

MARBRIDGE FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Marbridge Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marbridge Foundation, Inc. as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of changes in net assets by location and schedule of expenses by location for the year ended June 30, 2014 are presented for additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
October 27, 2014

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 470,855	\$ 1,382,279
Restricted cash	2,501,459	454,588
Accounts receivable, net of allowance for uncollectible accounts of \$64,572 and \$51,049, respectively	1,030,017	899,664
Contributions receivable, net of allowance for uncollectible accounts of \$11,434 and \$34,341, respectively	331,789	403,655
Prepaid expenses	30,641	33,288
Note receivable	2,644	3,229
Restricted short-term investments	-	2,417,374
Total current assets	4,367,405	5,594,077
LONG-TERM INVESTMENTS		
Investments	2,502,731	1,590,261
Marbridge Foundation Assistance Trust	2,250,835	2,028,345
Other investment	332,070	327,524
Total long-term investments	5,085,636	3,946,130
PROPERTY, PLANT AND EQUIPMENT, NET	10,008,642	9,103,134
CONTRIBUTIONS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS OF \$45,734 AND \$117,382, RESPECTIVELY	200,372	217,068
OTHER NON-CURRENT ASSETS	32,000	32,000
TOTAL ASSETS	\$ 19,694,055	\$ 18,892,409
CURRENT LIABILITIES		
Accounts payable	\$ 299,075	\$ 306,102
Current portion of long-term debt	104,832	86,766
Tuition and fees billed in advance	555,587	533,781
Accrued expenses	397,027	358,054
Residents' fund	182,403	197,546
Total current liabilities	1,538,924	1,482,249
LIFETIME CARE INCOME DEFERRED	47,581	48,358
LONG-TERM DEBT, LESS CURRENT PORTION	575,919	619,345
Total liabilities	2,162,424	2,149,952
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted net assets	12,836,825	14,090,836
Temporarily restricted net assets	2,702,639	659,454
Permanently restricted net assets	1,992,167	1,992,167
Total net assets	17,531,631	16,742,457
TOTAL LIABILITIES AND NET ASSETS	\$ 19,694,055	\$ 18,892,409

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

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2014 AND 2013

UNRESTRICTED NET ASSETS

	2014	2013
REVENUES AND SUPPORT		
Tuitions and fees	\$ 11,505,012	\$ 10,716,379
Contributions	1,138,758	1,978,160
Interest and dividends	42,248	19,732
Lifetime care income	777	3,650
Rental income	6,968	8,684
Net gain (loss) on asset dispositions	(9,179)	859,208
Unrealized market value increases on investments	450,926	174,933
Realized gains on investments in Assistance Trust	98,507	178,091
Realized gains on investments	77,631	12,034
Miscellaneous income	57,529	21,593
	13,369,177	13,972,464
Total unrestricted revenues and support		
	1,207,344	3,343,502
Net assets released from restrictions		
	14,576,521	17,315,966
Total unrestricted revenues, support and net assets released from restrictions		
EXPENSES		
Program services	10,544,723	10,121,053
Management and general	2,484,794	2,330,916
Fundraising	358,276	374,402
	13,387,793	12,826,371
Total expenses		
TRANSFER TO TEMPORARILY RESTRICTED NET ASSETS		
Transfer to (from) other investment	(2,442,739)	52,594
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS		
	(1,254,011)	4,542,189

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

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2014 AND 2013
(CONTINUED)

TEMPORARILY RESTRICTED NET ASSETS	<u>2014</u>	<u>2013</u>
REVENUES AND SUPPORT		
Temporarily restricted contributions	807,790	3,027,352
NET ASSETS RELEASED FROM RESTRICTIONS		
Expenditures on renovation & building campaign	407,635	1,375,093
Passage of time restrictions	-	26,222
Gym construction	396,859	1,523,602
Expenditures on Ranch infrastructure	-	50,000
Non-MFAT scholarships awarded and other	402,850	368,585
Total net assets released from restrictions	<u>1,207,344</u>	<u>3,343,502</u>
TRANSFER FROM UNRESTRICTED NET ASSETS		
Transfer from (to) other investment	2,442,739	(52,594)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	2,043,185	(368,744)
PERMANENTLY RESTRICTED NET ASSETS		
REVENUES AND SUPPORT		
Contribution to assistance trust	-	-
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
INCREASE IN TOTAL NET ASSETS	789,174	4,173,445
NET ASSETS, beginning of year	<u>16,742,457</u>	<u>12,569,012</u>
NET ASSETS, end of year	<u>\$ 17,531,631</u>	<u>\$ 16,742,457</u>

