

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL REPORT**

**JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Marbridge Foundation, Inc. and its wholly-owned Subsidiary, Marbridge Minerals, LLC (collectively, the Foundation), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 misstatements.

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

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015, 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 consolidated financial statements as a whole. The accompanying consolidated schedule of changes in net assets by location and consolidated schedule of expenses by location for the year ended June 30, 2016 are presented for 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, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
November 14, 2016

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 781,368	\$ 426,578
Restricted cash	911,609	561,651
Accounts receivable, net of allowance for uncollectible accounts of \$99,424 and \$99,394, respectively	293,713	570,541
Contributions receivable, net of allowance for uncollectible accounts of \$42,597 and \$19,977, respectively	132,407	195,524
Prepaid expenses	23,847	23,900
<b>Total current assets</b>	<b>2,142,944</b>	<b>1,778,194</b>
<b>LONG-TERM INVESTMENTS</b>		
Investments	2,394,942	2,421,548
Marbridge Foundation Assistance Trust	2,123,250	2,204,803
Other investments	362,071	268,930
<b>Total long-term investments</b>	<b>4,880,263</b>	<b>4,895,281</b>
<b>PROPERTY, PLANT, AND EQUIPMENT, NET</b>	<b>12,245,123</b>	<b>12,944,994</b>
<b>CONTRIBUTIONS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS OF \$0 AND \$14,501, RESPECTIVELY</b>	<b>356,700</b>	<b>272,737</b>
<b>OTHER NON-CURRENT ASSETS</b>	<b>42,000</b>	<b>42,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 19,667,030</b>	<b>\$ 19,933,206</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 280,536	\$ 394,771
Current portion of long-term debt	93,708	141,570
Accrued expenses	373,364	472,920
Deferred income	39,535	67,815
Residents' fund	400,119	210,593
<b>Total current liabilities</b>	<b>1,187,262</b>	<b>1,287,669</b>
<b>LIFETIME CARE INCOME DEFERRED</b>	<b>45,773</b>	<b>46,722</b>
<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>337,843</b>	<b>786,425</b>
<b>Total liabilities</b>	<b>1,570,878</b>	<b>2,120,816</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted net assets	15,339,803	15,141,305
Temporarily restricted net assets	764,182	678,918
Permanently restricted net assets	1,992,167	1,992,167
<b>Total net assets</b>	<b>18,096,152</b>	<b>17,812,390</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,667,030</b>	<b>\$ 19,933,206</b>

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

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2016 AND 2015**

<b>UNRESTRICTED NET ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES AND SUPPORT</b>		
Tuitions and fees	\$ 12,342,127	\$ 11,595,316
Contributions	2,386,759	1,773,734
Interest and dividends	5,624	41,703
Lifetime care income	949	859
Rental income	14,684	7,010
Net gain on asset dispositions	19,542	22,144
Unrealized market value decrease on investments	(337,059)	(97,151)
Realized gains on investments in Assistance Trust	185,936	89,525
Realized gains on investments	109,625	24,207
Oil and gas income	85,052	-
Miscellaneous income	72,364	82,231
	<b>14,885,603</b>	<b>13,539,578</b>
<b>Total unrestricted revenues and support</b>		
<b>Net assets released from restrictions</b>	<b>677,392</b>	<b>3,204,623</b>
<b>Total unrestricted revenues, support, and net assets released from restrictions</b>	<b>15,562,995</b>	<b>16,744,201</b>
<b>EXPENSES</b>		
Program services	12,234,544	11,268,930
Management and general	2,745,491	2,647,592
Fundraising	389,667	365,346
	<b>15,369,702</b>	<b>14,281,868</b>
<b>Total expenses</b>		
<b>TRANSFER (TO) FROM TEMPORARILY RESTRICTED NET ASSETS</b>		
Transfer (to) from other investments	5,205	(157,853)
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>198,498</b>	<b>2,304,480</b>

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

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2016 AND 2015  
(CONTINUED)**

