Buckner International and Subsidiaries

Consolidated Financial Report
December 31, 2016

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Independent Auditor's Report

To the Board of Trustees
Buckner International and Subsidiaries

We have audited the accompanying consolidated financial statements of Buckner International and Subsidiaries (collectively, Buckner), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees
Buckner International and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buckner International and Subsidiaries as of December 31, 2016 and 2015, and the 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.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
May 15, 2017

Buckner International and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2016 and 2015

		2016		2015
ASSETS				
ASSETS				
Cash and cash equivalents	$	19,360,402	$	16,258,241
Investments		313,980,606		315,199,522
Assets whose use is limited		9,381,976		5,247,222
Receivables, net		6,455,360		6,351,979
Pledges and bequests receivable, net		1,867,298		3,258,884
Inventories and supplies		223,224		229,029
Notes receivable		27,966		80,693
Prepaid expenses		1,129,594		1,473,006
Other assets		4,376,642		3,394,688
Revenue bond proceeds held by trustee		51,736,900		9,118,508
Real estate held for investment		1,429,831		1,574,026
Property and equipment, net		177,437,076		159,488,610
TOTAL ASSETS	$	587,406,875	$	521,674,408
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$	4,779,535	$	1,928,034
Accrued liabilities		5,381,334		4,523,693
Lines of credit		1,100,000		1,393,479
Short-term notes payable		976,513		1,260,656
Revenue bonds payable, net		150,446,269		90,489,097
Notes payable		25,312,969		18,955,468
Resident deposits		2,052,522		2,021,418
Refundable fees		23,800,191		21,557,321
Deferred revenue from advance fees		2,119,809		2,694,832
Annuity and life income fund liability		5,143,740		5,368,604
Other		1,973,651		2,103,046
Total liabilities		223,086,533		152,295,648
NET ASSETS				
Unrestricted		275,147,978		278,439,829
Temporarily restricted		10,648,336		12,461,278
Permanently restricted		78,524,028		78,477,653
Total net assets		364,320,342		369,378,760
TOTAL LIABILITIES AND NET ASSETS	$	587,406,875	$	521,674,408

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

Buckner International and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Client support and related income	$ 76,914,704	$ -	$ -	$ 76,914,704	$ 78,656,207	$ -	$ -	$ 78,656,207
Investment income	22,442,151	(30,018)	76,383	22,488,516	26,605,434	373	203,291	26,809,098
Contributions								
Baptist General Convention of Texas	535,139	-	-	535,139	474,251	-	-	474,251
Individual and business gifts	17,566,690	466,150	166,654	18,199,494	19,281,574	4,037,441	260,098	23,579,113
Bequests	1,917,122	-	730,980	2,648,102	1,750,197	-	-	1,750,197
Gain on sales of real estate held for investment	1,089,442	-	-	1,089,442	18,897	-	-	18,897
Other	536,543	-	-	536,543	473,671	-	-	473,671
Net assets released from restrictions	2,076,074	(2,076,074)	-	-	2,387,617	(2,387,617)	-	-
Total revenues	123,077,865	(1,639,942)	974,017	122,411,940	129,647,848	1,650,197	463,389	131,761,434
EXPENSES								
Salaries and benefits	65,547,339	-	-	65,547,339	63,432,128	-	-	63,432,128
Supplies and direct expenses	27,590,471	-	-	27,590,471	26,756,448	-	-	26,756,448
Occupancy and insurance	13,295,708	-	-	13,295,708	13,231,092	-	-	13,231,092
Travel and transportation	2,898,975	-	-	2,898,975	3,701,307	-	-	3,701,307
Administration	9,229,109	61,405	-	9,290,514	9,409,871	61,004	-	9,470,875
Depreciation	8,051,540	-	-	8,051,540	7,805,299	-	-	7,805,299
Interest expense	5,058,884	-	-	5,058,884	5,153,237	-	-	5,153,237
Total expenses	131,672,026	61,405	-	131,733,431	129,489,382	61,004	-	129,550,386
CHANGE IN NET ASSETS FROM OPERATIONS	(8,594,161)	(1,701,347)	974,017	(9,321,491)	158,466	1,589,193	463,389	2,211,048
NONOPERATING ITEMS								
Net realized and unrealized gains (losses) on investments, and other investment income	7,920,850	6,632	(1,242,130)	6,685,352	(38,128,667)	(776,975)	(1,845,015)	(40,750,657)
Other, net	(2,618,540)	(118,227)	314,488	(2,422,279)	(64,246)	(371,033)	434,976	(303)
CHANGE IN NET ASSETS	(3,291,851)	(1,812,942)	46,375	(5,058,418)	(38,034,447)	441,185	(946,650)	(38,539,912)
NET ASSETS, BEGINNING OF YEAR	278,439,829	12,461,278	78,477,653	369,378,760	316,474,276	12,020,093	79,424,303	407,918,672
NET ASSETS, END OF YEAR	$ 275,147,978	$ 10,648,336	$ 78,524,028	$ 364,320,342	$ 278,439,829	$ 12,461,278	$ 78,477,653	$ 369,378,760