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

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014				2013			
	Program Services	Management and General	Fund Raising	Totals	Program Services	Management and General	Fund Raising	Totals
EMPLOYEE EXPENSES								
Salaries and wages	\$ 5,513,101	\$ 1,393,345	\$ 176,898	\$ 7,083,344	\$ 5,372,022	\$ 1,262,995	\$ 172,439	\$ 6,807,456
Retirement benefits	58,646	28,304	4,050	91,000	53,952	24,697	5,075	83,724
Health and medical insurance	511,742	88,338	15,108	615,188	463,987	76,896	16,739	557,622
Occupational injury insurance	90,890	15,113	794	106,797	107,501	18,458	1,722	127,681
HSA saving	41,880	7,400	1,675	50,955	32,353	4,725	1,350	38,428
Payroll taxes	411,992	101,046	12,930	525,968	417,846	92,376	12,785	523,007
Total employee related	6,628,251	1,633,546	211,455	8,473,252	6,447,661	1,480,147	210,110	8,137,918
OTHER EXPENSES								
Advertising and promotion	32,905	23,851	67,692	124,448	26,832	22,164	55,571	104,567
Athletic & other resident's activities	156,096	-	-	156,096	141,246	-	-	141,246
Bad debts	46,333	-	-	46,333	118,893	1,739	-	120,632
Bank charges	-	1,372	4,162	5,534	-	2,232	6,567	8,799
Computer expenses	65,693	28,249	13,700	107,642	65,706	14,536	9,785	90,027
Consultants	42,635	2,820	-	45,455	19,278	15,196	-	34,474
Contract labor	43,347	45,800	14,725	103,872	60,522	57,673	44,296	162,491
Depreciation and amortization	656,812	77,843	-	734,655	593,192	96,132	-	689,324
Dues and subscriptions	6,139	6,159	-	12,298	8,110	4,988	-	13,098
Extermination	12,991	2,355	-	15,346	12,938	2,301	-	15,239
Fees and licenses	7,623	2,600	-	10,223	3,116	2,877	-	5,993
Groceries	771,448	12,788	-	784,236	720,000	10,139	(418)	729,721
In-kind donation	-	-	287	287	-	-	303	303
Insurance	193,418	30,003	11	223,432	185,288	30,375	134	215,797
Interest expense	612	36,039	-	36,651	-	39,583	-	39,583

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

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013
(CONTINUED)

	2014			2013				
	Program Services	Management and General	Fund Raising	Totals	Program Services	Management and General	Fund Raising	Totals
OTHER EXPENSES								
Laundry	12,636	-	-	12,636	14,306	-	-	14,306
Legal and professional	-	100,537	-	100,537	-	87,120	-	87,120
Lifetime care expenses	-	-	-	-	2,946	-	-	2,946
Livestock and pet expenses	52,470	-	-	52,470	42,108	-	-	42,108
Medical services, drugs & supplies	809,134	-	-	809,134	733,147	-	-	733,147
Office supplies	28,928	27,114	503	56,545	28,755	29,590	945	59,290
Postage	304	15,981	160	16,445	290	12,601	2,829	15,720
Rent - expense	4,003	14,082	-	18,085	3,104	11,531	-	14,635
Repairs and maintenance	2,405	201,431	-	203,836	7,791	162,632	-	170,423
Residents' direct costs	9,196	20,458	1,316	30,970	17,520	13,617	4,527	35,664
Sanitation	25,218	-	-	25,218	31,818	-	-	31,818
Scholarships - MFAT	13,748	66,974	-	80,722	2,425	-	-	2,425
Scholarships - Other	141,984	-	-	141,984	25,204	82,687	-	107,891
Software maintenance & upgrades	-	3,229	-	3,229	-	13,139	-	13,139
Staff expenses	18,534	37,505	1,916	57,955	19,115	34,245	5,318	58,678
Staff training	25,990	20,520	22,731	69,241	24,935	9,321	20,744	55,000
Supplies	180,215	3,142	234	183,591	168,913	1,593	-	170,506
Telephone	39,464	14,807	2,523	56,794	19,057	16,863	2,783	38,703
Transportation	82,911	15,837	271	99,019	88,668	15,674	585	104,927
Travel	-	26,983	16,175	43,158	-	12,284	9,242	21,526
Utilities	330,753	8,074	-	338,827	316,472	4,333	-	320,805
City sewage - waste water	94,258	-	-	94,258	99,635	-	-	99,635
Miscellaneous and other	8,269	4,695	415	13,379	72,062	43,604	1,081	116,747
	<u>\$ 10,544,723</u>	<u>\$ 2,484,794</u>	<u>\$ 358,276</u>	<u>\$ 13,387,793</u>	<u>\$ 10,121,053</u>	<u>\$ 2,330,916</u>	<u>\$ 374,402</u>	<u>\$ 12,826,371</u>

