74,013	239,139
Interest expense	32,432	-	492	-	-	2,034	-	34,958
Laundry	-	-	-	-	12,549	-	-	12,549
Legal and professional	89,743	-	-	-	-	-	-	89,743
Livestock and pet expenses	-	-	-	50,131	699	-	577	51,407

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF EXPENSES BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
Other expenses (Continued)								
Landscaping	6,153	-	-	-	-	-	-	6,153
Medical services, drugs & supplies	-	-	-	-	28,331	25,032	781,198	834,561
Office supplies	24,750	706	285	6,905	3,217	4,798	16,831	57,492
Postage	15,036	170	-	-	-	126	51	15,383
Rent-equipment	16,947	-	-	-	1,120	946	804	19,817
Repairs and maintenance	194,542	25	-	2,834	7,521	3,275	10,440	218,637
Residents' direct costs	-	2,055	17,994	350	2,262	4,175	(2,925)	23,911
Sanitation	-	-	-	-	8,873	6,028	13,783	28,684
Scholarships - MFAT	79,903	-	-	12,307	-	-	-	92,210
Scholarships - other	-	-	-	-	48,048	14,231	-	62,279
Software maintenance & upgrades	1,965	-	-	-	-	-	-	1,965
Staff expenses	31,461	21,868	320	6,317	8,597	6,026	18,170	92,759
Staff training	3,335	813	624	1,416	5,127	7,948	6,872	26,135
Supplies	3,788	-	-	42,142	45,736	45,573	82,282	219,521
Telephone	33,669	3,606	2,619	22,090	14,829	12,983	19,288	109,084
Transportation	7,652	585	1,411	5,130	17,876	40,079	7,809	80,542
Travel	824	13,359	9,039	-	-	-	-	23,222
Utilities	6,628	-	-	29,981	112,033	69,270	82,785	300,697
Waste water plant	-	-	-	4,070	34,591	24,417	38,661	101,739
Miscellaneous and other	2,613	700	-	-	3,739	2,599	3,844	13,495
	<u>\$ 2,353,201</u>	<u>\$ 365,346</u>	<u>\$ 294,391</u>	<u>\$ 1,224,599</u>	<u>\$ 2,244,011</u>	<u>\$ 2,190,832</u>	<u>\$ 5,609,488</u>	<u>\$14,281,868</u>