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

Buckner International and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (5,058,418)	$ (38,539,912)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,051,540	7,805,299
Amortization	(974,965)	(549,408)
Charge for extinguishment of long-term debt	2,435,456	-
Increase in accretion expense and ARO revisions	61,561	58,894
Gain on sales of real estate held for investment	(1,088,842)	(18,897)
Net realized and unrealized (gains) losses on investments	(6,685,352)	40,750,657
Changes in operating assets and liabilities:		
Assets whose use is limited	(3,168,033)	(4,522,674)
Receivables	1,340,932	369,348
Inventories and supplies	5,805	(11,092)
Prepaid expenses	1,262,221	1,550,585
Other assets	(1,082,128)	(1,516,058)
Accounts payable	2,851,501	89,809
Accrued liabilities	1,831,467	527,835
Resident deposits	31,104	4,188
Refundable fees	2,242,870	4,476,450
Deferred revenue from advance fees	329,037	506,164
Annuity and life income fund liability	11,657	(3,760)
Other liabilities	(129,395)	(132,670)
Net cash provided by operating activities	2,268,018	10,844,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(27,147,660)	(13,329,559)
Decrease in revenue bond proceeds held by trustee	13,893,270	-
Purchases of investments	(3,850,354)	(5,451,390)
Proceeds on sales or redemptions of investments	12,642,016	6,816,147
Proceeds from sales of real estate held for investment	2,220,801	85,697
Net cash used in investing activities	(2,241,927)	(11,879,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revenue bonds payable and notes payable	6,449,199	5,778,201
Payments on revenue bonds payable and short-term notes payable	(3,373,129)	(3,790,839)
Net cash provided by financing activities	3,076,070	1,987,362
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,102,161	953,015
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,258,241	15,305,226
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,360,402	$ 16,258,241
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 5,494,051	$ 5,166,168
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Financing of insurance contract	$ 918,809	$ 1,464,706
Funding and premium on 2016 revenue bonds	$ 103,194,157	$ -
Refunding of 2007 revenue bonds	$ 39,540,000	$ -
Bond issuance costs on 2016 revenue bonds	$ 1,378,102	$ -
Proceeds from 2016 revenue bonds sent to escrow	$ 64,590,102	$ -

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

Note 1. Nature of Operations and Principles of Consolidation

Buckner International (Buckner) is a Texas not-for-profit corporation that has been caring for families, needy children, and the elderly since 1879. One-fourth of Buckner's Board of Trustees is elected by the Baptist General Convention of Texas with the remaining three-fourths appointed by Buckner's Board of Trustees.

Effective January 1, 2010, Buckner Retirement Services, Inc. (BRS) acquired Baptist Memorials Ministries (BMM). BMM is a 501(c)(3) not-for-profit corporation that provides health care, housing and other related services to residents through the operation of a continuing care retirement community in San Angelo, Texas. BRS is the sole member and approves the nomination and placement of the Board of Directors for BMM. The decision was made in early 2016 to close and sell the Woodlands campus in Burnet, Texas, a 44 unit independent living community. The process for closing the campus started in the Fall of 2016 and selling of the units is estimated to be completed in 2018.

Buckner Senior Living, Inc. (BSL), a Texas not-for-profit corporation, was established in December 2012 to develop and operate a continuing care retirement community to be located in Dallas, Texas. BSL was established in order to expand its affiliate's mission of providing quality housing, health care services and other programs to senior citizens. BRS is the sole member and elects the Board of Directors for BSL. BSL is exempt from Federal income taxation under 501(c)(3) of the Internal Revenue Code.

