ACH CHILD AND FAMILY SERVICES AND AFFILIATES

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 auditors' 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, 2017 and 2016, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is 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 the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of ACH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ACH Child and Family Services and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACH's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
September 20, 2018

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 4,357,873	$ 2,202,446
Restricted Cash	2,342,142	215,082
Cash Restricted for Capital Improvements	20,000	1,170,000
Grants and Program Receivable, Net of Allowance for Doubtful Accounts of $285,813 and $160,212, respectively	9,375,558	7,296,855
Accrued Interest Receivable	-	52,188
Other Receivables	32,500	196,436
Due From Investment Custodian	-	2,950,000
Prepaid Expenses	179,459	133,695
Promises to Give, Net of Discount $84,009 and $102,322, Respectively	894,491	1,281,964
Investments - Publicly Traded/Listed Securities	47,806,936	35,731,203
Investments - Nonpublicly Traded	17,171,227	15,544,842
Mineral Interests and Real Estate, Net	19,993,619	22,387,326
Beneficial Interest in Trust	10,937,144	9,729,095
Note Receivable	9,771,940	9,070,750
Property and Equipment, Net	29,999,737	25,144,924
Total Assets	$ 152,882,626	$ 133,106,806
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 7,496,779	$ 5,061,285
Line of Credit	4,813,652	2,450,124
Notes Payable	13,940,000	13,000,000
Debt Issuance Costs, Unamortized Portion	(560,462)	(7,120)
Total Liabilities	25,689,969	20,504,289
NET ASSETS		
Unrestricted:		
Undesignated	39,485,448	33,152,862
Board Designated Endowment	84,288,079	76,110,297
	123,773,527	109,263,159
Temporarily Restricted	2,470,263	2,390,491
Permanently Restricted	948,867	948,867
Total Net Assets	127,192,657	112,602,517
Total Liabilities and Net Assets	$ 152,882,626	$ 133,106,806

See accompanying Notes to Combined Financial Statements.

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT				
Contributions	$ 1,187,053	$ 2,777,914	$ -	$ 3,964,967
Capital Campaign Contributions	-	1,168,313	-	1,168,313
Estates and Trusts	125,000	-	-	125,000
Special Events, Net of Direct Costs of $125,035 and $72,373 Respectively	194,030	-	-	194,030
Total Public Support	1,506,083	3,946,227	-	5,452,310
REVENUE AND INVESTMENT RETURNS				
Program Service Fees	52,850,636	-	-	52,850,636
Government Grant Income	450,095	-	-	450,095
Rental and Other Income	377,158	-	-	377,158
Interest and Other Income	197,073	-	-	197,073
Mineral and Real Estate Properties, Net	3,853,108	47,504	-	3,900,612
Investment Income, Net	345,541	4,308	-	349,849
Realized and Unrealized Gains(Losses) on Investments, Net	7,040,604	112,546	-	7,153,150
Realized Gain on Sale of Assets	2,002,445	-	-	2,002,445
Gain on Forgiveness of Debt	3,889,957	-	-	3,889,957
Realized Gain(Loss) on Disposition, Net	26,577	-	-	26,577
Forgiveness of Receivable Due From BOA Investment Fund III - See Note 8	(9,157,108)	-	-	(9,157,108)
Forgiveness of Payable Due To BOA CDE 3 - See Note 12	9,157,108	-	-	9,157,108
Change in Value of Beneficial Interest in Trust Assets	1,652,976	-	-	1,652,976
Total Revenues and Investment Returns	72,686,170	164,358	-	72,850,528
NET ASSETS RELEASED FROM RESTRICTIONS				
Release of Program Restrictions	612,500	(612,500)	-	-
Release of Capital Expenditure Restrictions	3,418,313	(3,418,313)	-	-
Total Released from Restrictions	4,030,813	(4,030,813)	-	-
Total Public Support, Revenue and Investment Returns	78,223,066	79,772	-	78,302,838
EXPENSES				
Program Services	58,117,110	-	-	58,117,110
General and Administrative	4,124,843	-	-	4,124,843
Fundraising	1,470,745	-	-	1,470,745
Total Expenses	63,712,698	-	-	63,712,698
CHANGE IN NET ASSETS	14,510,368	79,772	-	14,590,140
Net Assets - Beginning of Year	109,263,159	2,390,491	948,867	112,602,517
NET ASSETS - END OF YEAR	$ 123,773,527	$ 2,470,263	$ 948,867	$ 127,192,657

See accompanying Notes to Combined Financial Statements.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 653,068	$ 347,828	$ -	$ 1,000,896
-	4,735,000	-	4,735,000
125,000	-	-	125,000
172,401	-	-	172,401
950,469	5,082,828	-	6,033,297
47,650,946	-	-	47,650,946
398,382	-	-	398,382
384,899	-	-	384,899
627,402	-	-	627,402
3,413,061	59,261	-	3,472,322
558,983	9,706	-	568,689
1,238,308	21,501	-	1,259,809
10,486,155	-	-	10,486,155
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
501,149	-	-	501,149
65,259,285	90,468	-	65,349,753
345,305	(345,305)	-	-
2,465,000	(2,465,000)	-	-
2,810,305	(2,810,305)	-	-
69,020,059	2,362,991	-	71,383,050
52,310,826	-	-	52,310,826
4,017,625	-	-	4,017,625
1,070,671	-	-	1,070,671
57,399,122	-	-	57,399,122
11,620,937	2,362,991	-	13,983,928
97,642,222	27,500	948,867	98,618,589
$ 109,263,159	$ 2,390,491	$ 948,867	$ 112,602,517