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

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 789,174	\$ 4,173,445
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net loss (gains) on disposal of property and equipment	9,179	(859,208)
Depreciation and amortization	734,655	689,324
Amortization of deferred lifetime care income	(777)	(704)
Provision for bad debt	49,219	120,632
Net realized gains on investments in Assistance Trust	(98,507)	(178,091)
Net realized gains on investments	(77,631)	(12,034)
Net unrealized gains on investments	(450,926)	(174,933)
Change in assets and liabilities		
Accounts receivable	(176,686)	17,355
Contributions receivable	85,676	(620,723)
Prepaid expenses	2,647	97,453
Other non-current assets	-	24,480
Accounts payable	(7,027)	60,054
Tuition and fees billed in advance	21,806	(19,689)
Accrued expenses	38,973	(41,737)
Residents' fund	(15,143)	43,498
Total cash flows provided by operating activities	904,632	3,319,122
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	585	38,855
Proceeds from disposal of property and equipment	1,500	906,309
Acquisitions of property and equipment	(1,650,842)	(785,622)
Proceeds from sale of investments	3,151,974	1,118,969
Purchases of investments	(1,247,042)	(3,766,484)
Total cash flows provided by (used in) investment activities	256,175	(2,487,973)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	64,276	27,096
Payments on long-term debt	(89,636)	(84,570)
Total cash flows used in financing activities	(25,360)	(57,474)
Net increase in cash and cash equivalents	1,135,447	773,675
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH beginning of year	1,836,867	1,063,192
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH end of year	\$ 2,972,314	\$ 1,836,867
CASH AND CASH EQUIVALENTS	\$ 470,855	\$ 1,382,279
RESTRICTED CASH	2,501,459	454,588
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	\$ 2,972,314	\$ 1,836,867

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

MARBRIDGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013
(CONTINUED)

	<u>2014</u>	<u>2013</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for Interest	\$ 36,651	\$ 39,583
NON CASH OPERATING INFORMATION		
In-kind gifts	\$ 11,508	\$ 26,222

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

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

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

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 whereby the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted under FASB ASC 958-205, the Foundation also discloses management-designated limitations on the use of its unrestricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Cash and Cash Equivalents

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

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

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

Investments

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

The Foundation's investments include a private equity placement investment. The amount of unfunded commitments related to these investments at June 30, 2014 and 2013 was approximately \$9,000 and \$23,000, respectively. Distributions are at the discretion of the individual investors.

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

Concentration of Credit Risk

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

The Foundation maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the years ended June 30, 2014 and 2013, the Foundation held cash in excess of federally insured limits.

The Foundation also invests in various investments securities. Investment securities in general are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that the changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

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

Property, Plant and Equipment

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

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

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

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

Long Lived Assets

The Foundation evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds estimated fair value and is recorded in the period which the determination is made. The Foundation has determined there are no impairment losses for the years ended June 30, 2014 and 2013.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue and Expense Recognition

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

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

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

Contributions

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions – Continued

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

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

In-Kind Contributions and Donated Services

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

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

Advertising Costs

Advertising costs are charged to expense as incurred. The Foundation incurred \$124,448 and \$104,567 in advertising costs for the years ended June 30, 2014 and 2013, respectively.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

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

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

Similarly, the guidance also provides guidance on measurement, classification, interest and penalties and disclosure. Tax positions taken by the Foundation have been reviewed, and management is of the opinion that material tax positions taken by the Foundation would more likely than not be sustained by examination. Accordingly, the Foundation has not recorded an income tax liability for uncertain tax benefits. As of June 30, 2014, the Foundation's tax years 2010 to 2013 remain subject to examination.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated subsequent events through October 27, 2014, which is the date the financial statements were available to be issued, and determined that no events have occurred subsequent to June 30, 2014 that warrant additional disclosure.

