

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**COMBINED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**ACH Child and Family Services and Affiliates  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
ACH Child and Family Services and Affiliates  
Fort Worth, Texas

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of ACH Child and Family Services and Affiliates ("ACH") which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

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

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

Board of Directors  
ACH Child and Family Services and Affiliates

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of ACH Child and Family Services and Affiliates as of December 31, 2015 and 2014, and the combined changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
August 31, 2016

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES  
COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

<b>ASSETS</b>	2015	2014
Cash and Cash Equivalents	\$ 2,076,209	\$ 1,321,636
Restricted Cash	304,550	383,718
Grants Receivable, Net of Allowance for Doubtful Accounts of \$100,000	5,054,082	2,649,121
Accrued Interest Receivable	52,188	52,188
Other Receivables	139,655	346,165
Prepaid Expenses	169,898	265,398
Promises to Give	812,336	25,915
Investments - Publicly Traded/Listed Securities	35,177,892	38,024,630
Investments - Nonpublicly Traded	18,376,144	17,687,182
Mineral Interests and Real Estate	22,882,006	1,676,305
Beneficial Interest in Trust	9,636,074	31,355,001
Loan Origination Fees, Net	30,113	42,573
Note Receivable	9,070,750	9,070,750
Property and Equipment, Net	24,758,234	19,957,351
Total Assets	\$ 128,540,131	\$ 122,857,934
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 5,020,760	\$ 3,274,180
Line of Credit	11,900,782	1,953,602
Notes Payable	13,000,000	13,000,000
Total Liabilities	29,921,542	18,227,782
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	42,993,125	45,852,452
Board Designated Operating Reserve	-	1,158,046
Board Designated Endowment	54,649,097	56,610,312
	97,642,222	103,620,810
Temporarily Restricted	27,500	60,475
Permanently Restricted	948,867	948,867
Total Net Assets	98,618,589	104,630,152
Total Liabilities and Net Assets	\$ 128,540,131	\$ 122,857,934

See accompanying Notes to Combined Financial Statements.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES  
COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>PUBLIC SUPPORT</b>				
Contributions	\$ 1,024,102	\$ 456,619	\$ -	\$ 1,480,721
Capital Campaign Contributions	-	2,060,033	-	2,060,033
Estates and Trusts	43,200	-	-	43,200
Special Events, Net of Direct Costs of \$82,216	264,289	-	-	264,289
Total Public Support	<u>1,331,591</u>	<u>2,516,652</u>	<u>-</u>	<u>3,848,243</u>
<b>REVENUE AND INVESTMENT RETURNS</b>				
Program Service Fees	37,171,151	-	-	37,171,151
Government Grant Income	468,980	-	-	468,980
Rental and Other Income	476,364	-	-	476,364
Interest and Other Income	264,392	-	-	264,392
Mineral and Real Estate Properties, Net of Direct Expenses of \$104,994	2,602,850	43,668	-	2,646,518
Investment Income, Net of Investment Advisory fees of \$373,823	445,318	7,472	-	452,790
Net Realized and Unrealized Gains (Losses) on Investments	(1,002,326)	(13,990)	-	(1,016,316)
Realized Gain on Sale of Assets	171,640	-	-	171,640
Change in Value of Beneficial Interest in Trust Assets	310,171	-	-	310,171
Total Revenues and Investment Returns	<u>40,908,540</u>	<u>37,150</u>	<u>-</u>	<u>40,945,690</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Release of Program Restrictions	711,777	(711,777)	-	-
Release of Capital Expenditure Restrictions	1,875,000	(1,875,000)	-	-
Total Released from Restrictions	<u>2,586,777</u>	<u>(2,586,777)</u>	<u>-</u>	<u>-</u>
Total Public Support, Revenue and Investment Returns	<u>44,826,908</u>	<u>(32,975)</u>	<u>-</u>	<u>44,793,933</u>
<b>EXPENSES</b>				
Program Services	46,093,836	-	-	46,093,836
General and Administrative	3,503,800	-	-	3,503,800
Fundraising	1,207,860	-	-	1,207,860
Total Expenses	<u>50,805,496</u>	<u>-</u>	<u>-</u>	<u>50,805,496</u>
<b>CHANGE IN NET ASSETS</b>	(5,978,588)	(32,975)	-	(6,011,563)
Net Assets - Beginning of Year	<u>103,620,810</u>	<u>60,475</u>	<u>948,867</u>	<u>104,630,152</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 97,642,222</u>	<u>\$ 27,500</u>	<u>\$ 948,867</u>	<u>\$ 98,618,589</u>

See accompanying Notes to Combined Financial Statements.

## 2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 664,271	\$ 556,101	\$ -	\$ 1,220,372
-	600,000	-	600,000
43,200	-	-	43,200
255,399	-	-	255,399
<u>962,870</u>	<u>1,156,101</u>	<u>-</u>	<u>2,118,971</u>
10,727,726	-	-	10,727,726
330,299	-	-	330,299
477,352	-	-	477,352
1,226,002	-	-	1,226,002
1,968,395	35,123	-	2,003,518
506,852	9,044	-	515,896
1,133,139	20,219	-	1,153,358
3,342,759	59,647	-	3,402,406
<u>12,402,852</u>	<u>-</u>	<u>-</u>	<u>12,402,852</u>
<u>32,115,376</u>	<u>124,033</u>	<u>-</u>	<u>32,239,409</u>
619,659	(619,659)	-	-
600,000	(600,000)	-	-
<u>1,219,659</u>	<u>(1,219,659)</u>	<u>-</u>	<u>-</u>
<u>34,297,905</u>	<u>60,475</u>	<u>-</u>	<u>34,358,380</u>
17,665,141	-	-	17,665,141
3,233,733	-	-	3,233,733
570,071	-	-	570,071
<u>21,468,945</u>	<u>-</u>	<u>-</u>	<u>21,468,945</u>
12,828,960	60,475	-	12,889,435
90,791,850	-	948,867	91,740,717
<u>\$ 103,620,810</u>	<u>\$ 60,475</u>	<u>\$ 948,867</u>	<u>\$ 104,630,152</u>