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Program Services	General and Administrative	Fundraising	Total
ACH Child and Family Services				
Salaries and Wages	$ 7,980,103	$ 1,626,532	$ 767,218	$ 10,373,853
Payroll Taxes and Employee Benefits	2,004,078	629,067	130,113	2,763,258
Total Personnel Expense	9,984,181	2,255,599	897,331	13,137,111
Occupancy and Maintenance	936,189	371,351	22,328	1,329,868
Vehicles	310,171	60,323	1,246	371,740
Insurance and Taxes	130,445	44,699	3,103	178,247
Food, Clothing and Supplies	378,704	64,775	10,590	454,069
Medical	15,621	117	-	15,738
Youth Activities	45,195	-	9,008	54,203
Education	7,298	-	-	7,298
Family Assistance	11,267	105	-	11,372
Foster Care Expenses	1,532,635	-	-	1,532,635
Other Program and Training Expense	760,465	-	-	760,465
Development and Promotion	10,041	99	8,824	18,964
Outreach and Awareness	88,543	93,540	93,350	275,433
Contract Services	711,280	269,597	34,288	1,015,165
Audit and Legal Services	165	113,068	-	113,233
Staff Development and Travel	212,926	84,959	13,690	311,575
Board Development	-	12,743	-	12,743
Miscellaneous Expenses	104,326	25,896	1,141	131,363
Capital Project Expenses	47,578	14,182	373,724	435,484
Interest Expense	-	74,695	-	74,695
OCOK Provider Payments	42,009,816			42,009,816
Total Expenses Before Depreciation and Pass Through	57,296,846	3,485,748	1,468,623	62,251,217
Depreciation and Amortization	350,024	43,505	2,122	395,651
Total Expenses - ACH	57,646,870	3,529,253	1,470,745	62,646,868
All Church Home for Children Foundation				
Legal and Professional Services	-	42,171	-	42,171
Total Expenses - Foundation	-	42,171	-	42,171
ACH Landowner				
Legal and Professional Services	-	24,337	-	24,337
Interest Expense	-	73,360	-	73,360
Bank Fees	-	4,300	-	4,300
Depreciation and Amortization	363,270	300,779	-	664,049
Total Expenses - ACH Landowner	363,270	402,776	-	766,046
ACH Landowner II				
Legal and Professional Services	-	53,354	-	53,354
Interest Expense	-	46,338	-	46,338
Depreciation and Amortization	106,970	50,951	-	157,921
Total Expenses - ACH Landowner II	106,970	150,643	-	257,613
Total Expenses - Combined	$ 58,117,110	$ 4,124,843	$ 1,470,745	$ 63,712,698

See accompanying Notes to Combined Financial Statements.

2016			
Program Services	General and Administrative	Fundraising	Total
$ 7,909,194	$ 1,393,448	$ 457,582	$ 9,760,224
1,812,750	606,385	69,231	2,488,366
9,721,944	1,999,833	526,813	12,248,590
992,677	297,365	14,721	1,304,763
137,248	27,510	9	164,767
118,595	36,841	3,383	158,819
360,069	98,035	11,999	470,103
14,559	-	-	14,559
38,816	4	2,783	41,603
3,533	-	130	3,663
20,390	66	-	20,456
1,778,598	-	-	1,778,598
365,667	-	175,830	541,497
11,104	-	10,651	21,755
157,479	135,087	120,982	413,548
440,806	469,097	28,885	938,788
1,635	117,188	168	118,991
345,402	126,144	11,463	483,009
23	11,363	-	11,386
181,297	20,336	3,050	204,683
126,534	44,500	157,088	328,122
-	99,342	-	99,342
36,664,409	-	-	36,664,409
51,480,785	3,482,711	1,067,955	56,031,451
416,529	30,785	2,716	450,030
51,897,314	3,513,496	1,070,671	56,481,481
-	5,365	-	5,365
-	5,365	-	5,365
-	10,000	-	10,000
-	172,113	-	172,113
413,512	316,651	-	730,163
413,512	498,764	-	912,276
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 52,310,826	$ 4,017,625	$ 1,070,671	$ 57,399,122

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 14,590,140	$ 13,983,928
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Realized and Unrealized Gain on Investments	(7,153,150)	(1,259,809)
Realized Loss (Gain) on Sale of Property and Equipment	(26,577)	(10,322,481)
Realized Gain on Property Held for Sale	(2,002,445)	-
Gain on Forgiveness of Notes Payable	(13,047,065)	-
Loss on Forgiveness of Notes Receivable	9,157,108	-
Noncash Change in Value of Beneficial Interest in Trust Assets	(1,208,049)	(93,021)
Bad Debt Expense	120,303	178,050
Depreciation Expense	1,159,550	1,157,200
Amortization Expense	58,071	22,993
Depletion Expense	735,441	494,680
(Increase) Decrease in Operating Assets:		
Grants and Program Receivable	(2,199,006)	(2,420,823)
Other Receivables	163,936	(56,781)
Prepaid Expenses	(45,764)	36,203
Accrued Interest Receivable	52,188	-
Promises to Give	387,473	(469,628)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	2,435,494	40,525
Contributions Restricted for Long-Term Purposes	(1,168,313)	(4,735,000)
Net Cash Provided (Used) by Operating Activities	2,009,335	(3,443,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(3,417,347)	(3,355,007)
Proceeds from Disposal	33,214	-
Proceeds from Sale of Property	-	12,133,598
Proceeds from Sale of Investments	23,101,820	8,768,098
Issuance of Notes Receivable to CDE	(9,771,940)	-
Purchase of Investments	(23,040,077)	(8,180,298)
Change in Cash Restricted for Property and Equipment	1,150,000	(1,150,000)
Net Cash Provided (Used) by Investing Activities	(11,944,330)	8,216,391
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Payments) Draws on Line of Credit	2,363,528	(9,450,658)
Increase in Restricted Cash	(2,127,060)	89,468
Proceeds from Issuance of New Market Tax Credit Notes	11,297,054	-
Debt Issuance Costs Paid	(611,413)	-
Proceeds from Contributions Restricted for:		
Investment in Property and Equipment	1,168,313	4,735,000
Net Cash (Used) Provided by Financing Activities	12,090,422	(4,626,190)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,155,427	146,237
Cash and Cash Equivalents - Beginning of Year	2,202,446	2,056,209
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,357,873	$ 2,202,446
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	$ 148,055	$ 271,455
Property and Equipment Purchased Through Issuance of Debt	$ 2,642,946	$ -