<b>TEMPORARILY RESTRICTED NET ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES AND SUPPORT</b>		
Temporarily restricted contributions	767,861	1,023,049
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Expenditures on renovation & building campaign	55,350	635,408
Sidewalk	-	23,427
Gym construction	239,210	2,178,381
Non-MFAT scholarships awarded and other	382,832	367,407
<b>Total net assets released from restrictions</b>	<b>677,392</b>	<b>3,204,623</b>
<b>TRANSFER (TO) FROM UNRESTRICTED NET ASSETS</b>		
Transfer (to) from other investments	(5,205)	157,853
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	85,264	(2,023,721)
 <b>PERMANENTLY RESTRICTED NET ASSETS</b>		
<b>REVENUES AND SUPPORT</b>		
Contribution to assistance trust	-	-
<b>INCREASE IN PERMANENTLY RESTRICTED NET ASSETS</b>	-	-
<b>INCREASE IN TOTAL NET ASSETS</b>	283,762	280,759
<b>NET ASSETS, beginning of year</b>	17,812,390	17,531,631
<b>NET ASSETS, end of year</b>	<b>\$ 18,096,152</b>	<b>\$ 17,812,390</b>

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

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Program Services	Management and General	Fund Raising	Totals	Program Services	Management and General	Fund Raising	Totals
<b>EMPLOYEE EXPENSES</b>								
Salaries and wages	\$ 6,288,550	\$ 1,548,623	\$ 143,649	\$ 7,980,822	\$ 5,931,073	\$ 1,523,625	\$ 187,026	\$ 7,641,724
Retirement benefits	79,431	34,463	5,718	119,612	46,272	24,920	3,175	74,367
Health and medical insurance	663,984	111,058	18,189	793,231	580,783	110,270	16,677	707,730
Occupational injury insurance	118,136	15,195	949	134,280	92,872	14,664	878	108,414
HSA saving	46,240	8,120	1,200	55,560	42,300	8,125	1,550	51,975
Payroll taxes	464,396	112,947	14,147	591,490	442,881	110,107	13,677	566,665
<b>Total employee related</b>	<b>7,660,737</b>	<b>1,830,406</b>	<b>183,852</b>	<b>9,674,995</b>	<b>7,136,181</b>	<b>1,791,711</b>	<b>222,983</b>	<b>9,150,875</b>
<b>OTHER EXPENSES</b>								
Advertising and promotion	33,918	61,258	81,727	176,903	27,055	51,999	63,745	142,799
Athletic & other resident's activities	184,056	-	-	184,056	171,393	-	-	171,393
Bad debts	81,150	-	26,929	108,079	50,775	-	-	50,775
Bank charges	-	1,532	5,006	6,538	-	1,305	3,489	4,794
Computer expenses	98,555	28,508	23,746	150,809	79,465	27,381	11,637	118,483
Consultants	120,531	-	-	120,531	67,715	27,465	-	95,180
Contract labor	89,662	63,423	18,868	171,953	104,606	37,683	19,480	161,769
Depreciation	883,324	65,791	-	949,115	743,818	69,654	-	813,472
Dues and subscriptions	9,928	6,394	-	16,322	6,135	5,645	-	11,780
Extermination	12,137	3,201	-	15,338	14,296	2,327	-	16,623
Fees and licenses	7,184	796	-	7,980	15,687	1,869	-	17,556
Groceries	791,185	14,701	-	805,886	755,606	14,556	-	770,162
In-kind donation	-	-	290	290	-	-	125	125
Insurance	232,861	30,751	288.00	263,900	207,367	31,772	-	239,139
Interest expense	9,318	26,768	-	36,086	2,034	32,924	-	34,958