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (6,011,563)	\$ 12,889,435
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized and Unrealized (Gain) Loss on Investments	1,016,316	(1,153,358)
Realized Gain on Sale of Real Estate Investments	(171,640)	(3,402,406)
Realized Gain on Sale of Property and Equipment	(1,005)	-
Noncash Change in Value of Beneficial Interest in Trust Assets	513,226	(10,069,157)
Bad Debt Expense	110,734	-
Depreciation Expense	903,412	930,907
Amortization Expense	12,460	46,307
In-Kind Contributions of Property and Equipment	(361,925)	-
(Increase) Decrease in Operating Assets:		
Grants Receivable	(2,515,695)	(1,953,034)
Accrued Interest Receivable	-	28,962
Other Receivables	206,510	(327,947)
Prepaid Expenses	95,500	(16,656)
Promises to Give	(786,421)	19,450
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	1,746,580	2,418,231
Contributions Restricted for Long-Term Purposes	(2,060,033)	(600,000)
Net Cash Used by Operating Activities	(7,303,544)	(1,189,266)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(5,401,659)	(607,871)
Proceeds from Sale of Equipment	60,294	4,107,374
Proceeds from Sale of Investments	12,914,906	27,216,660
Purchase of Investments	(11,601,805)	(30,627,259)
Net Cash Provided by Investing Activities	(4,028,264)	88,904
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Proceeds on Line of Credit	9,947,180	322,284
Principal Payments on Notes Payable	-	(2,923,227)
Decrease in Restricted Cash	79,168	89,037
Proceeds from Contributions Restricted for:		
Investment in Property and Equipment	2,060,033	600,000
Net Cash Provided (Used) by Financing Activities	12,086,381	(1,911,906)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	754,573	(3,012,268)
Cash and Cash Equivalents - Beginning of Year	1,321,636	4,333,905
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,076,209	\$ 1,321,636
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest Paid	\$ 268,823	\$ 232,579

See accompanying Notes to Combined Financial Statements.



**ACH CHILD AND FAMILY SERVICES AND AFFILIATES  
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			
	Program Services	General and Administrative	Fundraising	Total
<b>ACH Child and Family Services</b>				
Salaries and Wages	\$ 7,301,450	\$ 1,278,203	\$ 568,886	\$ 9,148,539
Payroll Taxes and Employee Benefits	1,811,442	362,292	140,011	2,313,745
Total Personnel Expense	9,112,892	1,640,495	708,897	11,462,284
Occupancy and Maintenance	905,129	282,278	22,755	1,210,162
Vehicles	75,817	42,653	1,570	120,040
Insurance and Taxes	130,165	52,088	3,562	185,815
Food, Clothing and Supplies	433,878	129,344	11,051	574,273
Medical	12,849	19	-	12,868
Youth Activities	41,655	919	4,171	46,745
Education	4,281	-	820	5,101
Family Assistance	15,790	708	-	16,498
Foster Care Expenses	1,765,582	-	-	1,765,582
Other Program and Training Expense	392,342	2,899	-	395,241
Development and Promotion	9,749	302	12,625	22,676
Outreach and Awareness	78,330	132,287	122,959	333,576
Contract Services	709,340	455,297	67,236	1,231,873
Audit and Legal Services	2,105	123,467	-	125,572
Staff Development and Travel	306,663	152,796	9,141	468,600
Board Development	-	15,880	-	15,880
Miscellaneous Expenses	246,381	16,487	2,654	265,522
Campaign Expenses	-	-	-	-
Project Fundraising	260,772	42,067	238,332	541,171
Interest Expense	-	97,179	-	97,179
Total Expenses Before Depreciation and pass through	14,503,720	3,187,165	1,205,773	18,896,658
Depreciation and Amortization	266,713	14,253	2,087	283,053
OCOK Provider Payments	30,798,248	-	-	30,798,248
Total Expenses - ACH	45,568,681	3,201,418	1,207,860	49,977,959
<b>All Church Home for Children Foundation</b>				
Legal and Professional Services	-	8,074	-	8,074
Total Expenses - Foundation	-	8,074	-	8,074
<b>ACH Landowner</b>				
Legal and professional services	-	15,000	-	15,000
Interest expense	-	171,644	-	171,644
Depreciation and amortization	525,155	107,664	-	632,819
Total Expenses - ACH Landowner	525,155	294,308	-	819,463
Total Expenses - Combined	\$ 46,093,836	\$ 3,503,800	\$ 1,207,860	\$ 50,805,496

See accompanying Notes to Combined Financial Statements.