See accompanying Notes to Combined Financial Statements.

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 nonprofit 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 nonprofit 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 Landowner is a Texas nonprofit 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.

ACH Landowner II is a Texas nonprofit 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 II will hold, develop, and lease the shelter, modular buildings, and cottages on the Wichita Campus 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, ACH Landowner, and ACH Landowner II (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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 $285,813 and $160,212 was deemed necessary as of December 31, 2017 and 2016, respectively. Bad debt expense was $120,303 and $178,050 for the years ended December 31, 2017 and 2016, 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.

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 2017 and 2016 amounted to $1,159,550 and $1,157,200, 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 nonprofit 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. The All Church Home for Children Foundation, ACH Landowner, and ACH Landowner II are classified as public charities. Taxes are paid on net income earned from sources unrelated to the exempt purposes. Net income (loss) from unrelated business for the years ended December 31, 2017 and 2016 was estimated at approximately ($88,000) and ($17,000), respectively. Unrelated business income taxes of $7,000 are accrued in the financials.

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 98% and 97% of total program receivables is due from one government agency as of December 31, 2017 and 2016.

One and two donor commitment(s) comprised 91% and 90% of the total balance of promises to give as of December 31, 2017 and 2016, respectively.

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 nonpublicly 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. For certain investments in partnership/hedge funds which qualify as investment companies, ACH has elected to the use of NAV as a practical expedient for measurement of FMV.

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 using an annual basis of 15% of the gross income generated by the interests.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method, a method which approximates the effective interest rate method. At December 31, 2017 and 2016, deferred financing costs were $611,413 and $99,684. At December 31, 2017 and 2016, accumulated amortization of deferred financing costs was $50,951 and $92,564, respectively. Amortization expense related to the deferred financing costs was $58,071 and $22,993, respectively.

Donated Goods and 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. There were no gifts of property and equipment received during the years ended December 31, 2017 and 2016.

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 fundraising activities benefited.

Reclassifications

Certain reclassifications have been made to the December 31, 2016 combining financial statements in order to present them in conformity with the December 31, 2017 combining financial statements. These reclassifications have no effect on net assets as previously reported.

NOTE 3 NEW ACCOUNTING PRONOUNCEMENTS

The Organization has adopted the accounting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs asset to zero and decreased the debt liability by $30,113 as of January 1, 2016. The adoption of the standard has no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied.

ACH has also elected to adopt the guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-07. ASU 2015-07 allows for certain investments in qualified investment companies, which report assets at the net asset value of the underlying investments, to be reflected in the financial statements using Net Asset Value (NAV) as a practical expedient to the determination of Fair Market Value (FMV), and to exclude such measurements from the fair value leveling tables.

NOTE 4 RESTRICTED CASH

Restricted cash consists of funds held in trust for ACH to use for construction and improvements to certain real property to be used in future operations. The cash balances held in trust were $2,342,142 and $215,082 as of December 31, 2017 and 2016, respectively. These funds were held by JP Morgan Chase for the year ended December 31, 2017 and Bank of America/U.S. Trust for the year ended December 31, 2016, in accordance with certain debt instruments reflected in Notes 11 and 12 to the combined financial statements.

Cash Restricted for Capital Improvements consists of cash to be used for renovation of the basketball court and playground equipment.

NOTE 5 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. Contributions that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discount rate has been imputed at 2.0% which approximates the Organization’s risk free borrowing rate at December 31, 2017 and 2016. At December 31, 2017 and 2016, all promises to give are considered fully collectible and no allowance for doubtful accounts has been estimated. Bad debt expense is reflected in the statement of functional expenses in Miscellaneous expense and is reflected separately in the statement of cash flows.