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

NOTE 3. CASH AND CASH EQUIVALENTS

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

	<u>2014</u>	<u>2013</u>
Petty cash	\$ 9,800	\$ 8,300
Interest-bearing checking accounts	<u>461,055</u>	<u>1,373,979</u>
	<u>\$ 470,855</u>	<u>\$ 1,382,279</u>

NOTE 4. RESTRICTED CASH

Restricted cash consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Residents' fund	\$ 182,403	\$ 206,737
Construction fund	75,273	107,648
Gym and wellness center	1,481,095	58,669
Designated gifts	127,280	36,598
Building fund	<u>635,408</u>	<u>44,936</u>
	<u>\$ 2,501,459</u>	<u>\$ 454,588</u>

NOTE 5. ACCOUNTS RECEIVABLE, NET

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

	<u>2014</u>	<u>2013</u>
Accounts receivable from residents	\$ 646,528	\$ 823,722
Accounts receivable from third party payer	<u>448,061</u>	<u>126,991</u>
Total accounts receivable	1,094,589	950,713
Less: allowance for uncollectible accounts	<u>64,572</u>	<u>51,049</u>
	<u>\$ 1,030,017</u>	<u>\$ 899,664</u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CONTRIBUTIONS RECEIVABLE, NET

Included in contributions receivable at June 30, 2014 and 2013 are the following unconditional promises to give:

	<u>2014</u>	<u>2013</u>
Unspecified	\$ 348,131	\$ 508,075
Restricted for building and improvements	<u>241,198</u>	<u>264,371</u>
Unconditional promises to give	589,329	772,446
Less: allowance for uncollectible accounts	<u>57,168</u>	<u>151,723</u>
Net contributions receivable	<u><u>\$ 532,161</u></u>	<u><u>\$ 620,723</u></u>
Amounts due in:		
Less than one year	\$ 331,789	\$ 403,655
One to five years	190,172	194,668
More than five years	<u>10,200</u>	<u>22,400</u>
Total	<u><u>\$ 532,161</u></u>	<u><u>\$ 620,723</u></u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM INVESTMENTS

Investment Income

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

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

The following is a summary of the return from investments carried at fair value and its classification in the statements of activities for the year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 19,732	\$ -	\$ 19,732
Assistance Trust net realized gain	178,091	-	178,091
Realized gains	12,034	-	12,034
Unrealized market value increases	<u>174,933</u>	<u>-</u>	<u>174,933</u>
	<u>\$ 384,790</u>	<u>\$ -</u>	<u>\$ 384,790</u>

Investment income is recorded net of expenses of approximately \$23,000 and \$39,000 for the years ended June 30, 2014 and 2013, respectively in unrealized market value increases (decreases) on the statements of activities and changes in net assets.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM INVESTMENTS – CONTINUED

Investments

Investments consisted of the following at June 30, 2014:

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

Investments consisted of the following at June 30, 2013:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 212,539	\$ 212,539
Municipal bonds	83,554	80,507
Mutual funds	11,663	14,761
Equity securities	861,419	1,282,454
	<u>\$ 1,169,175</u>	<u>\$ 1,590,261</u>

Short-Term Investments

Short-term investments consisted of the following at June 30, 2013:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 519,757	\$ 519,757
Mutual funds	1,920,252	1,897,617
	<u>\$ 2,440,009</u>	<u>\$ 2,417,374</u>

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

NOTE 7. LONG-TERM INVESTMENTS – CONTINUED

Marbridge Foundation Assistance Trust (MFAT)

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

According to the investment policy, the primary objective is to maintain a balanced approach of investments, utilizing both equity and fixed income securities. The performance of the MFAT is compared to a benchmark composed of 55% S&P 500 Stock Index and 45% Barclays Intermediate Government/Credit Bond Index. The Foundation received quarterly distributions of \$16,800 solely from income earned of the trust and net realized capital gains/losses for a calendar year. The money manager for the MFAT is expected to equal or exceed the benchmark performance over a complete market cycle, which is typically a three to five year period.

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

The MFAT has the following asset allocation ranges:

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

*Includes cash and cash equivalents

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

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

NOTE 7. LONG-TERM INVESTMENTS – CONTINUED

Marbridge Foundation Assistance Trust (MFAT) – Continued

MFAT consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Endowment trust principal	\$ 1,992,167	\$ 1,992,167
Accumulated net realized income available for distribution from inception	(158,007)	(268,898)
Realized income during the fiscal year	98,507	178,091
Scholarship awarded during the fiscal year	<u>(67,200)</u>	<u>(67,200)</u>
Net realized income available for distribution	<u>(126,700)</u>	<u>(158,007)</u>
Historical cost basis of MFAT	1,865,467	1,834,160
Accumulated net unrealized gains from inception	<u>385,368</u>	<u>194,185</u>
	<u><u>\$ 2,250,835</u></u>	<u><u>\$ 2,028,345</u></u>