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



**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2016 AND 2015**  
**(CONTINUED)**

	2016			2015				
	Program Services	Management and General	Fund Raising	Totals	Program Services	Management and General	Fund Raising	Totals
<b>OTHER EXPENSES</b>								
Landscaping	-	5,292	-	5,292	-	6,153	-	6,153
Laundry	13,851	-	-	13,851	12,549	-	-	12,549
Legal and professional	-	156,403	-	156,403	-	89,743	-	89,743
Livestock and pet expenses	54,294	-	-	54,294	51,407	-	-	51,407
Medical services, drugs & supplies	902,857	-	-	902,857	834,561	-	-	834,561
Office supplies	28,127	21,076	126	49,329	31,751	25,035	706	57,492
Payroll processing	18,455	2,909	223	21,587	-	-	-	-
Postage	231	16,820	127	17,178	177	15,036	170	15,383
Rent - expense	3,117	15,063	-	18,180	2,870	16,947	-	19,817
Repairs and maintenance	29,783	198,619	-	228,402	24,070	194,542	25	218,637
Residents' direct costs	11,195	17,806	92	29,093	3,862	17,994	2,055	23,911
Sanitation	27,369	-	-	27,369	28,684	-	-	28,684
Scholarships - MFAT	9,840	74,300	-	84,140	12,307	79,903	-	92,210
Scholarships - Other	116,620	-	-	116,620	62,279	-	-	62,279
Software maintenance & upgrades	-	3,861	-	3,861	-	1,965	-	1,965
Staff expenses	34,809	28,804	1,715	65,328	39,110	31,781	21,868	92,759
Staff training	15,861	13,035	24,726	53,622	21,363	3,959	813	26,135
Supplies	204,788	2,811	-	207,599	215,733	3,788	-	219,521
Telephone	91,381	25,943	4,195	121,519	69,190	36,288	3,606	109,084
Transportation	68,296	8,370	143	76,809	70,894	9,063	585	80,542
Travel	-	13,171	14,599	27,770	-	9,863	13,359	23,222
Utilities	282,124	5,203	-	287,327	294,069	6,628	-	300,697
City sewage - wastewater	92,729	-	-	92,729	101,739	-	-	101,739
Miscellaneous and other	14,271	2,476	3,015	19,762	10,182	2,613	700	13,495
	<u>\$ 12,234,544</u>	<u>\$ 2,745,491</u>	<u>\$ 389,667</u>	<u>\$ 15,369,702</u>	<u>\$ 11,268,930</u>	<u>\$ 2,647,592</u>	<u>\$ 365,346</u>	<u>\$ 14,281,868</u>

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

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 283,762	\$ 280,759
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net gains on disposal of property and equipment	(19,542)	(22,144)
Depreciation	949,115	813,472
Amortization of deferred lifetime care income	(949)	(859)
Provision for bad debt	8,149	50,775
Net realized gains on investments in Assistance Trust	(185,936)	(89,525)
Net realized gains on investments	(109,625)	(24,207)
Net unrealized loss on investments	337,059	97,151
Noncash contribution	(160,893)	-
Change in assets and liabilities		
Accounts receivable	276,798	(146,886)
Contributions receivable	(28,965)	63,900
Prepaid expenses	53	6,741
Other non-current assets	-	(10,000)
Accounts payable	(114,235)	95,696
Accrued expenses	(99,556)	75,893
Residents' fund	189,526	28,190
Deferred income	(28,280)	67,815
<b>Net cash provided by operating activities</b>	<u>1,296,481</u>	<u>1,286,771</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received on note receivable	-	2,644
Proceeds from disposal of property and equipment	19,542	23,500
Acquisitions of property and equipment	(249,244)	(3,751,180)
Proceeds from sale of investments	2,208,370	2,069,194
Purchases of investments	(2,073,957)	(1,862,258)
<b>Net cash used in investing activities</b>	<u>(95,289)</u>	<u>(3,518,100)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	100,000	356,320
Payments on long-term debt	(596,444)	(109,076)
<b>Net cash provided by (used in) financing activities</b>	<u>(496,444)</u>	<u>247,244</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>704,748</u>	<u>(1,984,085)</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year</b>	<u>988,229</u>	<u>2,972,314</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year</b>	<u>\$ 1,692,977</u>	<u>\$ 988,229</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 781,368</u>	<u>\$ 426,578</u>
<b>RESTRICTED CASH</b>	<u>911,609</u>	<u>561,651</u>
<b>TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>\$ 1,692,977</u>	<u>\$ 988,229</u>

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

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015  
(CONTINUED)**

	<b>2016</b>	<b>2015</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 36,086	\$ 34,958
<b>NON CASH OPERATING INFORMATION</b>		
In-kind gifts	\$ 215,962	\$ 162,512

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

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES**

The accompanying consolidated financial statements as of and for the years ended June 30, 2016 and 2015, include the accounts of the Marbridge Foundation, Inc. and its wholly owned subsidiary, Marbridge Minerals, LLC (collectively, the Foundation).

The Marbridge Foundation, Inc., 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.

Marbridge Minerals, LLC is a Texas Limited Liability Company formed on March 21, 2016 to hold certain producing and non-producing mineral interests that were contributed to the Marbridge Foundation, Inc. Marbridge Minerals, LLC is included in the accompanying consolidated financial statements from the date of formation to June 30, 2016.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Financial Statement Presentation and Consolidation**

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 consolidated statement of cash flows.

The consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of Marbridge Foundation, Inc and its wholly owned subsidiary, Marbridge Minerals, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Cash Equivalents**

For purposes of the consolidated 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 consolidated statement of financial position.

**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 consolidated statements of financial position. Dividend and interest income is included in the changes in net assets in the accompanying consolidated 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 consolidated statements of activities.

The Foundation's other investments include both a private equity placement investment as well as mineral interests owned by Marbridge Minerals, LLC. The amount of unfunded commitments related to the private equity placement investments at June 30, 2016 and 2015 was approximately \$24,000 and \$28,000, 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 12-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.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Concentration of Credit Risk – Continued**

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, 2016 and 2015, 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 consolidated financial statements.

**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 consolidated statements of activities and change in net assets.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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, 2016 and 2015.

**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.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Contributions – Continued**

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.

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 consolidated 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 consolidated 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 consolidated 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.



**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Advertising Costs**

Advertising costs are charged to expense as incurred. The Foundation incurred \$176,903 and \$142,799 in advertising costs for the years ended June 30, 2016 and 2015, 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 consolidated 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.

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, 2016, the Foundation's tax years 2013 and thereafter remain subject to examination.

**Estimates**

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

**Reclassifications**

Certain reclassifications have been made to the June 30, 2015 consolidated financial statements to conform to the presentation in the current year consolidated financial statements. These reclassifications had no impact on the changes in net assets.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Subsequent Events**

The Foundation has evaluated subsequent events through November 14, 2016, which is the date the consolidated financial statements were available to be issued, and determined that no events have occurred subsequent to June 30, 2016 that warrant additional disclosure.

**NOTE 3. CASH AND CASH EQUIVALENTS**

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

	2016	2015
Petty cash	\$ 8,050	\$ 7,800
Interest-bearing checking accounts	773,318	418,778
	\$ 781,368	\$ 426,578

**NOTE 4. RESTRICTED CASH**

Restricted cash consisted of the following at June 30:

	2016	2015
Residents' fund	\$ 400,119	\$ 210,593
Construction fund	119,472	92,981
Gym and wellness center	1,730	158,475
Designated gifts	373,448	97,602
Building fund	16,840	2,000
	\$ 911,609	\$ 561,651

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5. ACCOUNTS RECEIVABLE, NET**

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

	<u>2016</u>	<u>2015</u>
Accounts receivable from residents	\$ 41,490	\$ 117,879
Accounts receivable from third party payer	<u>351,647</u>	<u>552,056</u>
Total accounts receivable	393,137	669,935
Less: allowance for uncollectible accounts	<u>99,424</u>	<u>99,394</u>
	<u><u>\$ 293,713</u></u>	<u><u>\$ 570,541</u></u>

**NOTE 6. CONTRIBUTIONS RECEIVABLE, NET**

Included in contributions receivable at June 30, 2016 and 2015 are the following unconditional promises to give:

	<u>2016</u>	<u>2015</u>
Unspecified	\$ 491,072	\$ 426,097
Restricted for building and improvements	<u>40,632</u>	<u>76,642</u>
Unconditional promises to give	531,704	502,739
Less: allowance for uncollectible accounts	<u>42,597</u>	<u>34,478</u>
Net contributions receivable	<u><u>\$ 489,107</u></u>	<u><u>\$ 468,261</u></u>
Amounts due in:		
Less than one year	\$ 132,407	\$ 195,524
One to five years	352,700	263,737
More than five years	<u>4,000</u>	<u>9,000</u>
Total	<u><u>\$ 489,107</u></u>	<u><u>\$ 468,261</u></u>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**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 consolidated statements of activities and changes in net assets for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 5,624	\$ -	\$ 5,624
Assistance Trust net realized gain	185,936	-	185,936
Realized gains	109,625	-	109,625
Unrealized market value decreases	<u>(337,059)</u>	<u>-</u>	<u>(337,059)</u>
	<u>\$ (35,874)</u>	<u>\$ -</u>	<u>\$ (35,874)</u>

The following is a summary of the return from investments carried at fair value and its classification in the consolidated statements of activities and changes in net assets 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 increases	<u>(97,151)</u>	<u>-</u>	<u>(97,151)</u>
	<u>\$ 58,284</u>	<u>\$ -</u>	<u>\$ 58,284</u>