NOTE 5 PROMISES TO GIVE (CONTINUED)

At December 31, 2017, promises to give are expected to be received as follows:

Year Ending December 31,	Amount
2018	$ 172,500
2019	106,000
2020	100,000
2021	100,000
2022	100,000
Thereafter	400,000
Total	978,500
Less: Present Value Discount	(84,009)
Promises to Give, Net Present Value Discount	$ 894,491

NOTE 6 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, 2017

Investment Description	Fair Market Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Short-Term Investment Funds	$ 2,159,144	$ 2,159,144	$ -
Fixed Income Mutual Funds-Domestic	11,508,891	11,589,619	(80,728)
Equity Mutual Funds-Domestic	10,442,614	8,614,399	1,828,215
Equity Mutual Funds-International	19,124,624	16,621,176	2,503,448
Stocks-Domestic	4,571,663	3,801,076	770,587
Total Publicly Traded/Listed Securities	$ 47,806,936	$ 42,785,414	$ 5,021,522

December 31, 2016

Investment Description	Fair Market Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Short-Term Investment Funds	$ 1,754,846	$ 1,754,846	$ -
Fixed Income Mutual Funds-Domestic	7,527,174	7,827,506	(300,332)
Equity Mutual Funds-Domestic	6,767,183	5,312,532	1,454,651
Equity Mutual Funds-International	12,416,290	12,695,470	(279,180)
Stocks-Domestic	7,265,710	6,664,468	601,242
Total Publicly Traded/Listed Securities	$ 35,731,203	$ 34,254,822	$ 1,476,381

NOTE 6 INVESTMENTS (CONTINUED)

Nonpublicly Traded Securities

Investments in nonpublicly traded investment holding company entities are carried at fair value which is based on the net asset value calculated as a practical expedient from an independent audit of the entities and their underlying investment securities. Following are these nonpublicly traded investments as of:

December 31, 2017

Hedge Fund Description		Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Blackstone Tactical Opportunities Fund	(d)	$ 1,398,696	$ 1,794,754	$ (396,058)
Golden Tree Offshore Fund, Ltd.	(b)	2,839,531	1,904,739	934,792
Pointer Offshore Ltd.	(c)	2,381,308	1,050,000	1,331,308
Skybridge Multi-Advisor Hedge Fund	(a)	1,233,331	1,276,212	(42,881)
The Weatherlow Offshore Fund	(a)	1,105,683	1,109,142	(3,459)
Third Point Offshore Fund	(e)	2,974,942	1,528,515	1,446,427
Canyon Value Realization Fund	(g)	2,785,195	2,425,000	360,195
HPC Millennium Int'l Ltd.	(f)	1,737,400	1,500,000	237,400
MS Hamilton Lane	(h)	715,141	696,281	18,860
Total Nonpublicly Traded Securities		$ 17,171,227	$ 13,284,643	$ 3,886,584

December 31, 2016

Hedge Fund Description		Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Blackstone Tactical Opportunities Fund	(d)	$ 1,597,885	$ 1,752,406	$ (154,521)
Golden Tree Offshore Fund, Ltd.	(b)	2,429,814	1,654,738	775,076
Pointer Offshore Ltd.	(c)	2,042,286	1,050,000	992,286
Skybridge Multi-Advisor Hedge Fund	(a)	1,797,345	2,071,286	(273,941)
The Weatherlow Offshore Fund	(a)	2,274,776	1,809,142	465,634
Third Point Offshore Fund	(e)	2,528,447	1,528,515	999,932
Canyon Value Realization Fund	(g)	1,243,424	1,175,000	68,424
HPC Millennium Int'l Ltd.	(f)	1,630,865	1,500,000	130,865
Total Nonpublicly Traded Securities		$ 15,544,842	$ 12,541,087	$ 3,003,755

(a) These funds have no lock-up restrictions, nor any liquidity restrictions greater than 65 days, if any.
(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 semi-annual liquidity with written notice by March 15th and September 15th.
(d) It has a 36-month initial lockup (purchased during 2013). Unfunded capital commitments totaled $313,659 and $355,989 for 2017 and 2016. Quarterly liquidity with 90 day notice.
(e) The lock up restriction has expired and quarterly liquidity with a 65 day notice.
(f) Quarterly withdrawals with 95 day notice. Withdrawals are limited to 25% of partners' capital.
(g) Quarterly withdrawals with notice being required to be given by the 20th calendar day of the first month of the applicable fiscal quarter. Withdrawals are limited to 25% of partners' capital.
(h) Subject to certain lock-up and liquidity restrictions greater than 65 days. Unfunded capital commitment is $2,301,699. It has a 12-month initial lockup (purchased during 2017) and quarterly liquidity with 90 day notice.

NOTE 6 INVESTMENTS (CONTINUED)

Fair Value Hierarchy Measurements

The above investments were classified as follows at December 31:

	2017			
	Level 1	Level 2	Level 3	Total
Short-Term Investment Funds	$ 2,159,144	$ -	$ -	$ 2,159,144
Fixed Income Mutual Funds-Domestic	11,508,891	-	-	11,508,891
Equity Mutual Funds-Domestic	10,442,614	-	-	10,442,614
Equity Mutual Funds-International	19,124,624	-	-	19,124,624
Stocks-Domestic	4,571,663	-	-	4,571,663
Subtotal	47,806,936	-	-	47,806,936
Investments Measured at Net Asset Value	-	-	-	17,171,227
Total	$ 47,806,936	$ -	$ -	$ 64,978,163

	2016			
	Level 1	Level 2	Level 3	Total
Short-Term Investment Funds	$ 1,754,846	$ -	$ -	$ 1,754,846
Fixed Income Mutual Funds-Domestic	7,527,174	-	-	7,527,174
Equity Mutual Funds-Domestic	6,767,183	-	-	6,767,183
Equity Mutual Funds-International	12,416,290	-	-	12,416,290
Stocks-Domestic	7,265,710	-	-	7,265,710
Subtotal	35,731,203	-	-	35,731,203
Investments Measured at Net Asset Value	-	-	-	15,544,842
Total	$ 35,731,203	$ -	$ -	$ 51,276,045

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 Level 3 Investments in which ACH historically invested 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 callbacks 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.