2014

Program Services	General and Administrative	Fund Raising	Total
\$ 6,721,506	\$ 844,633	\$ 335,008	\$ 7,901,147
1,451,756	412,805	74,434	1,938,995
<u>8,173,262</u>	<u>1,257,438</u>	<u>409,442</u>	<u>9,840,142</u>
967,985	304,109	13,772	1,285,866
69,669	30,459	-	100,128
109,405	54,918	2,765	167,088
329,485	288,851	10,453	628,789
15,694	99	-	15,793
41,132	-	3,427	44,559
3,652	-	-	3,652
20,039	(40)	-	19,999
1,840,572	-	-	1,840,572
131,669	12,546	-	144,215
10,814	352	12,021	23,187
74,831	157,974	70,901	303,706
713,560	312,182	32,283	1,058,025
660	87,383	-	88,043
271,236	132,787	8,269	412,292
-	10,521	-	10,521
43,815	8,358	-	52,173
-	-	5,285	5,285
-	-	-	-
-	14,145	-	14,145
<u>12,817,480</u>	<u>2,672,082</u>	<u>568,618</u>	<u>16,058,180</u>
292,336	19,142	1,453	312,931
<u>4,044,837</u>	<u>-</u>	<u>-</u>	<u>4,044,837</u>
<u>17,154,653</u>	<u>2,691,224</u>	<u>570,071</u>	<u>20,415,948</u>
-	42,037	-	42,037
-	42,037	-	42,037
-	23,402	-	23,402
-	104,841	-	104,841
-	218,434	-	218,434
510,488	153,795	-	664,283
<u>510,488</u>	<u>500,472</u>	<u>-</u>	<u>1,010,960</u>
<u>\$ 17,665,141</u>	<u>\$ 3,233,733</u>	<u>\$ 570,071</u>	<u>\$ 21,468,945</u>

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 ORGANIZATION AND OPERATIONS**

ACH Child and Family Services (ACH) was established in 1915 by the Women's Federation of Churches to receive and manage donations of cash and property, and to distribute resources exclusively for the purpose of caring for dependent and neglected children. ACH is a Texas not-for-profit corporation dedicated to the prevention, intervention and treatment of child abuse, neglect and family separation.

The All Church Home for Children Foundation is a Texas not-for-profit corporation, organized to hold, manage, solicit, receive, administer and invest assets for the exclusive use, benefit and support of ACH Child and Family Services (ACH) in a manner that is responsive to the needs and demands of ACH. ACH Foundation is a Texas not-for-profit corporation dedicated to the prevention, intervention and treatment of child abuse, neglect and family separation.

ACH Landowner is a Texas not-for-profit corporation, organized to support its sole member, ACH Child and Family Services (ACH) by providing financial and other resources to assist ACH in achieving the fulfillment of its mission. Specifically, ACH Landowner will hold, develop and lease certain real property to ACH to be used for administration and programs.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of ACH is presented to assist in understanding ACH's combined financial statements. The combined financial statements and notes are representations of ACH's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the combined financial statements.

**Combined Financial Statements**

The accompanying combined financial statements include the accounts of ACH Child and Family Services, All Church Home for Children Foundation and ACH Landowner (collectively, ACH), since they are financially interrelated organizations. Significant intercompany transactions and balances have been eliminated in the combination.

**Financial Statement Presentation**

ACH presents the combined financial statements in accordance with U.S. GAAP. As such, ACH 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. The fund groups are reported in the three classes of net assets as follows:

**Unrestricted Net Assets**

These funds have no external restrictions and can be used for any purpose designated by the Board.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Temporarily Restricted Net Assets**

These funds generally represent funds for which the donor has limited the use of the funds by stipulating how or when the funds are to be used. The restrictions are satisfied either by passage of time or by actions of ACH.

**Permanently Restricted Net Assets**

These are funds that have been restricted by the donor and cannot be satisfied by the passage of time or by actions of ACH.

**Use of Estimates**

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

ACH considers only cash in banks and cash on hand as cash and cash equivalents. These cash equivalents are financial instruments that potentially subject ACH to concentrations of credit risk. ACH places its cash with high credit-quality financial institutions and periodically maintains deposits in amounts that exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

**Grants, Program Service Fees, and Accounts Receivable**

ACH's receivables consist principally of program service fees and grants from governmental agencies. ACH utilizes the allowance method for recognition of bad debts. Based on management's assessment of the credit history of grantors, an allowance for doubtful accounts of \$100,000 was deemed necessary as of December 31, 2015 and 2014. Bad debt expense was \$110,734 and \$-0- for the years ended December 31, 2015 and 2014, respectively.

**Contributions Received and Promises to Give**

Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Unconditional commitments which have been promised, but not yet received, are recorded as promises to give in the Combined Statement of Financial Position.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities as net assets released from restrictions.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Expenditures for property and equipment in excess of \$2,500 and having a useful life of one year or more are capitalized and recorded on ACH's books at cost. Donations of significant property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, ACH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ACH reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

Depreciation of property and equipment is computed on the straight-line basis over their estimated useful lives. The estimated useful lives range from five to thirty years. Depreciation expense for 2015 and 2014 amounted to \$903,412 and \$930,907, respectively.

**Impairment of Long-Lived Assets**

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

**Income Taxes**

ACH is organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. This section exempts ACH from taxes on income. Accordingly, no provision for income taxes has been made in the combined financial statements. The Internal Revenue Service had previously classified ACH as a private foundation; however, ACH was approved for public charity status beginning in year 2011 and is under a 60 month public support testing period. The All Church Home for Children Foundation and ACH Landowner are classified as public charities. Taxes are paid on net income earned from sources unrelated to the exempt purposes. Net income from unrelated business for the years ended December 31, 2015 and 2014 was estimated at approximately \$50,000 and \$58,000, respectively. Unrelated business income taxes of \$7,000 are accrued in the financials and included in functional expenses under "Insurance and Taxes." Tax returns are open for audit by these authorities for three years from the due date of the return of the date actually filed.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of Credit Risk**

Financial instruments which potentially subject ACH to concentrations of credit risk consist primarily of receivables from program services and amounts deposited in banks in excess of the Federal Deposit Insurance Corporation's insured limit.

Approximately 95% of total grant and other receivables is due from one government agency, of which 67% is due under on specific grant as of December 31, 2015.

Two donor commitments comprised 80% of the total balance of promises to give as of December 31, 2015.