Buckner consolidates the following not-for-profit corporations:

- Buckner Children and Family Services, Inc. (includes subsidiaries - Rio Grande Children's Home, Rio Grande Children's Home Foundation Inc., and MFHL Corporation) – collectively BCFS
- BRS (includes subsidiaries BMM and BSL)
- Buckner Adoption and Maternity Services, Inc. (BAMS)
- Buckner Foundation, Inc. (Foundation)

The Board of Trustees of Buckner serve as directors of Buckner Children and Family Services, Inc., Buckner Retirement Services, Inc., Buckner Adoption and Maternity Services, Inc., and Buckner Foundation, Inc. Buckner and the corporations are exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Buckner and changes therein are classified and reported as follows:

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be retained permanently. Generally, the donors of these assets permit Buckner to use all or part of the income earned on related investments for general or specific purposes, including program support. In 2016 and 2015, these assets are made up of a portion of cash and cash equivalents and investments.

- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of Buckner and/or the passage of time to be used generally for capital expenditures and program support. In 2016 and 2015, these assets are made up of a portion of cash and cash equivalents, investments, and pledges and bequests receivable.

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Restricted contributions received and released in the current year will be reported as unrestricted net asset activity.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period when unconditional promises to give are received. Bequests are recognized when the court declares the will valid and the amount is reasonably estimable. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity. There was no allowance for uncollectible contributions at December 31, 2016 and 2015.

Income and investment gains and losses of endowment and similar funds are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift require that they be included in the principal of a permanent endowment fund;

- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use;

- As increases (decreases) in unrestricted net assets in all other cases.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying value of such instruments approximates fair value. Buckner places its cash, cash equivalents and investments, which at times may exceed federally insured limits, with high credit quality financial institutions. Buckner has not experienced any losses on such accounts.

Investments

Investments in marketable securities are recorded at fair value based on quoted market prices when there is a readily available market price. Investment in real estate is held for sale and stated at the lower of cost or fair value. Net realized and unrealized gains (losses) in fair value of investments are reflected in the consolidated statements of activities.

Assets Whose Use is Limited

Assets whose use is limited consists of funds held for use for debt service payments for revenue bonds payable and for entrance fee deposits held for the development of a continuing care retirement community by Buckner Senior Living. Certain residents have deposited funds in an escrow account maintained for their benefit. The funds are refundable to the resident prior to their entrance.

Receivables and Notes Receivable

Receivables are primarily due from clients served and from government agencies. Receivables are written off when they become uncollectible. The allowance for doubtful accounts is determined by management on the specific identification method after review of each receivable at year-end.

Inventories and Supplies

Inventories and supplies are recorded at cost.

Property and Equipment

Property and equipment are carried at cost, if purchased. Donated property is recorded at fair market value at the donation date. Repairs and maintenance costs are expensed in the period incurred. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Useful lives range from five to forty years. Buckner capitalizes items in excess of $5,000 with a useful life of at least one year.

Split-interest Agreements

Charitable remainder annuity trusts are recorded at fair value when received based on the present value of expected payments to be made under the agreement.

Asset Retirement Obligations

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability.

Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Buckner records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Buckner derecognizes ARO liabilities when the related obligations are settled.

Deferred Revenue

The right to occupy various living units is granted under life tenancy agreements under which the tenants pay a certain sum (entrance fee) which entitles them to live in the unit for life. Under this plan, upon death of, or termination by, the tenant and upon re-occupancy of the unit, the tenant or their estate receives a refund of the appropriate percent of the original entrance fee paid. The non-refundable portion of the entrance fee is recognized as revenue over the actuarial life expectancy of the resident. The refundable portion is recognized as a liability shown as refundable fees.

Bond Issuance Costs

Bond issuance costs are amortized over a period of thirty years consistent with the life of the bonds with a method which approximates the effective interest method. In 2016, Buckner adopted certain updated guidance in Subtopic 835-30, “Interest – Imputation of Interest,” whereby bond issuance costs are reported in the 2016 and 2015 consolidated balance sheets as direct deductions from the carrying amount of the related debt liability. Bond issuance costs were previously reported as assets. Amortization of bond issuance costs is included within administration expense in the consolidated statements of activities.

Revenues

Client support and related income is recognized at the time services are rendered and is reported at the estimated realizable amounts from residents, third-party payers, and others as services are rendered. Revenue under third-party payer arrangements (Medicaid and Medicare) is subject to audit and retroactive adjustment. Provisions for third-party payer settlements are provided in the period the related services are rendered. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Investment income is recognized at the time it is earned.

Contributions are recognized at fair value at the time gifts are received or unconditional promises to give are made. Grant revenues are recognized at the time grant requirements are met.