Mineral Interests and Real Estate

Investments in mineral interests and real estate are carried at the lower of cost or estimated fair value. The balance reflected on the combined statement of financial condition of $19,993,619 and $22,387,326 represents amortized cost 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, 2017 and 2016, there were no purchases of mineral interests or real estate. However, sales of $3,660,711 of real estate held during 2017 occurred with a resulting gain on sale of $2,002,445.

NOTE 6 INVESTMENTS (CONTINUED)

Investment Returns

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

	2017	2016
Mineral Income	$ 5,211,440	$ 4,302,331
Real Estate Income	-	8,082
Less: Depletion	(735,441)	(494,680)
Less: Mineral Expense	(574,854)	(334,844)
Less: Real Estate Expense	(533)	(8,567)
Net Mineral and Real Estate Income	$ 3,900,612	$ 3,472,322
Dividends and Interest	$ 829,748	$ 995,756
Less: Investment Advisory and Bank Fees	(479,899)	(427,067)
Net Investment Income	$ 349,849	$ 568,689
Net Realized Gains on Investment Securities	$ 2,725,180	$ 814,524
Net Realized Gains on Sale of Other Assets Held for Investment	2,002,445	-
Net Unrealized Gains on Investment Securities	4,427,970	445,285
Net Realized and Unrealized Gains on Investments	$ 9,155,595	$ 1,259,809

NOTE 7 BENEFICIAL INTEREST IN TRUST

ACH has a beneficial interest in the 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, 2017 and 2016 is as follows:

December 31, 2017		
Short-Term Investment Funds	$	419,302
Equities		7,941,207
Fixed Income Securities		1,331,847
Hedge Funds		1,134,354
Real Estate		1,406
Commodities		109,028
Totals	$	10,937,144
December 31, 2016		
Short-Term Investment Funds	$	315,485
Equities		6,329,502
Fixed Income Securities		1,291,502
Hedge Funds		925,889
Real Estate		569,955
Commodities		296,762
Totals	$	9,729,095

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, 2016	$	9,729,095
Unrealized Gains and Losses		1,652,977
Sales and Distributions of Capital and Reinvested Earnings		(444,928)
Ending Balance, December 31, 2017	$	10,937,144

ACH received cash distributions of $444,928 and $408,128 and recognized an unrealized increase in the value of the trust of $1,652,976 and $501,149 during the years ended December 31, 2017 and 2016 resulting in a net increase in value of beneficial interest in trust assets of $1,208,048 and $93,021.

During the final quarter of 2014, the trust elected to distribute all of its underlying mineral rights to its two beneficiaries. Accordingly, ACH received its proportion 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.

NOTE 8 NOTE RECEIVABLE

At December 31, 2016, ACH had a note receivable from BOA Investment Fund III, LLC in the amount of $9,070,750 with interest payable annually at 1%. During 2017, ACH unwound its New Market Tax Credit arrangement which resulted in settlement of the note receivable with BOA Investment Fund III, LLC. As of December 31, 2017 the note receivable balance from BOA Investment Fund III, LLC was $-0-.

During 2017, ACH closed on a new market tax credit arrangement resulting in a note receivable from Chase NMTC ACH Investment Fund in the amount of $9,771,940 with interest payable annually at 1%. Principal and interest payments of the note are to commence in June 2018 with final payment due December 2044. As part of the arrangement, the notes may be paid off early at a set time in the arrangement, wherein a significant portion of the debt may be forgiven through the utilization of the new market tax credits. The note is unsecured. This note receivable originated with the issuance of certain debt instruments reflected in Note 11 to the combined financial statements. However, there is not a right of offset with these debt instruments.

NOTE 9 PROPERTY AND EQUIPMENT

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

	2017	2016
Land	$ 2,380,199	$ 2,279,597
Buildings and Improvements	27,791,390	27,173,012
Furniture, Fixtures and Equipment	1,688,212	1,297,843
Automobiles	648,427	557,053
Construction in Progress	5,328,941	724,010
Total Property and Equipment	37,837,169	32,031,515
Less: Accumulated Depreciation	(7,837,432)	(6,886,591)
Net Property and Equipment	$ 29,999,737	$ 25,144,924

NOTE 10 LINE OF CREDIT

ACH maintains a line of credit with a financial institution which has a maximum amount of $17,953,377 and an open-ended maturity. Interest is payable monthly at the LIBOR rate plus 1.25%. The interest rate was 3.32% at December 31, 2017 and 2.48% at June 30, 2017. The line of credit is currently secured by ten of ACH’s sub-investment accounts with a fair value at December 31, 2017 of $23,180,283 (the financial institution calculates a borrowing base of 70% to 100% on this amount based upon the type of underlying investments). There was $4,813,652 and $2,450,124 outstanding on the line of credit as of December 31, 2017 and 2016, respectively.

NOTE 11 NEW MARKET TAX CREDIT ARRANGEMENT

ACH entered into new market tax credit transactions during the year ended December 31, 2017 and create a new entity, Landowner II, as a result. The NMTC program was designed to make investment capital available to businesses in qualifying low-income communities, to create jobs and spur additional economic development. Privately managed investment institutions, or Community Development Entities (CDEs), make loans and capital investments in businesses in underserved areas. Further detail of the transactions are described in Notes 8 and 12.