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

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

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

NOTE 7. LONG-TERM INVESTMENTS – CONTINUED

Marbridge Foundation Assistance Trust (MFAT) – Continued

As of June 30, 2013, Marbridge Foundation Assistance Trust had the following investments:

	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds	\$ 110,127	\$ 110,127
Corporate and government bonds	494,106	511,732
Equity securities	1,190,759	1,367,206
Mutual funds	<u>39,168</u>	<u>39,280</u>
	<u>\$ 1,834,160</u>	<u>\$ 2,028,345</u>

NOTE 8. FAIR VALUE MEASUREMENTS

The Foundation has adopted standards for fair value measurement, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

Level 2 Inputs: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014.

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

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

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation's investment in private equity, classified as "other investment" in the accompanying statement of financial position, is recorded at fair value using the Foundation's proportionate net asset value, or its equivalent, as reported by the investee's management, and is classified within Level 3 of the fair value hierarchy, as the investment meets the requirements to be valued using net asset value or its equivalent, but the Foundation may not fully redeem its investment with the investee at net asset value at June 30, 2014 or at a future date. The proportionate net asset value has not been adjusted by the Foundation and therefore, no qualitative data is disclosed for this investment carried at fair value with the use of significant unobservable inputs (Level 3).

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

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

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

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

General Investment Account

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

Spook Partlow Memorial Special

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual fund - large cap value	17,578	-	-	17,578
	<u>\$ 2,502,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,502,731</u>

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

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

<u>Private Placement Equity</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Private placement equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,070</u>	<u>\$ 332,070</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,070</u>	<u>\$ 332,070</u>

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

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

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

The following tables set forth, by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2013:

<u>Marbridge Foundation Assistance Trust (MFAT)</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 110,127	\$ -	\$ -	\$ 110,127
Common stock - United States				
Energy	131,819	-	-	131,819
Materials	17,485	-	-	17,485
Industrials	175,889	-	-	175,889
Consumer discretionary	44,681	-	-	44,681
Consumer staples	141,109	-	-	141,109
Healthcare	195,881	-	-	195,881
Financials	211,646	-	-	211,646
Information technology	147,450	-	-	147,450
Telecommunication services	64,424	-	-	64,424
Utilities	78,375	-	-	78,375
Total common stock - United States	1,208,759	-	-	1,208,759
Common stock - International				
Technology	10,434	-	-	10,434
Healthcare	34,562	-	-	34,562
Materials	29,015	-	-	29,015
Total common stock - International	74,011	-	-	74,011
Preferred stock	54,778	-	-	54,778
Mutual funds	39,280	-	-	39,280
Publicly traded partnerships	29,658	-	-	29,658
Corporate bonds				
Industrial	215,307	-	-	215,307
Financial	36,204	-	-	36,204
Total corporate bonds	251,511	-	-	251,511
Municipal bonds				
General obligation bonds	124,207	-	-	124,207
Revenue bonds	26,779	-	-	26,779
Total municipal bonds	150,986	-	-	150,986
Collateralized mortgage obligations	109,235	-	-	109,235
	<u>\$ 2,028,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,028,345</u>

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

<u>General Investment Account</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 212,539	\$ -	\$ -	\$ 212,539
Municipal bonds	80,507	-	-	80,507
Common stock - United States				
Energy	52,516	-	-	52,516
Materials	143,551	-	-	143,551
Industrials	59,892	-	-	59,892
Consumer discretionary	66,046	-	-	66,046
Consumer staples	82,555	-	-	82,555
Healthcare	148,513	-	-	148,513
Services	113,464	-	-	113,464
Financials	133,580	-	-	133,580
Information technology	167,995	-	-	167,995
Telecommunication services	111,356	-	-	111,356
Utilities	59,844	-	-	59,844
Total common stock - United States	1,139,312	-	-	1,139,312
Exchange traded funds				
China	14,575	-	-	14,575
Australia	14,697	-	-	14,697
Germany	6,175	-	-	6,175
Israel	18,262	-	-	18,262
Japan	41,185	-	-	41,185
Korea	11,970	-	-	11,970
Sweden	12,669	-	-	12,669
Switzerland	9,311	-	-	9,311
Taiwan	14,298	-	-	14,298
Total exchange traded funds	143,142	-	-	143,142
	1,575,500	-	-	1,575,500
<u>Spook Partlow Memorial Special</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual fund - large cap value	14,761	-	-	14,761
	<u>\$ 1,590,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,590,261</u>

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

NOTE 8. FAIR VALUE MEASUREMENTS – CONTINUED

<u>Short Term Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 519,757	\$ -	\$ -	\$ 519,757
Exchange traded funds - fixed income	1,897,617			1,897,617
	<u>\$2,417,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,417,374</u>
<u>Private Placement Equity</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Private placement equity	\$ -	\$ -	\$327,524	\$ 327,524
	<u>\$ -</u>	<u>\$ -</u>	<u>\$327,524</u>	<u>\$ 327,524</u>

The table below sets forth a summary of changes in fair value of the Foundation's Level 3 investments for the year ended June 30, 2013.