Investment income is recorded net of expenses of approximately \$34,000 and \$41,000 for the years ended June 30, 2016 and 2015, respectively in unrealized market value decreases on the consolidated statements of activities and changes in net assets.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM INVESTMENTS – CONTINUED**

**Investments**

Investments consisted of the following at June 30, 2016:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 144,039	\$ 144,039
Municipal bonds	79,921	79,921
Mutual funds	50,549	50,011
Equity securities	<u>1,693,909</u>	<u>2,120,971</u>
	<u>\$ 1,968,418</u>	<u>\$ 2,394,942</u>

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
Mutual funds	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>

**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.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM INVESTMENTS – CONTINUED**

**Marbridge Foundation Assistance Trust (MFAT) – Continued**

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.

MFAT consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Endowment trust principal	\$ 1,992,167	\$ 1,992,167
Accumulated net realized income available for distribution from inception	(117,175)	(126,700)
Realized income during the fiscal year	185,936	89,525
Scholarship awarded during the fiscal year	<u>(80,000)</u>	<u>(80,000)</u>
Net realized income available for distribution	<u>(11,239)</u>	<u>(117,175)</u>
Historical cost basis of MFAT	1,980,928	1,874,992
Accumulated net unrealized gains from inception	<u>142,322</u>	<u>329,811</u>
	<u>\$ 2,123,250</u>	<u>\$ 2,204,803</u>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM INVESTMENTS – CONTINUED**

**Marbridge Foundation Assistance Trust (MFAT) – Continued**

As of June 30, 2016, Marbridge Foundation Assistance Trust had the following investments:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 63,384	\$ 63,384
Corporate and government bonds and notes	642,097	675,165
Equity securities	<u>1,275,447</u>	<u>1,384,701</u>
	<u>\$ 1,980,928</u>	<u>\$ 2,123,250</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>

**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.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED**

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

Level 3 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, 2016.

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.

Mineral interests: Carried at fair value based on estimated future cash flows over the next five years.

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 consolidated 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, 2016 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. AND SUBSIDIARY  
NOTES TO CONSOLIDATED 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, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 63,384	\$ -	\$ -	\$ 63,384
Common stock - United States				
Materials	85,318	-	-	85,318
Consumer goods	227,081	-	-	227,081
Healthcare	199,560	-	-	199,560
Financial	176,153	-	-	176,153
Services	278,443	-	-	278,443
Technology	179,837	-	-	179,837
Industrial goods	158,442	-	-	158,442
Total common stock - United States	1,304,834	-	-	1,304,834
Common stock - International				
Healthcare	39,307	-	-	39,307
Services	16,427	-	-	16,427
Total common stock - International	55,734	-	-	55,734
Preferred stock	24,133	-	-	24,133
Corporate bonds	361,725	-	-	361,725
Treasury bonds and notes - United States	125,475	-	-	125,475
Municipal bonds				
General obligation bonds	82,512	-	-	82,512
Revenue bonds	105,453	-	-	105,453
Total municipal bonds	187,965	-	-	187,965
	<u>\$ 2,123,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,123,250</u>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED**

<u>General Investment Account</u>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 133,757	\$ -	\$ -	\$ 133,757
Municipal bonds	79,921	-	-	79,921
Corporate bonds	50,011	-	-	50,011
Exchange traded funds - fixed income	174,159	-	-	174,159
Common stock - United States				
Basic materials	143,659	-	-	143,659
Consumer goods	311,240	-	-	311,240
Financial	234,191	-	-	234,191
Healthcare	352,354	-	-	352,354
Industrial goods	225,649	-	-	225,649
Services	374,757	-	-	374,757
Technology	258,514	-	-	258,514
Total common stock - United States	1,900,364	-	-	1,900,364
Exchange traded funds				
India	4,358	-	-	4,358
France	3,385	-	-	3,385
Germany	3,608	-	-	3,608
Japan	5,750	-	-	5,750
Taiwan	9,189	-	-	9,189
Europe	1,569	-	-	1,569
Total exchange traded funds	27,859	-	-	27,859
	2,366,071	-	-	2,366,071
<u>Spook Partlow Memorial Special</u>				
Mutual fund - large cap value	28,871	-	-	28,871
	<u>\$ 2,394,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,394,942</u>
<u>Other Investments</u>				
Private placement equity	\$ -	\$ -	\$ 201,178	\$ 201,178
Mineral interests	-	-	160,893	160,893
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,071</u>	<u>\$ 362,071</u>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED 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, 2016.