Advertising

Buckner expenses the costs of advertising as incurred, except the costs for direct-response advertising, which are capitalized and amortized over the expected period of future benefits.

Expenses incurred related to advertising activities were $1,112,110 and $1,253,425 for the years ended December 31, 2016 and 2015, respectively, and are included in administration expense on the accompanying consolidated statements of activities.

Direct-response advertising relates to costs of acquiring initial continuing-care contracts that are expected to be recovered from future contract revenues. These costs are amortized to expense on a straight-line basis over the average expected remaining lives of the residents under contract or the contract term, if shorter (actuarial studies typically provide a range of 12 to 14 years).

Deferred direct-response advertising costs of $4,376,642 and $3,394,688 were reported in other assets, in the consolidated statements of financial position as of December 31, 2016 and 2015, respectively.

Change in Net Assets from Operations

Operations of Buckner include children and family services, retirement services, and international orphan care services. Buckner includes investment income and gains and losses on sales of real estate held for investment in the change in net assets from operations. Buckner excludes from the change in net assets from operations, gains and losses on sales of facilities and realized and unrealized gains and losses on investments.

Use of Estimates

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

Reclassifications

Certain accounts relating to the prior period have been restated to conform to current year's presentation. The reclassifications have no effect on prior period change in net assets or total net assets.

Subsequent Events

The date to which events occurring after December 31, 2016, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is May 15, 2017, the date these consolidated financial statements were available to be issued. During this period, there were no material recognizable subsequent events.

Note 3. Investments

Investments consist of the following:

	December 31,	
	2016	2015
HighGround Endowment Fund	$ 160,770,375	$ 162,982,840
Equity securities - domestic	52,526,691	49,675,446
Equity securities - international	10,420,232	7,654,054
Corporate bonds	3,577,777	3,791,264
U.S. government agencies	4,471,149	5,075,297
Money market funds	15,341,245	18,315,279
Bond mutual funds	15,716,979	13,680,728
Mineral interests	44,591,962	40,085,656
Other	6,564,196	13,938,958
	$ 313,980,606	$ 315,199,522

The following summarizes investment return:

	Years ended December 31, 2016	2015
Operating		
Dividend and interest income	$ 22,488,516	$ 26,809,098
Nonoperating		
Net realized and unrealized gain (loss) on investments	6,685,352	(40,750,657)
	$ 29,173,868	$ (13,941,559)

Note 4. Receivables

Receivables are recorded net of the allowance for doubtful accounts as follows:

	December 31, 2016	2015
Receivables, gross	$ 6,838,012	$ 6,670,337
Allowance for doubtful accounts	(382,652)	(318,358)
Receivables, net	$ 6,455,360	$ 6,351,979

Note 5. Pledges and Bequests Receivable

Pledges and bequests receivable consist of unconditional promises to give that are time and/or purpose restricted. Pledges and bequests receivable, net, are summarized as follows:

	December 31, 2016	2015
Pledges and bequests receivable, gross	$ 1,875,246	$ 3,312,357
Less unamortized discount at 2.45% and 2.24% at December 31, 2016 and 2015, respectively	(7,948)	(53,473)
Pledges and bequests receivable, net	$ 1,867,298	$ 3,258,884

The maturity of pledges and bequests receivable at December 31, 2016 is as follows:

Less than one year	$ 1,653,393
One to five years	221,853
	$ 1,875,246

Note 6. Property and Equipment

Property and equipment consists of the following:

	Estimated useful life	December 31, 2016	December 31, 2015
Buildings	10 - 40 years	$ 195,041,040	$ 190,513,286
Furniture and equipment	5 - 10 years	17,307,099	30,029,776
Vehicles	5 years	2,026,752	2,426,500
Land improvements	5 - 20 years	15,408,964	16,757,163
Total		229,783,855	239,726,725
Less accumulated depreciation		(92,968,907)	(109,553,513)
		136,814,948	130,173,212
Projects-in-process		26,242,256	15,264,811
Land		14,379,872	14,050,587
Property and equipment, net		$ 177,437,076	$ 159,488,610

Depreciation expense was $8,051,540 and $7,805,299 for the years ended December 31, 2016 and 2015, respectively.