NOTE 12 NOTES PAYABLE

After the seven-year NMTC period expired on June 5, 2017, ACH exercised its option for early repayment of certain notes payable and unwound its New Market Tax Credit arrangement from 2010 with Bank of America CDE III, LLC and BOA Investment Fund, LLC. In settlement of this arrangement notes payable in the amount of $13,000,000 were redeemed with a cash payment of $124,146 (of which $39,293 represented principal and the remainder represented interest and fees), settlement of a note receivable held by ACH Child and Family Services of $9,070,750, and forgiveness of the remaining $3,889,957 in accordance with the terms of the original agreement. A gain in the amount of, $3,889,957 was recorded on the transaction as a result of the loan forgiveness.

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

Payable to and Terms	2017	2016
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
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.	-	3,929,250
Total Notes Payable	$ -	$ 13,000,000

ACH and an unrelated third party lender entered into the new market tax credit transaction, where in ACH loaned $9,771,940 and the third party lender loaned $4,818,060 to Chase NMTC ACH Investment Fund LLC during the year ended December 31, 2017. Chase NMTC then lent the funds to two different CDEs (CNMC Sub-CDE LLC and Business Loan Conduit No. 27 LLC), who separately loaned funds to ACH's subsidiary, Landowner II in the amount of $13,940,000. This was accomplished through four different QLICI loans as noted below. The loans have subjected ACH and Landowner II to certain restrictive covenants. Management believes they are in compliance with all covenants.

NOTE 12 NOTES PAYABLE (CONTINUED)

After the seven year NMTC period expires, it is anticipated that the CDEs will liquidate and distribute their assets to the Chase NMTC ACH Investment Fund LLC. It is also anticipated that ACH will acquire the interests in the Chase NMTC ACH Investment Fund LLC, and that the investment fund will be liquidated. After the exit transactions are completed, ACH will be the holder of a portion of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loan will be owed by the subsidiary to ACH.

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

Payable to and Terms	2017	2016
CNMC Sub-CDE CDE Loan A, interest accrued monthly, paid annually, at 0.705% until June 4, 2018, then principal and interest is due annually until maturity at December 1, 2046.	$ 792,840	$ -
CNMC Sub-CDE CDE Loan B, interest accrued monthly, paid annually, at 0.705% until June 4, 2018, then principal and interest is due annually until maturity at December 1, 2046.	407,160	-
Business Loan Conduit 27, CDE Loan A, interest accrued monthly, paid annually, at 0.705% until June 4, 2018, principal and interest is due annually until maturity at then December 1, 2046.	8,979,100	-
Business Loan Conduit 27, CDE Loan B, interest accrued monthly, paid annually, at 0.705% until June 4, 2018, principal and interest is due annually until maturity at then December 1, 2046.	3,760,900	-
Total Notes Payable	$ 13,940,000	$ -

The notes payable are due in the following installments as of December 31, 2017:

Due in Year Ending	Amount
2018	$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	13,940,000
Total Notes Payable	$ 13,940,000

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

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of December 31:

	2017	2016
Capital Campaign - Basketball Court and Playground Equipment	$ 20,000	$ 20,000
Capital Campaign - Dining Hall	-	2,250,000
Innovations Plan	2,300,000	-
Morris Home	125,000	100,000
Wellness Program	15,740	20,000
School Supplies	-	491
Wedgwood Sensory Station Project	2,980	-
Foster Care First Night Bags	4,026	-
LIFE Connections Mentoring Program	2,517	-
	$ 2,470,263	$ 2,390,491

NOTE 14 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.

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.

NOTE 14 PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT FUNDS (CONTINUED)

Board-Designated Endowments

The board of directors had designated $84,288,079 and $76,110,297 at December 31, 2017 and 2016, respectively, 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 permanent 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.

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.

NOTE 14 PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT FUNDS (CONTINUED)

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

	2017			
	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ 76,110,297	$ -	$ 948,867	$ 77,059,164
Investment from ACH Designated by Board to Endowment	45,654		-	45,654
Investment Income, Net of Fees	345,541	4,308	-	349,849
Mineral and Real Estate Properties, Net of Expenses	3,853,108	47,504	-	3,900,612
Net Realized and Unrealized Gains on Investments	9,043,049	112,546	-	9,155,595
Legal Expenses on Real Estate	(41,653)	(518)	-	(42,171)
Amounts Transferred for Expenditure	(5,067,917)	(163,840)	-	(5,231,757)
Endowment Net Assets, End of Year	$ 84,288,079	$ -	$ 948,867	$ 85,236,946

	2016			
	Board Designated	Temporarily Restricted	Donor Designated	Total
Endowment Net Assets - Beginning of Year	$ 54,649,097	$ -	$ 948,867	$ 55,597,964
Investment from ACH Designated by Board to Endowment	21,222,881	-	-	21,222,881
Investment Income, Net of Fees	558,983	9,706	-	568,689
Mineral and Real Estate Properties, Net of Expenses	3,413,061	59,261	-	3,472,322
Net Realized and Unrealized Gains on Investments	1,238,308	21,501	-	1,259,809
Legal Expenses on Real Estate	(5,273)	(92)	-	(5,365)
Amounts Transferred for Expenditure	(4,966,760)	(90,376)	-	(5,057,136)
Endowment Net Assets, End of Year	$ 76,110,297	$ -	$ 948,867	$ 77,059,164

NOTE 15 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 $213,900 and $182,975 during the years ended December 31, 2017 and 2016, respectively.

NOTE 16 SUBSEQUENT EVENTS

In March of 2018, ACH purchased land adjacent to its current location for a total cost of $1,720,801.

ACH currently has a contract for construction/renovation of projects on its campus. The future amount to be billed in 2018 under this contract is $467,654.

ACH has evaluated subsequent events through September 20, 2018, which is the date that combined financial statements were available to be issued.