Beginning balance	\$ 268,930
Contribution of mineral interests	160,893
Issuances	(62,546)
Unrealized loss	(5,206)
Ending balance	<u>\$ 362,071</u>

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

Marbridge Foundation Assistance Trust (MFAT)

	<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. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED**

<u>General Investment Account</u>	Level 1	Level 2	Level 3	Total
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	1,899,259	-	-	1,899,259
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	50,281	-	-	50,281
	2,403,233	-	-	2,403,233
<u>Spook Partlow Memorial Special</u>				
Mutual fund - large cap value	18,315	-	-	18,315
	<u>\$ 2,421,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,421,548</u>
<u>Other Investments</u>				
Private placement equity	\$ -	\$ -	\$ 268,930	\$ 268,930
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,930</u>	<u>\$ 268,930</u>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED 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><u>\$ 268,930</u></u>

**NOTE 9. PROPERTY, PLANT, AND EQUIPMENT, NET**

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

	<u>2016</u>	<u>2015</u>
Construction in progress	\$ 315,717	\$ 233,880
Land	1,013,407	1,013,407
Land improvements	741,504	719,845
Buildings and improvements	16,848,202	16,840,216
Furniture and fixtures	467,761	449,639
Equipment	1,743,149	1,665,977
Vehicles	<u>782,022</u>	<u>803,281</u>
	21,911,762	21,726,245
Less: accumulated depreciation	<u>9,666,639</u>	<u>8,781,251</u>
Net	<u><u>\$ 12,245,123</u></u>	<u><u>\$ 12,944,994</u></u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$949,115 and \$813,472, respectively.

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

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10. LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note payable with monthly payments of \$7,141, including interest at 5.5%, maturing May 2021, secured by land	\$ 371,240	\$ 434,134
Vehicle notes, interest rates up to 4.5%, payments due monthly	54,411	74,261
Note payable, monthly payments of \$4,308 including interest at 4.5%, commencing November 2015 and maturing October 2020, secured by real property. This note was paid off during the year ended June 30, 2016	-	325,000
Note payable, monthly payments of \$2,465 including interest at 5.0%, maturing June 2018, secured by land. This note was paid off during the year ended June 30, 2016	-	81,781
Vehicle note, monthly payments of \$600, including interest at 2.94%, maturing April 2017	5,900	12,819
	<u>431,551</u>	<u>927,995</u>
Less: current maturities	<u>93,708</u>	<u>141,570</u>
	<u>\$ 337,843</u>	<u>\$ 786,425</u>

The following is a summary of principal maturities of long-term debt at June 30, 2016:

2017	\$ 93,708
2018	89,097
2019	89,369
2020	80,191
2021	79,186
Thereafter	-
	<u>\$ 431,551</u>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11. CONCENTRATIONS**

Approximately 28% of the tuition and fees received by the Foundation during the years ended June 30, 2016 and 2015 were from the Medicaid benefits of the residents.

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

At June 30, 2016, approximately 67% of the Foundation's accounts payable are with two vendors. Approximately 56% of the Foundation's accounts payable at June 30, 2015, were with three vendors.

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

**NOTE 12. EMPLOYEE RETIREMENT PLAN**

For the year ended June 30, 2015, the Foundation sponsored 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 was \$74,367 for the year ended June 30, 2015.

Effective July 1, 2015 the Foundation offers a defined contribution retirement plan which covers substantially all fulltime employees with at least two months of service, and are qualified under Section 401(k) of the Internal Revenue Code. Under the plan, employees may voluntarily contribute a percentage of their compensation to the plan and the Foundation may make matching contributions, based on a percentage of the Foundation's choice. The matching portion was \$119,612 for the year ended June 30, 2016.

**NOTE 13. RELATED PARTY TRANSACTIONS**

The Foundation rents residential properties to families visiting residents. The rental income for the years ended June 30, 2016 and 2015 was \$5,084 and \$7,010, respectively.

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED 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 \$400,119 and \$210,593 at June 30, 2016 and 2015, respectively, and are included in restricted cash in the accompanying consolidated statements of financial position.