ACH currently invests in a variety of fixed income, equities, open and closed-end mutual funds and investment holding companies. Management believes diversity within the portfolio avoids significant concentration of credit risk with respect to these investments.

**Investments and Fair Value**

ACH follows FASB ASC No. 958-320. Under this section, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Combined Statement of Financial Position. Investments in non-publicly traded investment entities are recorded at fair value based on independent audits of these investment entities and their underlying investment securities. Investment income includes interest and dividends, net of investment expenses and is included in the Combined Statement of Activities as increases in unrestricted net assets, unless the donor or law restricts the income or loss. Unrealized gains and losses are included in the change in net assets.

FASB ASC No. 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of other observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.) and Level 3 inputs have the lowest priority. ACH uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, ACH measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 2 inputs are obtained on debt securities held which are not traded on a daily basis, and Level 3 inputs are used in determining the value of the investment partnership/hedge funds and the mineral interests and real estate owned by ACH that are not actively traded and significant other observable inputs are not available. Thus, the fair value of the mineral interests and real estate is equal to the lower of cost or estimated fair value of accumulated cost recovery. Investments in partnerships/hedge funds are carried at the audited net asset value of the investment.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Mineral Interests and Real Estate**

ACH's investments in real estate and mineral interests were acquired primarily by contribution and recorded at the estimated fair market value (cost) at the date of receipt. Market value is calculated by discounting future cash flows from estimated production and expected future market prices for the related minerals. These investments are carried at the lower of amortized cost or market value. Accordingly, the mineral interests have been amortized on the basis of cost recovery.

**Loan Origination Fees**

Loan origination fees are being amortized over the term of the loan using the straight-line method and are carried at cost, less accumulated amortization. Amortization expenses for December 31, 2015 and 2014 amounted to \$12,460 and \$46,307, respectively.

**Donated Goods Services**

From time to time, ACH will receive donated goods, property, or other assets. These assets are recorded in the Combined Statement of Financial Position at their estimated fair value at the time of the gift. Revenue from such gifts is recognized as contributions in the Combined Statement of Activities for the value of the asset. Gifts of property and equipment received during the years ended December 31, 2015 and 2014 totaled \$361,925 and \$0, respectively.

No amounts have been reflected in the combined financial statements for donated services since the services did not meet the criteria for recognition. However, a number of volunteers donate significant amounts of their time to ACH.

**Functional Allocation of Expenses**

The costs of providing program, fund-raising and supporting services have been summarized on a functional basis in the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

**Recently Issued Accounting Pronouncements**

ACH has determined that there have been no recently issued or adopted accounting standards that will have or had a material impact on its combined financial statements.

**NOTE 3 RESTRICTED CASH**

Restricted cash consists of funds held in trust by the Bank of America/U. S. Trust for ACH to use for construction and improvements to certain real property to be used in future operations. The cash balance of \$304,550 and \$383,718 as of December 31, 2015 and 2014, respectively, is held by Bank of America/U. S. Trust in accordance with certain debt instruments reflected in Note 10 to the combined financial statements.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
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**NOTE 4 PROMISES TO GIVE**

ACH recognizes unconditional promises to give as support in the period the promise to give is made and reports them as contributions in the statement of activities. Promises to give at December 31 are expected to be received as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 562,336
2017	250,000
Total	<u>\$ 812,336</u>

**NOTE 5 INVESTMENTS**

**Publicly Traded/Listed Securities**

Investments in publicly traded debt and equity securities as well as open and closed-end listed mutual funds are carried at fair market value and are comprised of the following as of December 31:

**December 31, 2015**

<u>Investment Description</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
Short-Term Investment Funds	\$ 1,873,976	\$ 1,873,976	\$ -
Fixed Income Mutual Funds-Domestic	6,174,316	6,494,899	(320,583)
Fixed Income Mutual funds-International	1,487,025	1,762,888	(275,863)
Equity Mutual Funds-Domestic	6,068,263	4,997,318	1,070,945
Equity Mutual Funds-International	11,330,741	12,038,280	(707,539)
Stocks-Domestic	8,243,571	7,350,352	893,219
Total Publicly Traded/Listed Securities	<u>\$ 35,177,892</u>	<u>\$ 34,517,713</u>	<u>\$ 660,179</u>

**December 31, 2014**

<u>Investment Description</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
Short-Term Investment Funds	\$ 2,268,525	\$ 2,268,525	\$ -
Fixed Income Mutual Funds-Domestic	6,658,536	6,696,881	(38,345)
Fixed Income Mutual funds-International	1,601,558	1,771,269	(169,711)
Equity Mutual Funds-Domestic	5,987,887	4,672,156	1,315,731
Equity Mutual Funds-International	11,234,840	11,354,418	(119,578)
Stocks-Domestic	8,230,730	7,274,550	956,180
Absolute Return Mutual Funds	2,042,554	2,273,071	(230,517)
Total Publicly Traded/Listed Securities	<u>\$ 38,024,630</u>	<u>\$ 36,310,870</u>	<u>\$ 1,713,760</u>



**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 5 INVESTMENTS (CONTINUED)**

**Nonpublicly Traded Securities**

Investments in non-publicly traded investment holding company entities are carried at fair value which is based on an independent audit of the entities and their underlying investment securities. Following are these non-publicly traded investments as of December 31:

**December 31, 2015**

Hedge Fund Description		Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
BA Cayman Fund Ltd.	(a)	\$ 179,392	\$ -	\$ 179,392
Blackstone Tactical Opportunities Fund	(d)	1,685,164	1,669,706	15,458
Golden Tree Offshore Fund, Ltd.	(b)	2,250,772	1,654,738	596,034
Pointer Offshore Ltd.	(c)	3,593,091	2,500,000	1,093,091
Skybridge Multi-Advisor Hedge Fund	(a)	3,304,479	3,161,005	143,474
The Weatherflow Offshore Fund	(a)	2,252,606	1,809,142	443,464
Third Point Offshore Fund	(e)	2,383,351	1,528,515	854,836
Canyon Value Realization Fund	(h)	1,142,723	1,175,000	(32,277)
HPC Millennium Int'l Ltd.	(g)	1,584,566	1,500,000	84,566
Total Non-Publicly Traded Securities		<u>\$ 18,376,144</u>	<u>\$ 14,998,106</u>	<u>\$ 3,378,038</u>

**December 31, 2014**

Hedge Fund Description		Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
BA Cayman Fund Ltd.	(a)	\$ 514,022	\$ -	\$ 514,022
Blackstone Tactical Opportunities Fund	(d)	1,262,409	1,331,120	(68,711)
Golden Tree Offshore Fund, Ltd.	(b)	2,168,785	1,654,738	514,047
Pointer Offshore Ltd.	(c)	3,867,965	3,000,000	867,965
Skybridge Multi-Advisor Hedge Fund	(a)	3,504,924	2,933,780	571,144
The Weatherflow Offshore Fund	(a)	2,223,595	1,809,142	414,453
Third Point Offshore Fund	(e)	2,441,399	1,528,515	912,884
Litespeed Offshore Fund, Ltd.	(f)	1,304,083	1,500,000	(195,917)
HPC Millennium Int'l Ltd.	(g)	400,000	400,000	-
Total Non-Publicly Traded Securities		<u>\$ 17,687,182</u>	<u>\$ 14,157,295</u>	<u>\$ 3,529,887</u>

- (a) These funds have no lock-up restrictions, nor any liquidity restrictions greater than 65 days, if any. Unfunded capital commitments totaled \$100,000.
- (b) It has a 12 month initial lockup (purchased during 2012) and quarterly liquidity with a 90 day notice.
- (c) It has a 24 month initial lockup (purchased during 2012) and annual liquidity with notice by September 15<sup>th</sup>.
- (d) It has a 36 month initial lockup (purchased during 2013). Unfunded capital commitments totaled \$450,585.
- (e) The lock up restriction has expired and quarterly liquidity with a 65 day notice.
- (f) Annual liquidity on the final day of calendar quarter after purchase with 45 day notice
- (g) Quarterly withdrawals with 95 day notice. Withdrawals are limited to 25% of partners' capital.
- (h) Quarterly withdrawals with notice being required to be given by the 20<sup>th</sup> calendar day of the first month of the applicable fiscal quarter. Withdrawals are limited to 25% of partners' capital.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 5 INVESTMENTS (CONTINUED)**

**Fair Value Hierarchy Measurements**

The above investments were classified as follows at December 31:

	2015 Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Short-Term Investment Funds	\$ 1,873,976	\$ -	\$ -	\$ 1,873,976
Fixed Income Mutual Funds-Domestic	6,174,316	-	-	6,174,316
Fixed Income Mutual Funds-International	1,487,025	-	-	1,487,025
Equity Mutual Funds-Domestic	6,068,263	-	-	6,068,263
Equity Mutual Funds-International	11,330,741	-	-	11,330,741
Stocks-Domestic	8,243,571	-	-	8,243,571
Nonpublicly Traded Hedge Funds	-	-	18,376,144	18,376,144
Totals	<u>\$ 35,177,892</u>	<u>\$ -</u>	<u>\$ 18,376,144</u>	<u>\$ 53,554,036</u>

  

	2014 Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Short-Term Investment Funds	\$ 2,268,525	\$ -	\$ -	\$ 2,268,525
Fixed Income Mutual Funds-Domestic	6,658,536	-	-	6,658,536
Fixed Income Mutual Funds-International	1,601,558	-	-	1,601,558
Equity Mutual Funds-Domestic	5,987,887	-	-	5,987,887
Equity Mutual Funds-International	11,234,840	-	-	11,234,840
Stocks-Domestic	8,230,730	-	-	8,230,730
Absolute Return Mutual Funds	2,042,554	-	-	2,042,554
Nonpublicly Traded Hedge Funds	-	-	17,687,182	17,687,182
Totals	<u>\$ 38,024,630</u>	<u>\$ -</u>	<u>\$ 17,687,182</u>	<u>\$ 55,711,812</u>

Transfers between Levels 1 and 2 generally related to whether a market becomes active or inactive. Transfers between Level 2 and 3 generally relate to a change in the liquidity restrictions of the private investment companies. The Partnerships in which ACH invests generally use the capital balance or net asset value of underlying funds as a primary significant unobservable input in their valuations; however, adjustments to the reported capital balance may be made on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, any restrictions or illiquidity of such interest, any potential clawbacks by the Investment Partnership, changes in the investment funds' lock-up periods, and the fair value of the underlying investment portfolio or other assets and liabilities.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE 5 INVESTMENTS (CONTINUED)**

A reconciliation of the change in the fair values of Level 3 investments is as follows:

	Changes in Level 3 Fair Values
Beginning Balance, December 31, 2014	\$ 17,687,182
Gains and Losses, Realized	(9,463)
Gains and Losses, Unrealized	(608,560)
Purchases	2,502,226
Capital Contributions	328,992
Sales	(1,123,959)
Distributions of Capital and Reinvested Earnings	(381,049)
Other Income and Loss, Net of Fees	(19,225)
Transfers into Level 3	-
Transfers out of Level 3	-
Ending Balance, December 31, 2015	<u>\$ 18,376,144</u>

**Mineral Interests and Real Estate**

Investments in mineral interests (fully depleted for cost purposes) and real estate are carried at the lower of cost or estimated fair value. As of December 31, 2015 and 2014, estimated fair value was \$12,773,359 and \$3,330,155 per the bank trustee and cost was \$22,882,006 and \$1,676,305, respectively. Therefore, the balance reflected on the combined statement of financial condition is \$22,882,006 and \$1,676,305 since historical cost is considered a stronger indicator of fair value due to availability of fair value information and discrepancies in bank trustee calculations due to the timing of transfers of mineral rights between bank trustees. During the years ended December 31, 2015 and 2014, there were no purchases of mineral interests or real estate.