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
ACH Child and Family Services and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combined financial statements of ACH Child and Family Services and Affiliates (ACH), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered ACH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACH's internal control. Accordingly, we do not express an opinion on the effectiveness of ACH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACH's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
September 20, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE UGMS STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Directors
ACH Child and Family Services and Affiliates

Report on Compliance for Each Major Program

We have audited ACH Child and Family Services and Affiliates' (ACH) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Texas Governor's Office of Budget and Planning *Uniform Grant Management Standards (UGMS),* which includes the *State of Texas Single Audit Circular,* that could have a direct and material effect on each of ACH's major federal and state programs for the year ended December 31, 2017. ACH's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ACH's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements*, *Cost Principles*, *Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-profit Organizations*; and the *UGMS State of Texas Single Audit Circular* (the Circular). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about ACH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of ACH's compliance with those requirements.

Opinion on Each Major Federal and State Program

In our opinion, ACH Child and Family Services and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of ACH is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered ACH's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness on ACH's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
September 20, 2018

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON
FEDERAL AND STATE AWARDS
YEARS ENDED DECEMBER 31, 2017

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified? _____ yes __X__ none reported

Noncompliance material to combined financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified? _____ yes __X__ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516? _____ yes __X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal or State Program or Cluster
93.658	Foster Care Title IV-E
93.558	Temporary Assistance for Needy Families
93.556	Promoting Safe and Stable Families

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? __X__ yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards.*

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

SECTION IV – PRIOR YEAR MAJOR FEDERAL PROGRAM FINDINGS

There were no findings in the prior year that were required to be reported in accordance with 2 CFR 200.516(a).

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEARS ENDED DECEMBER 31, 2017

	Federal CFDA Number	Grant Number	Expenditures Passed through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Direct Programs:				
HOPE Street Outreach	93.557	90YO2246/01	$ -	$ 122,236
	93.557	90YO2246/02	-	48,770
Basic Center Programs for Runaway and Homeless Youth/Shelter	93.623	90CY6619-03	-	143,359
	93.623	90CY6906-01	-	48,974
Total Basic Center Programs			-	192,333
Total Direct Programs			-	363,339
Pass-through Programs from:				
Texas Department of Family and Protective Services -				
Foster Care Title IV-E	93.658	24118890	11,368,443	11,368,443
Temporary Assistance for Needy Families (Cluster)	93.558	24118890	13,737,151	13,737,151
Promoting Safe and Stable Families	93.556	24118890	931,686	931,686
Chafee Foster Care Independence Program	93.674	24118890	90,812	90,812
Total Texas Department of Family and Protective Services			26,128,092	26,128,092
Total Pass-through Programs			26,128,092	26,128,092
Total U.S. Department of Health and Human Services			26,128,092	26,491,431
U.S. Department of Housing and Urban Development				
Direct Programs				
Continuum of Care/Families Together - Supportive Housing	14.235	3252201	-	32,854
Total Direct Programs			-	32,854
Pass-through Programs from:				
Tarrant County Community Development Division -				
Emergency Shelter Grants Program	14.231	E-16-UC-48-0001	-	6,002
	14.231	E-17-UC-48-0001	-	17,899
Total Pass-through Programs			-	23,901
Total U.S. Department of Housing and Urban Development			-	56,755
Department of Homeland Security				
Pass-through Programs from:				
Tarrant County - Emergency Food and Shelter Board	97.024	Phase 33	-	20,000
Total Pass-through Programs - Department of Homeland Security			-	20,000
Total Federal and State Awards			$ 26,128,092	$ 26,568,186

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of ACH Child and Family Services and Affiliates and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the UGMS State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic combined financial statements.

NOTE 2 SUBRECIPIENTS AND CONTRACTORS

During the year, ACH operated as the monitoring and administrative agent of a large contract for the Texas Department of Family and Protective Services. Responsibilities under this contract included the monitoring of contracting agencies with which its program placed foster children. Of the federal and state expenditures in the attached schedule, $26,128,092 was provided to these contracting foster agencies for the year ended December 31, 2017.

NOTE 3 NONCASH ASSISTANCE

ACH did not receive any noncash assistance from federal or state awards for the year ended December 31, 2017.

NOTE 4 LOANS

At year-end, ACH had no loans or loan guarantees outstanding with federal or state awarding agencies.

NOTE 5 STATE AWARDS

State awards received by ACH during the year consisted of federal pass through funds commingled with state general revenue funds from the State of Texas or state funds only. ACH did not receive any state awards during the year that consisted of federal pass through funds only.

NOTE 6 INDIRECT COST RATES

ACH has elected to use the 10 percent de minimus indirect cost rate on selected contracts as agreed upon with those grantors. For its remaining federal and state contracts, it continues to use the rates negotiated individually with its grantors for that specific contract.