**NOTE 15. TEMPORARILY RESTRICTED NET ASSETS**

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

	2016	2015
Restricted for building and improvements	\$ 189,556	\$ 312,093
Activities and other	72,039	44,783
Restricted for financial assistance to residents	251,528	43,086
Programs	49,881	10,026
Goldman Sachs Investment	201,178	268,930
Total	\$ 764,182	\$ 678,918

**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. AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF CHANGES IN NET ASSETS BY LOCATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>								
<b>Tuition and fees</b>								
Private tuitions and medical fees	\$ -	\$ -	\$ -	\$ -	\$ 2,848,209	\$ 3,242,104	\$ 971,655	\$ 7,061,968
Department of Human Resources (Medicaid)	-	-	-	-	-	-	3,139,508	3,139,508
Medicare income part A	-	-	-	-	-	-	1,143,778	1,143,778
Medicare income part B and other	-	-	-	-	-	-	392,110	392,110
Summer camp and activity income	-	-	95,955	221,122	-	-	-	317,077
Hospice income	-	-	-	-	-	-	199,264	199,264
Transportation fees	-	-	-	-	7,196	79,901	1,325	88,422
	-	-	95,955	221,122	2,855,405	3,322,005	5,847,640	12,342,127
<b>Other income and support</b>								
Contributions	-	2,386,759	-	-	-	-	-	2,386,759
Interest and dividends	5,624	-	-	-	-	-	-	5,624
Lifetime care income	-	-	-	-	949	-	-	949
Rental income	14,684	-	-	-	-	-	-	14,684
Net gain on asset dispositions	-	-	-	-	-	-	19,542	19,542
Unrealized market value decrease on investments	(337,059)	-	-	-	-	-	-	(337,059)
Realized gains on investments in Assistance Trust	185,936	-	-	-	-	-	-	185,936
Realized gains on investments	109,625	-	-	-	-	-	-	109,625
Oil and gas income	85,052	-	-	-	-	-	-	85,052
Miscellaneous income	29,083	-	6,852	3,285	9,315	11,574	12,255	72,364
<b>TOTAL UNRESTRICTED REVENUES AND SUPPORT</b>	<b>\$ 92,945</b>	<b>\$ 2,386,759</b>	<b>\$ 102,807</b>	<b>\$ 224,407</b>	<b>\$ 2,865,669</b>	<b>\$ 3,333,579</b>	<b>\$ 5,879,437</b>	<b>\$ 14,885,603</b>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF CHANGES IN NET ASSETS BY LOCATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(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	55,350	-	-	-	-	-	-	55,350
Gym construction	239,210	-	-	-	-	-	-	239,210
Non-MFAT scholarships	382,832	-	-	-	-	-	-	382,832
	<u>677,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>677,392</u>
Program services	-	-	-	1,388,668	2,353,996	2,233,511	6,258,369	12,234,544
Management and general	2,462,477	-	283,014	-	-	-	-	2,745,491
Fundraising	-	389,667	-	-	-	-	-	389,667
	<u>2,462,477</u>	<u>389,667</u>	<u>283,014</u>	<u>1,388,668</u>	<u>2,353,996</u>	<u>2,233,511</u>	<u>6,258,369</u>	<u>15,369,702</u>
TRANSFER FROM TEMPORARILY RESTRICTED NET ASSETS								
Transfer from other investment	5,205	-	-	-	-	-	-	5,205
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS								
	(1,686,935)	1,997,092	(180,207)	(1,164,261)	511,673	1,100,068	(378,932)	198,498
Temporarily restricted contributions	-	767,861	-	-	-	-	-	767,861
Net assets released from restrictions	(677,392)	-	-	-	-	-	-	(677,392)
TRANSFER TO UNRESTRICTED NET ASSETS								
Transfer to other investment	(5,205)	-	-	-	-	-	-	(5,205)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS								
	(682,597)	767,861	-	-	-	-	-	85,264
Contributions to Assistance Trust	-	-	-	-	-	-	-	-
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS								
	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN TOTAL NET ASSETS								
	<u>\$ (2,369,532)</u>	<u>\$ 2,764,953</u>	<u>\$ (180,207)</u>	<u>\$ (1,164,261)</u>	<u>\$ 511,673</u>	<u>\$ 1,100,068</u>	<u>\$ (378,932)</u>	<u>\$ 283,762</u>