**Investment Returns**

The following schedules summarize the investment returns, on all investments, for the years ended December 31:

	2015	2014
Dividends and Interest	826,613	901,751
Less: Investment Advisory and Bank Fees	(373,823)	(385,855)
Net Investment Income	<u>\$ 452,790</u>	<u>\$ 515,896</u>
Net Realized Gains on Investment Securities	(1,232,096)	2,826,469
Net Realized Gains on Sale of other Assets Held for Investment	171,640	3,402,406
Net Unrealized Losses on Investment Securities	215,767	(1,673,111)
Net Realized and Unrealized Gains on Investments	<u>\$ (844,689)</u>	<u>\$ 4,555,764</u>
Mineral Income	2,757,748	\$ 2,063,662
Real Estate Income	40,087	44,851
Less: Mineral Expense	(144,295)	(80,689)
Less: Real Estate Expense	(7,022)	(24,306)
Net Mineral and Real Estate Income	<u>\$ 2,646,518</u>	<u>\$ 2,003,518</u>

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 6 BENEFICIAL INTEREST IN TRUST**

ACH has a 50% beneficial interest in a trust. ACH's share of the net assets of the Trust is reflected at estimated fair value. The composition of ACH's share of the net assets of the Trust as of December 31, 2015 and 2014 is as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
<b>December 31, 2015</b>				
Short-Term Investment Funds	\$ 530,906	\$ -	\$ -	\$ 530,906
Fixed Income Securities	-	877,310	-	877,310
Equity Securities	6,277,227	-	1,095,389	7,372,616
Real Estate and Mineral Interests	-	-	855,242	855,242
Totals	<u>\$ 6,808,133</u>	<u>\$ 877,310</u>	<u>\$ 1,950,631</u>	<u>\$ 9,636,074</u>
<b>December 31, 2014</b>				
Short-Term Investment Funds	\$ 661,326	\$ -	\$ -	\$ 661,326
Fixed Income Securities	-	899,372	-	899,372
Equity Securities	6,162,082	-	1,297,506	7,459,588
Real Estate and Mineral Interests	-	-	22,314,715	22,314,715
Totals	<u>\$ 6,823,408</u>	<u>\$ 899,372</u>	<u>\$ 23,612,221</u>	<u>\$ 31,335,001</u>

A reconciliation of the change in the fair values of Level 3 investments is as follows:

	Changes in Level 3
	Fair Values
Beginning Balance, December 31, 2014	\$ 23,612,221
Gains and Losses, Realized	-
Gains and Losses, Unrealized	(438,709)
Purchases and Capital Contributions	-
Sales and Distributions of Capital and Reinvested Earnings	(21,222,881)
Transfers into Level 3	-
Transfers out of Level 3	-
Ending Balance, December 31, 2015	<u>\$ 1,950,631</u>

ACH received cash distributions of \$806,215 and \$2,333,695 and recognized an unrealized increase in the value of the trust of \$310,171 and \$12,402,852 during the years ended December 31, 2015 and 2014 resulting in a net increase (decrease) in value of beneficial interest in trust assets of \$(496,044) and \$10,069,157.

During the final quarter of 2014, the Stonestreet Trust elected to distribute all of the underlying mineral rights of the Trust to its two beneficiaries. Accordingly, ACH received 50% of the minerals holdings and related income streams directly from the Trust into its own custodianship during 2015 after applicable transfers of title and changes in purchasers of record were completed. Such minerals were recorded at their fair value as of the date of transfer of \$21,222,881, and are presented in the Combined Statement of Financial Position in Mineral Interests and Real Estate.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE 7 NOTE RECEIVABLE**

At December 31, 2014, ACH has a note receivable from BOA Investment Fund III, LLC in the amount of \$9,070,750 with interest payable annually at 1%. Principal and interest payments of the note are to commence in June 2018 with final payment due June 2047. The note is unsecured. This note receivable originated with the issuance of certain debt instruments reflected in Note 10 to the combined financial statements. However, there is not a right of offset with these debt instruments.

**NOTE 8 PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following as of December 31:

	2015	2014
Land	\$ 3,573,594	\$ 2,898,277
Buildings and Improvements	26,483,851	21,712,013
Furniture, Fixtures and Equipment	2,146,631	2,054,002
Automobiles	595,931	511,967
Construction in Progress	205,466	124,919
Total Property and Equipment	33,005,473	27,301,178
Less: Accumulated Depreciation	(8,247,239)	(7,343,827)
Net Property and Equipment	\$ 24,758,234	\$ 19,957,351

**NOTE 9 LINES OF CREDIT**

ACH maintains a line of credit with a financial institution which has a maximum amount of \$17,000,000 and an open-ended maturity. Interest is payable monthly at the LIBOR rate plus one and one-half percent. The base rate at December 31, 2015 was 0.1635%. The line of credit is currently secured by ten of ACH's sub-investment accounts with a fair value at December 31, 2015 of \$20,009,226 (the financial institution calculates a borrowing base of 70% to 100% on this amount based upon the type of underlying investments). There was \$11,900,782 and \$1,953,602 outstanding on the line of credit as of December 31, 2015 and 2014, respectively.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES  
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**NOTE 10 NOTES PAYABLE**

ACH, specifically ACH Landowner, was obligated on the following notes payable as of December 31:

<u>Payable to and Terms:</u>	<u>2015</u>	<u>2014</u>
Bank of America CDE III, interest accrued monthly, paid annually, at 1.00% until June 4, 2018, then principal and interest is due annually until maturity at June 4, 2047.	\$ 9,070,750	\$ 9,070,750
Bank of America CDE III, interest accrued monthly, paid annually, at 2.00% until June 1, 2018, then principal and interest is due annually until maturity at June 4, 2047.	<u>3,929,250</u>	<u>3,929,250</u>
Total Notes Payable	<u>\$ 13,000,000</u>	<u>\$ 13,000,000</u>

All of the above notes are secured by the deed of trust on the Wichita property.