Beginning balance	\$ 424,348
Issuances	22,547
Settlements	(134,564)
Unrealized gain	<u>15,193</u>
Ending balance	<u>\$ 327,524</u>

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

NOTE 9. PROPERTY, PLANT AND EQUIPMENT, NET

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

	<u>2014</u>	<u>2013</u>
Construction in progress	\$ 1,030,603	\$ 222,619
Land	1,013,407	1,013,407
Land improvements	348,168	297,276
Buildings and improvements	13,230,020	12,731,265
Furniture and fixtures	385,679	339,430
Equipment	1,261,371	1,119,483
Vehicles	<u>817,025</u>	<u>785,859</u>
	18,086,273	16,509,339
Less: accumulated depreciation	<u>8,077,631</u>	<u>7,406,205</u>
Net	<u><u>\$ 10,008,642</u></u>	<u><u>\$ 9,103,134</u></u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$734,655 and \$689,324, respectively.

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

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT

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

	2014	2013
Note payable with monthly payments of \$7,141, including interest at 5.5%, maturing May 2021, secured by land	\$ 493,791	\$ 550,242
Vehicle notes, interest rates up to 4.5%, payments due monthly	60,996	-
Note payable, monthly payments of \$2,465 including interest at 5.0%, maturing June 2018, secured by land	106,440	129,838
Vehicle note, monthly payments of \$600, including interest at 2.94%, maturing April 2017	19,524	26,031
	680,751	706,111
Less: current maturities	104,832	86,766
	\$ 575,919	\$ 619,345

The following is a summary of principal maturities of long-term debt at June 30, 2014:

2015	\$ 104,832
2016	110,228
2017	114,855
2018	110,407
2019	82,573
Thereafter	157,856
	\$ 680,751

On April 22, 2014, the Foundation entered into a construction loan agreement with a bank for the construction of the gymnasium. Land serves as collateral for this loan and requires the financial institution to approve any contractor the funds will be used for. As of June 30, 2014, the Foundation has not drawn on the available funds. The agreement expires October 1, 2015 and the Foundation can draw up to \$650,000 or 25% of the total cost of the project. Interest rate and payment amounts will be established when and if the Foundation decides to draw from the available funds.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11. CONCENTRATIONS

Approximately 27% and 20% of the tuition and fees received by the Foundation during the years ended June 30, 2014 and 2013, respectively, were from the Medicaid benefits of the residents.

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

At June 30, 2014, approximately 23% of the Foundation's accounts payable are with one vendor. Approximately 20% of the Foundation's accounts payable at June 30, 2013, were with one vendor.

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

NOTE 12. TAX DEFERRED ANNUITY PLAN

The Foundation sponsors a defined contribution plan which is tax deferred under Section 403(b) of the Internal Revenue Code for all employees who normally work 32 or more hours per week and who have completed a period of service of at least twelve months. Under the defined contribution plan, the Foundation makes matching contributions equal to a percentage of each eligible employee's compensation for each payroll period to purchase annuities under a contract with MetLife RetireSource for the benefit of each eligible employee. Eligible employees may contribute additional amounts to their plan accounts through salary reduction contributions. All contributions are fully vested after three years. Forfeitures are used to offset plan expenses. If forfeitures exceed plan expenses, then the forfeitures are used to decrease the amount of the employer contributions. The Foundation's matching percentage is 3%. Foundation expenses with respect to the defined contribution plan were \$90,000 and \$83,724 for the years ended June 30, 2014 and 2013, respectively.

NOTE 13. RELATED PARTY TRANSACTIONS

The Foundation rents residential properties to families visiting residents. The rental income for the years ended June 30, 2014 and 2013 was \$6,968 and \$8,684, respectively.

MARBRIDGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 14. RESIDENTS' FUND

As a service to its residents, the Foundation maintains certain cash and investments on behalf of its residents in order to assist them in the management of their personal affairs. The Foundation recognizes no revenues or expenses with respect to these funds, the total amounts and earnings of which are owned solely by the individual residents. These assets of the residents totaled \$182,403 and \$206,737 at June 30, 2014 and 2013, respectively, and are included in restricted cash in the accompanying statements of financial position.