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF EXPENSES BY LOCATION  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
<b>Employee costs</b>								
Salaries and wages	\$ 1,364,581	\$ 143,649	\$ 184,042	\$ 665,764	\$ 1,213,199	\$ 1,088,720	\$ 3,320,867	\$ 7,980,822
Retirement benefits	30,727	5,718	3,736	12,837	15,041	15,590	35,963	119,612
Health and medical insurance	98,929	18,189	12,129	82,222	128,794	111,537	341,431	793,231
Occupational injury insurance	14,308	949	887	5,275	16,617	14,346	81,898	134,280
HSA saving	6,920	1,200	1,200	5,395	8,542	8,435	23,868	55,560
Payroll taxes	100,206	14,147	12,741	47,391	90,398	85,921	240,686	591,490
<b>Total employee costs</b>	<b>1,615,671</b>	<b>183,852</b>	<b>214,735</b>	<b>818,884</b>	<b>1,472,591</b>	<b>1,324,549</b>	<b>4,044,713</b>	<b>9,674,995</b>
<b>Other expenses</b>								
Advertising	39,025	81,727	22,233	175	6,193	6,785	20,765	176,903
Athletic and other residents' activities	-	-	-	169,437	4,364	1,065	9,190	184,056
Bad debt provisions	-	26,929	-	-	6,756	6,756	67,638	108,079
Bank charges	1,532	5,006	-	-	-	-	-	6,538
Computer expenses	27,590	23,746	918	15,223	18,657	10,180	54,495	150,809
Consultants	-	-	-	-	1,688	386	118,457	120,531
Contract labor	63,423	18,868	-	5,355	3,819	8,041	72,447	171,953
Depreciation	57,676	-	8,115	160,628	126,266	286,797	309,633	949,115
Dues and subscriptions	6,394	-	-	-	1,271	1,271	7,386	16,322
Extermination	3,201	-	-	2,679	4,851	2,715	1,892	15,338
Fees and licenses	719	-	77	487	677	940	5,080	7,980
Groceries	14,701	-	-	2,724	247,580	232,255	308,626	805,886
In-kind donation	-	290	-	-	-	-	-	290
Insurance	26,699	288	4,052	19,711	59,625	75,311	78,214	263,900
Interest expense	26,490	-	278	7,529	-	1,789	-	36,086
Laundry	-	-	-	-	13,851	-	-	13,851
Legal and professional	156,403	-	-	-	-	-	-	156,403
Livestock and pet expenses	-	-	-	53,423	757	-	114	54,294

**MARBRIDGE FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF EXPENSES BY LOCATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(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	5,292	-	-	-	-	-	-	5,292
Medical services, drugs & supplies	-	-	-	-	28,689	25,230	848,938	902,857
Office supplies	21,042	126	34	7,397	3,478	3,311	13,941	49,329
Payroll processing	2,736	223	173	1,445	4,368	4,491	8,151	21,587
Postage	16,820	127	-	-	-	132	99	17,178
Rent-equipment	15,063	-	-	-	1,464	946	707	18,180
Repairs and maintenance	198,619	-	-	883	9,956	4,899	14,045	228,402
Residents' direct costs	-	92	17,806	910	4,031	5,390	864	29,093
Sanitation	-	-	-	-	7,266	7,266	12,837	27,369
Scholarships - MFAT	74,300	-	-	9,840	-	-	-	84,140
Scholarships - other	-	-	-	-	90,650	25,970	-	116,620
Software maintenance & upgrades	3,861	-	-	-	-	-	-	3,861
Staff expenses	28,205	1,715	599	6,002	6,058	6,492	16,257	65,328
Staff training	12,572	24,726	463	1,401	3,516	2,927	8,017	53,622
Supplies	2,811	-	-	30,566	48,130	43,951	82,141	207,599
Telephone	23,481	4,195	2,462	21,634	19,274	20,016	30,457	121,519
Transportation	6,947	143	1,423	6,541	20,728	33,566	7,461	76,809
Travel	3,525	14,599	9,646	-	-	-	-	27,770
Utilities	5,203	-	-	42,085	99,615	64,749	75,675	287,327
Waste water plant	-	-	-	3,709	31,528	22,255	35,237	92,729
Miscellaneous and other	2,476	3,015	-	-	6,299	3,080	4,892	19,762
	<u>\$ 2,462,477</u>	<u>\$ 389,667</u>	<u>\$ 283,014</u>	<u>\$ 1,388,668</u>	<u>\$ 2,353,996</u>	<u>\$ 2,233,511</u>	<u>\$ 6,258,369</u>	<u>\$ 15,369,702</u>