The above notes payable may be paid off early in the year 2017 at a discount of \$3,889,957 to the principal balance above. During the year ended December 31, 2014, ACH paid off three ESCI New Markets Partners, LP notes payable early at a discount of \$793,559 as allowed in the respective note agreements.

**NOTE 11 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were restricted for the following purposes as of December 31, 2015 and 2014:

<u>Restricted Purpose</u>	<u>2015</u>	<u>2014</u>
Christmas	\$ -	\$ 475
Morris Home	-	60,000
Capital campaign - basketball court	20,000	-
LIFE Project	<u>7,500</u>	<u>-</u>
Total	<u>\$ 27,500</u>	<u>\$ 60,475</u>

**NOTE 12 PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT FUNDS**

The Board of Directors of ACH has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE 12 PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT FUNDS (CONTINUED)**

As a result of this interpretation, ACH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument as the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ACH in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, ACH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of ACH and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of ACH.
- 7) The investment policies of ACH.

Permanently restricted net assets are restricted to investments in perpetuity.

**Board-Designated Endowments**

The Board of Directors had designated \$54,649,097 of unrestricted net assets as a general endowment to support the mission of ACH. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

**Donor-Designated Endowments**

ACH's endowment consists of three funds totaling \$948,867 established to assist in funding residential activities.

**Return Objectives and Risk Parameters**

ACH has a spending policy of appropriating for distribution each year 5% of the rolling average of the previous three audited calendar years' investment corpus. In establishing this policy, ACH considered the long-term expected investment return on its endowment. Accordingly, over the long-term, ACH expects the current spending policy to allow its general endowment fund to grow at an average of 4% annually. This is consistent with ACH's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**Strategies Employed for Achieving Objectives**

To achieve that objective, ACH has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible.

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE 12 PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT FUNDS (CONTINUED)**

Accordingly, ACH expects its endowment assets, over time, to produce an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended December 31 were as follows:

	2015		
	Board Designated	Donor Designated	Total
Endowment Net Assets - Beginning of Year	\$ 56,610,312	\$ 948,867	\$ 57,559,179
Contributions	-	-	-
Investment Income, Net of Fees	445,318	7,472	452,790
Mineral and Real Estate Properties, Net of Expenses	2,602,850	43,668	2,646,518
Net Realized and Unrealized Losses on Investments	(830,699)	(13,990)	(844,689)
Legal Expenses on Real Estate	(7,941)	(133)	(8,074)
Amounts Transferred for Expenditure	(4,170,743)	(37,017)	(4,207,760)
Endowment Net Assets, End of Year	<u>\$ 54,649,097</u>	<u>\$ 948,867</u>	<u>\$ 55,597,964</u>
	2014		
	Board Designated	Donor Designated	Total
Endowment Net Assets - Beginning of Year	\$ 53,177,171	\$ 948,867	\$ 54,126,038
Contributions	-	-	-
Gain on Sale of Mineral Interests and Real Estate	3,342,759	59,647	3,402,406
Investment Income, Net of Fees	506,852	9,044	515,896
Mineral and Real Estate Properties, Net of Expenses	1,968,395	35,123	2,003,518
Net Realized and Unrealized Gains on Investments	1,133,139	20,219	1,153,358
Legal Expenses on Real Estate	(41,287)	(750)	(42,037)
Amounts Transferred for Expenditure	(3,476,717)	(123,283)	(3,600,000)
Endowment Net Assets, End of Year	<u>\$ 56,610,312</u>	<u>\$ 948,867</u>	<u>\$ 57,559,179</u>

**NOTE 13 EMPLOYEE BENEFIT PLAN**

ACH sponsors a 401(k) plan for all qualified employees. ACH matches employee contributions at a rate of \$1.00 for each employee dollar up to 3% of the employee's salary and then an additional \$0.50 for each employee dollar up to an additional 2% of the employee's salary. Employer contributions to the Plan amounted to \$154,254 and \$138,200 during the years ended December 31, 2015 and 2014, respectively.

**NOTE 14 SUBSEQUENT EVENTS**

Subsequent to year end, ACH sold one of its older buildings at a substantial gain. The building was nearly fully depreciated with a land cost value of approximately \$500,000.

Subsequent to year-end, a petition was filed with the court to modify certain terms of one of ACH's beneficial interest trust agreements. The petition included requests to modify the number of trustees and distribution percentages.

ACH has evaluated subsequent events through August 31, 2016, which is the date that combined financial statements were available to be issued.