NOTE 15. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Restricted for building and improvements	\$ 2,243,289	\$ 211,621
Activities and other	43,249	46,153
Restricted for financial assistance to residents	48,839	-
Restricted for non-MFAT scholarship	-	192
Gym	-	73,964
Programs	35,192	-
Goldman Sachs Investment	332,070	327,524
Total	\$ 2,702,639	\$ 659,454

NOTE 16. COMMITMENTS AND CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
REVENUES AND SUPPORT								
Tuition and fees								
Private tuitions and medical fees	\$ -	\$ -	\$ -	\$ -	\$ 2,639,351	\$ 2,864,742	\$ 1,247,003	\$ 6,751,096
Therapy services	-	-	-	-	-	-	51,197	51,197
Department of Human Resources (Medicaid)	-	-	-	-	-	-	2,746,987	2,746,987
Villa applied income	-	-	-	-	-	-	162,955	162,955
Medicare income part A	-	-	-	-	-	-	735,321	735,321
Medicare income part B and other	-	-	-	-	-	-	411,848	411,848
Summer camp and activity income	-	-	55,580	204,785	-	-	-	260,365
Bed hold income	-	-	-	-	-	-	126,360	126,360
Hospice income	-	-	-	-	-	-	162,103	162,103
Transportation fees	-	-	-	-	8,613	86,267	1,900	96,780
	-	-	55,580	204,785	2,647,964	2,951,009	5,645,674	11,505,012
Other income and support								
Contributions	-	1,138,758	-	-	-	-	-	1,138,758
Interest and dividends	42,248	-	-	-	-	-	-	42,248
Lifetime care income	-	-	-	-	777	-	-	777
Rental income	6,968	-	-	-	-	-	-	6,968
Net gain on asset dispositions	1,725	-	-	-	-	(10,904)	-	(9,179)
Unrealized market value increases on investments	450,926	-	-	-	-	-	-	450,926
Realized gains on investments in Assistance Trust	98,507	-	-	-	-	-	-	98,507
Realized gains on investments	77,631	-	-	-	-	-	-	77,631
Miscellaneous income	31,584	153	7,550	1,089	9,017	6,345	1,791	57,529
TOTAL UNRESTRICTED REVENUES AND SUPPORT	709,589	1,138,911	63,130	205,874	2,657,758	2,946,450	5,647,465	13,369,177

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

	Headquarters	Fundraising	Admissions	Training	Ranch	Village	Villa	Total
Expenditures on renovation and building campaign	407,635	-	-	-	-	-	-	407,635
Gym construction	396,859	-	-	-	-	-	-	396,859
Non-MFAT scholarships	402,850	-	-	-	-	-	-	402,850
	<u>1,207,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,207,344</u>
Program services	-	-	-	1,095,620	2,160,909	2,097,558	5,190,636	10,544,723
Management and general	2,171,904	-	312,890	-	-	-	-	2,484,794
Fundraising	-	358,276	-	-	-	-	-	358,276
	<u>2,171,904</u>	<u>358,276</u>	<u>312,890</u>	<u>1,095,620</u>	<u>2,160,909</u>	<u>2,097,558</u>	<u>5,190,636</u>	<u>13,387,793</u>
TRANSFER TO TEMPORARILY RESTRICTED NET ASSETS								
Transfer from other investment	<u>(2,442,739)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,442,739)</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS								
	(2,697,710)	780,635	(249,760)	(889,746)	496,849	848,892	456,829	(1,254,011)
Temporarily restricted contributions	-	807,790	-	-	-	-	-	807,790
Net assets released from restrictions	(1,207,344)	-	-	-	-	-	-	(1,207,344)
TRANSFER FROM UNRESTRICTED NET ASSETS								
Transfer from other investment	<u>2,442,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,442,739</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS								
	<u>1,235,395</u>	<u>807,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,043,185</u>
Contributions to Assistance Trust	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS								
	<u>\$ (1,462,315)</u>	<u>\$ 1,588,425</u>	<u>\$ (249,760)</u>	<u>\$ (889,746)</u>	<u>\$ 496,849</u>	<u>\$ 848,892</u>	<u>\$ 456,829</u>	<u>\$ 789,174</u>