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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, 2017 and have issued our report thereon date September 20, 2018, 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
September 20, 2018

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	ACH Child and Family Services	All Church Home for Children Foundation	ACH Landowner	ACH Landowner II	Eliminations	Total
ASSETS						
Cash and Cash Equivalents	$ 3,698,244	$ 275,379	$ 95,467	288,783	$ -	$ 4,357,873
Restricted Cash	-	-	-	2,342,142	-	2,342,142
Cash Restricted for Capital Improvements	20,000	-	-	-	-	20,000
Grants Receivable, Net of Allowance for Doubtful Accounts of $85,813	9,375,558	-	-	-	-	9,375,558
Accrued Interest Receivable	-	-	-	-	-	-
Other Receivables	22,285	-	-	-	10,215	32,500
Prepaid Expenses and Other Assets	179,459	-	-	-		179,459
Easement Asset				548,860	(548,860)	-
Promises to Give, Net of Discount of $84,009	894,491	-	-	-	-	894,491
Investments - Publicly Traded/Listed Securities	-	47,806,936	-	-	-	47,806,936
Investments - Nonpublicly Traded	-	17,171,227	-	-	-	17,171,227
Mineral Interest and Real Estate, Net	-	19,993,619	-	-	-	19,993,619
Economic Interests in Affiliates	97,083,239	-	-	-	(97,083,239)	-
Beneficial Interest in Trust	10,937,144	-	-	-	-	10,937,144
Note Receivable	9,771,940	-	-	-		9,771,940
Property and Equipment, Net	6,015,121	-	12,370,791	11,362,324	251,501	29,999,737
Total Assets	$ 137,997,481	$ 85,247,161	$ 12,466,258	$ 14,542,109	$ (97,370,383)	$ 152,882,626
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Liabilities	$ 6,242,673	$ 10,215	$ -	$ 1,233,676	$ 10,215	$ 7,496,779
Line of Credit	4,813,652	-	-	-	-	4,813,652
Easement Liability	-	-	548,860	-	(548,860)	-
Notes Payable	-	-	-	13,940,000	-	13,940,000
Debt Issuance Costs, Unamortized Portion	-	-	-	(560,462)	-	(560,462)
Total Liabilities	11,056,325	10,215	548,860	14,613,214	(538,645)	25,689,969
NET ASSETS						
Unrestricted:						
Undesignated	39,233,947	-	11,917,398	(71,105)	(11,594,792)	39,485,448
Board Designated Endowment	84,288,079	84,288,079	-	-	(84,288,079)	84,288,079
	123,522,026	84,288,079	11,917,398	(71,105)	(95,882,871)	123,773,527
Temporarily Restricted	2,470,263	-	-	-	-	2,470,263
Permanently Restricted	948,867	948,867	-	-	(948,867)	948,867
Total Net Assets	126,941,156	85,236,946	11,917,398	(71,105)	(96,831,738)	127,192,657
Total Liabilities and Net Assets	$ 137,997,481	$ 85,247,161	$ 12,466,258	$ 14,542,109	$ (97,370,383)	$ 152,882,626

ACH CHILD AND FAMILY SERVICES AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
DECEMBER 31, 2017

	ACH Child and Family Services	All Church Home for Children Foundation	ACH Landowner	ACH Landowner II	Eliminations	Total
PUBLIC SUPPORT						
Contributions	$ 3,964,967	$ -	$ -	$ -	$ -	$ 3,964,967
Capital Campaign Contributions	1,168,313	-	-	-	-	1,168,313
Estates and Trusts	125,000	-	-	-	-	125,000
Special Events, Net of Direct Costs of $125,035	194,030	-	-	-	-	194,030
Total Public Support	5,452,310	-	-	-	-	5,452,310
REVENUE AND INVESTMENT RETURNS						
Program Service Fee	52,850,636	-	-	-	-	52,850,636
Government Grant Income	450,095	-	-	-	-	450,095
Rental and Other Income	320,032	-	185,000	88,453	(216,327)	377,158
Interest and Other Income	193,214	-	175	3,684	-	197,073
Net Income from Affiliates	25,026,499	-	-	-	(25,026,499)	-
Mineral and Real Estate Properties, Net	-	3,900,612	-	-	-	3,900,612
Investment Income, Net	-	349,849	-	-	-	349,849
Realized and Unrealized Gains(Losses) on Investments, Net	-	7,153,150	-	-	-	7,153,150
Realized Gain on Sale of Assets		2,002,445	-	-	-	2,002,445
Gain on Forgiveness of Debt	-	-	3,889,957	-	-	3,889,957
Realized Gain(Loss) on Disposition, Net	413,180	-	(638,104)	-	251,501	26,577
Loss on Forgiveness of Receivable Due From BOA Investment Fund III - See Note 8	(9,157,108)	-	-	-	-	(9,157,108)
Gain on Forgiveness of Payable Due To BOA CDE 3 - See Note 1	-	-	9,157,108	-	-	9,157,108
Changes in Value of Beneficial Interest in Trust Assets	1,652,976	-	-	-	-	1,652,976
Total Revenue and Investment Returns	71,749,524	13,406,056	12,594,136	92,137	(24,991,325)	72,850,528
Total Public Support, Revenue and Investment Returns	77,201,834	13,406,056	12,594,136	92,137	(24,991,325)	78,302,838
EXPENSES						
Program Services	57,863,197	-	363,270	106,970	(216,327)	58,117,110
General and Administrative	3,529,253	42,171	402,776	150,643	-	4,124,843
Fundraising	1,470,745	-	-	-	-	1,470,745
Total Expenses	62,863,195	42,171	766,046	257,613	(216,327)	63,712,698
CHANGE IN NET ASSETS	14,338,639	13,363,885	11,828,090	(165,476)	(24,774,998)	14,590,140
Net Assets - Beginning of Year	112,602,517	77,059,164	89,308	-	(77,148,472)	112,602,517
Increase in Investment in Affiliates		45,654	-	94,371	(140,025)	-
Distributions Between ACH and Affiliates	-	(5,231,757)	-	-	5,231,757	-
NET ASSETS - END OF YEAR	$ 126,941,156	$ 85,236,946	$ 11,917,398	$ (71,105)	$ (96,831,738)	$ 127,192,657