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**INDEPENDENT AUDITORS' REPORT  
ON COMBINING INFORMATION**

The Board of Directors  
ACH Child and Family Services and Affiliates  
Fort Worth, Texas

We have audited the combined financial statements of ACH Child and Family Services and Affiliates (ACH) as of and for the year ended December 31, 2015 and have issued our report thereon date August 31, 2016, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position and combining statement of activities are presented for the purpose of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
August 31, 2016

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

<b>ASSETS</b>	ACH Child and Family Services	All Church Home for Children Foundation	ACH Landowner	Eliminations	Total
Cash and Cash Equivalents	\$ 1,464,244	\$ 506,251	\$ 105,714	\$ -	\$ 2,076,209
Restricted Cash	-	-	304,550	-	304,550
Grants Receivable, Net of Allowance for Doubtful					
Accounts of \$100,000	5,054,082	-	-	-	5,054,082
Accrued Interest Receivable	52,188	-	-	-	52,188
Other Receivables	23,787,928	-	-	(23,648,273)	139,655
Prepaid Expenses	169,898	-	-	-	169,898
Promises to Give	812,336	-	-	-	812,336
Investments - Publicly Traded/Listed Securities	-	35,177,892	-	-	35,177,892
Investments - Nonpublicly Traded	-	18,376,144	-	-	18,376,144
Mineral Interest and Real Estate	-	22,882,006	-	-	22,882,006
Economic Interests in Affiliates	56,480,350	-	-	(56,480,350)	-
Beneficial Interest in Trust	9,636,074	-	-	-	9,636,074
Loan Origination Fees, Net	-	-	30,113	-	30,113
Note Receivable	9,070,750	-	-	-	9,070,750
Property and Equipment, Net	8,553,746	-	16,204,488	-	24,758,234
<b>Total Assets</b>	<b>\$ 115,081,596</b>	<b>\$ 76,942,293</b>	<b>\$ 16,644,865</b>	<b>\$ (80,128,623)</b>	<b>\$ 128,540,131</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	\$ 4,562,225	\$ 21,344,329	\$ 2,762,479	\$ (23,648,273)	\$ 5,020,760
Lines of Credit	11,900,782	-	-	-	11,900,782
Notes Payable	-	-	13,000,000	-	13,000,000
<b>Total Liabilities</b>	<b>16,463,007</b>	<b>21,344,329</b>	<b>15,762,479</b>	<b>(23,648,273)</b>	<b>29,921,542</b>
<b>NET ASSETS</b>					
Unrestricted:					
Undesignated	42,993,125	-	882,386	(882,386)	42,993,125
Board Designated Operating Reserve	-	-	-	-	-
Board Designated Endowment	54,649,097	54,649,097	-	(54,649,097)	54,649,097
	97,642,222	54,649,097	882,386	(55,531,483)	97,642,222
Temporarily Restricted	27,500	-	-	-	27,500
Permanently Restricted	948,867	948,867	-	(948,867)	948,867
<b>Total Net Assets</b>	<b>98,618,589</b>	<b>55,597,964</b>	<b>882,386</b>	<b>(56,480,350)</b>	<b>98,618,589</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 115,081,596</b>	<b>\$ 76,942,293</b>	<b>\$ 16,644,865</b>	<b>\$ (80,128,623)</b>	<b>\$ 128,540,131</b>

**ACH CHILD AND FAMILY SERVICES AND AFFILIATES  
COMBINING STATEMENT OF ACTIVITIES  
DECEMBER 31, 2015**

	ACH Child and Family Services	All Church Home for Children Foundation	ACH Landowner	Eliminations	Total
<b>PUBLIC SUPPORT</b>					
Contributions	\$ 1,480,721	\$ -	\$ -	\$ -	\$ 1,480,721
Capital Campaign Contributions	2,060,033	-	-	-	2,060,033
Estates and Trusts	43,200	-	-	-	43,200
Special Events, Net of Direct Costs of \$82,216	264,289	-	-	-	264,289
Total Public Support	<u>3,848,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,848,243</u>
<b>REVENUE AND INVESTMENT RETURNS</b>					
Program Service Fee	37,171,151	-	-	-	37,171,151
Government Grant Income	468,980	-	-	-	468,980
Rental and Other Income	476,364	-	185,000	(185,000)	476,364
interest and other Income	263,883	-	509	-	264,392
Net Income from Affiliates	1,612,591	-	-	(1,612,591)	-
Mineral and Real Estate Properties, Net of Real Direct Expenses of \$104,994	-	2,646,518	-	-	2,646,518
Investment Income, Net of Investment Advisory fees of \$385,855	-	452,790	-	-	452,790
Net Realized and Unrealized Gains on Investments	13	(1,016,329)	-	-	(1,016,316)
Realized Gain on Sale of Real Estate	-	171,640	-	-	171,640
Changes in Value of Beneficial Interest in Trust Assets	310,171	-	-	-	310,171
Total Revenue and Investment Returns	<u>40,303,153</u>	<u>2,254,619</u>	<u>185,509</u>	<u>(1,797,591)</u>	<u>40,945,690</u>
Total Public Support, Revenue and Investment Returns	<u>44,151,396</u>	<u>2,254,619</u>	<u>185,509</u>	<u>(1,797,591)</u>	<u>44,793,933</u>
<b>EXPENSES</b>					
Program Services	45,753,681	-	525,155	(185,000)	46,093,836
General and Administrative	3,201,418	8,074	294,308	-	3,503,800
Fundraising	1,207,860	-	-	-	1,207,860
Total Expenses	<u>50,162,959</u>	<u>8,074</u>	<u>819,463</u>	<u>(185,000)</u>	<u>50,805,496</u>
<b>CHANGE IN NET ASSETS</b>	(6,011,563)	2,246,545	(633,954)	(1,612,591)	(6,011,563)
Net Assets - Beginning of Year	104,630,152	57,559,179	1,516,340	(59,075,519)	104,630,152
Distributions Between ACH and Affiliates	-	(4,207,760)	-	4,207,760	-
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 98,618,589</u>	<u>\$ 55,597,964</u>	<u>\$ 882,386</u>	<u>\$ (56,480,350)</u>	<u>\$ 98,618,589</u>