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF EXPENSES BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
Employee costs								
Salaries and wages	\$ 1,209,088	\$ 176,898	\$ 184,257	\$ 624,749	\$ 1,047,664	\$ 1,010,520	\$ 2,830,168	\$ 7,083,344
Retirement benefits	24,717	4,050	3,587	7,934	10,939	13,230	26,543	91,000
Health and medical insurance	76,996	15,108	11,342	70,222	102,344	96,109	243,067	615,188
Occupational injury insurance	14,538	794	575	6,276	28,764	13,968	41,882	106,797
HSA saving	6,200	1,675	1,200	5,800	8,385	8,170	19,525	50,955
Payroll taxes	87,771	12,930	13,275	48,357	75,288	75,631	212,716	525,968
	<u>1,419,310</u>	<u>211,455</u>	<u>214,236</u>	<u>763,338</u>	<u>1,273,384</u>	<u>1,217,628</u>	<u>3,373,901</u>	<u>8,473,252</u>
Total employee costs								
Other expenses								
Advertising	59	67,692	23,792	25	6,441	7,085	19,354	124,448
Athletic and other residents' activities	-	-	-	147,796	742	841	6,717	156,096
Bad debt provisions	-	-	-	-	12,000	12,000	22,333	46,333
Bank charges	1,372	4,162	-	-	-	-	-	5,534
Computer expenses	26,445	13,700	1,804	10,731	13,379	10,477	31,106	107,642
Consultants	2,820	-	-	-	2,580	326	39,729	45,455
Contract labor	45,800	14,725	-	6,277	6,645	11,751	18,674	103,872
Depreciation and amortization	63,103	-	14,740	23,750	91,974	267,387	273,701	734,655
Dues and subscriptions	6,159	-	-	-	1,120	1,120	3,899	12,298
Extermination	2,355	-	-	2,577	3,928	3,177	3,309	15,346
Fees and licenses	2,600	-	-	253	915	1,669	4,786	10,223
Groceries	12,788	-	-	2,311	247,045	218,889	303,203	784,236
In-kind donation	-	287	-	-	-	-	-	287
Insurance	26,444	11	3,559	1,847	54,470	69,157	67,944	223,432
Interest expense	35,360	-	679	-	-	612	-	36,651
Laundry	-	-	-	-	12,636	-	-	12,636
Legal and professional	100,537	-	-	-	-	-	-	100,537
Livestock and pet expenses	-	-	-	50,341	1,377	-	752	52,470

MARBRIDGE FOUNDATION, INC.
SCHEDULE OF EXPENSES BY LOCATION
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

	<u>Headquarters</u>	<u>Fundraising</u>	<u>Admissions</u>	<u>Training</u>	<u>Ranch</u>	<u>Village</u>	<u>Villa</u>	<u>Total</u>
Other expenses (Continued)								
Medical services, drugs & supplies	-	-	-	-	30,078	25,743	753,313	809,134
Office supplies	26,878	503	236	6,360	4,409	3,770	14,389	56,545
Postage	15,981	160	-	-	-	122	182	16,445
Rent-equipment	14,082	-	-	-	1,579	945	1,479	18,085
Repairs and maintenance	201,431	-	-	-	120	1,941	344	203,836
Residents' direct costs	-	1,316	20,458	-	2,099	2,676	4,421	30,970
Sanitation	-	-	-	-	7,986	4,395	12,837	25,218
Scholarships - MFAT	66,974	-	-	13,748	-	-	-	80,722
Scholarships - other	-	-	-	-	108,570	33,414	-	141,984
Software maintenance & upgrades	3,229	-	-	-	-	-	-	3,229
Staff expenses	37,374	1,916	131	3,841	4,027	3,524	7,142	57,955
Staff training	19,521	22,731	999	4,301	10,391	8,399	2,899	69,241
Supplies	2,163	234	979	9,694	49,749	43,834	76,938	183,591
Telephone	12,611	2,523	2,196	14,766	8,095	3,686	12,917	56,794
Transportation	11,607	271	4,230	6,466	19,993	49,644	6,808	99,019
Travel	2,321	16,175	24,662	-	-	-	-	43,158
Utilities	7,885	-	189	23,428	151,990	65,464	89,871	338,827
Waste water plant	-	-	-	3,770	32,048	22,622	35,818	94,258
Miscellaneous and other	4,695	415	-	-	1,139	5,260	1,870	13,379
	<u>\$ 2,171,904</u>	<u>\$ 358,276</u>	<u>\$ 312,890</u>	<u>\$ 1,095,620</u>	<u>\$ 2,160,909</u>	<u>\$ 2,097,558</u>	<u>\$ 5,190,636</u>	<u>\$ 13,387,793</u>