Note 7. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2016	December 31, 2015
Employee vacation and sick pay	$ 716,539	$ 647,014
Employee health benefits	1,078,621	731,626
Nonsubscriber occupational injury	100,000	100,000
Property taxes	229,857	241,451
Wages and payroll related	1,732,739	1,309,752
Interest on revenue bonds and notes payable	968,620	619,230
Professional and general liability insurance	400,000	400,000
Other	154,958	474,620
Total	$ 5,381,334	$ 4,523,693

Note 8. Debt

In May 2016, BRS, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $89,260,000 of tax-exempt bonds, and is the sole obligated party on the issuance. The proceeds generated by the sale of the bonds were loaned by the issuer to BRS to (1) finance the construction and expansion of certain retirement facilities located in Austin, Beaumont, and Longview, Texas and (2) to refund $39,540,000 which represents a portion of the outstanding Tarrant County Cultural Education Facilities Finance Corporation Revenue Bonds, Series 2007. The outstanding principal amount of the Series 2016 bonds at December 31, 2016 is $88,755,000. As of December 31, 2016, revenue bond proceeds of $48,000,879 were being held by the trustee to be used for funding of capital expenditures and construction interest. Total principal and interest payments began November 2016 and the total annual payments are approximately $5,350,000 through November 15, 2046. As of December 31, 2016, the unamortized premium on the Series 2016 bonds is $13,583,323.

The refunding of the $39,540,000 was part of an escrow agreement where such funds were deposited into an irrevocable escrow fund to be held for early redemption on November 15, 2017. At the time of funding of the escrow agreement, these bonds were legally defeased and no longer outstanding under the indenture pursuant to which they were issued. This refunding resulted in a one-time special charge of $2,435,456 reflected under "Nonoperating Items" on the Consolidated Statements of Activities.

In 2007, BRS, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $104,755,000 of tax-exempt bonds, and is the sole obligated party on the issuance. The Series 2016 Bonds refunded $39,540,000 in principal amount of the outstanding Series 2007 Bonds. The outstanding principal amount of the remaining Series 2007 bonds at December 31, 2016 is $49,200,000. BRS is required to maintain a reserve fund to cover a year's debt service. Total annual principal and interest payments are approximately $3,900,000 through November 15, 2037. As of December 31, 2016, the unamortized premium on the Series 2007 bonds is $847,202.

BRS is required to maintain compliance with certain covenants as provided by the April 2016 Supplemental Indenture and the original July 2007 Master Trust Indenture. Buckner Foundation, Inc. has entered into a Credit and Support Agreement with the Master Trustee for the benefit of BRS related to the 2007 Series and the 2016 Series bonds.

A summary of debt is as follows:

	December 31, 2016	December 31, 2015
Revenue bonds payable		
Series 2007 revenue bonds, interest rates		
of 5.00% to 5.25%, net of unamortized premium	$ 50,047,203	$ 91,603,523
Less: bond issuance costs	(596,231)	(1,114,426)
	49,450,972	90,489,097
Series 2016 revenue bonds, interest rates		
of 1.00% to 5.00%, net of unamortized premium	102,338,323	-
Less: bond issuance costs	(1,343,026)	-
	100,995,297	-
Lines of credit		
With JPMorgan Chase, variable interest		
rate currently at 2.27% expiring September 2018	1,100,000	1,100,000
With FFIN San Angelo, variable interest		
rate currently at 4.25% expired April 2016	-	293,479
Notes payable		
With FFIN San Angelo		
interest rate of 4.00%, expiring July 2041	5,436,900	4,213,257
With FFIN San Angelo		
interest rate of 4.00%, expiring April 2021	2,489,770	2,555,479
With FFIN San Angelo, variable interest		
rate currently at 4.00%, expiring September 2019	442,885	468,874
With FFIN San Angelo, interest rate of 4.25%		
expiring January 2017	2,000,000	-
With JPMorgan Chase, variable interest		
rate currently at 2.27% expiring October 2017	14,943,414	11,717,858
Short-term notes payable		
Insurance contract notes, interest rates range		
from 3.20% to 7.75% expiring 2017	976,513	1,260,656
	$ 177,835,751	$ 112,098,700

Scheduled debt repayments on short-term notes payable, lines of credit and revenue bonds at December 31, 2016 are as follows:

Year ending December 31,	Short-term Notes Payable	Lines of Credit	Notes Payable	BRS Series 2007 Revenue Bonds	BRS Series 2016 Revenue Bonds	BRS Total Revenue Bonds	Total
2017	$ 976,513	$ 1,100,000	$ 17,173,528	$ 1,345,000	$ 965,000	$ 2,310,000	$ 21,560,041
2018	-	-	239,513	1,410,000	1,000,000	2,410,000	2,649,513
2019	-	-	249,295	1,485,000	1,030,000	2,515,000	2,764,295
2020	-	-	259,181	1,560,000	1,075,000	2,635,000	2,894,181
2021	-	-	270,064	1,645,000	1,125,000	2,770,000	3,040,064
Thereafter	-	-	7,121,388	41,755,000	83,560,000	125,315,000	132,436,388
	976,513	1,100,000	25,312,969	49,200,000	88,755,000	137,955,000	165,344,482
Less: bond issuance costs	-	-	-	(596,231)	(1,343,026)	(1,939,257)	(1,939,257)
Add: amount representing premium	-	-	-	847,203	13,583,323	14,430,526	14,430,526
	$ 976,513	$ 1,100,000	$ 25,312,969	$ 49,450,972	$ 100,995,297	$ 150,446,269	$ 177,835,751

Note 9. Retirement Plans

Buckner provides a defined contribution retirement plan (the Plan) for its employees. Employees are eligible to participate in the Plan after completing two years of eligible service. Buckner contributes 8% of an employee’s base salary for employees who contribute at least 5% of their salary. Vesting occurs immediately upon entering the Plan. Contributions to the Plan for the years ended December 31, 2016 and 2015 were $1,978,729 and $1,933,074, respectively.

Note 10. Functional Allocation of Expenses

The costs of providing the various programs and other activities on a functional basis are as follows:

	Years ended December 31, 2016	2015
General and administrative	$ 13,106,242	$ 11,887,843
Children and family services	43,930,506	42,817,082
Retirement and healthcare services	67,559,458	67,538,921
Adoption and maternity services	1,048,678	859,784
Development	6,088,547	6,446,756
Total expenses	$ 131,733,431	$ 129,550,386

Buckner incurred $2,074,255 and $1,473,465 in expenses relating to fundraising activities during the years 2016 and 2015, respectively. These expenses are included in development expense above and were carried out within Buckner International for the benefit of Buckner and its consolidating subsidiaries. Prior to April 1, 2016, these fundraising and development expenses were carried out within the Foundation.

Note 11. Leases

Buckner has noncancelable operating lease agreements for office space that expire during 2025. Future annual minimum lease payments due under those leases are as follows:

Year ending December 31,		
2017	$	1,107,983
2018		1,133,999
2019		1,058,053
2020		943,892
2021		922,452
Thereafter		3,303,376
	$	8,469,755

Rent expense under all operating leases for the years ended December 31, 2016 and 2015 was $1,355,653 and $1,054,001, respectively. The cost of Buckner's lease for office space is accounted for by the straight-line method. The difference between the net cash requirements of the lease and the straight-line method is accrued within other liabilities on the consolidated statements of financial position.

Note 12. Asset Retirement Obligation

Asset retirement obligations (AROs) are recorded under the provisions of the Codification, accounting for asset retirement obligations and accounting for conditional asset retirement obligations, which requires the fair value of a liability related to the retirement of long-lived assets to be recorded at the time a legal obligation is incurred, if the liability can be reasonably estimated. Buckner has identified asbestos abatement that must be reported. It is currently appropriately managed by Buckner in accordance with current laws and regulations. However, it is possible that at some future date, renovations, demolition, or construction could occur that would require direct remediation of Buckner's AROs. The asset retirement obligation as of December 31, 2016 and 2015 was included in other liabilities.

A reconciliation of the asset retirement obligation liability is as follows:

	December 31,			
	2016		2015	
Beginning balance	$	1,358,971	$	1,300,077
Accretion expense		61,561		58,894
Ending balance	$	1,420,532	$	1,358,971

Note 13. Net Assets

Permanently restricted net assets represent the accumulation of gifts to be invested in perpetuity. The income earned on these investments can be used for the general operation of the organization.

Temporarily restricted net assets consist of the following at December 31:

	December 31, 2016	December 31, 2015
Unspent contributions for future periods	$ 8,851,835	$ 9,587,687
Capital projects	1,796,501	2,873,591
	$ 10,648,336	$ 12,461,278

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	Years ended December 31, 2016	Years ended December 31, 2015
Capital projects - children and family services	$ 1,140,325	$ 1,378,335
Capital projects - retirement services	-	22,041
Program support - children and family services	735,749	787,241
Program support - retirement services	200,000	200,000
	$ 2,076,074	$ 2,387,617

Note 14. Related Party Transactions

In prior years, Buckner has entered into transactions with its Board members on an occasional basis subject to and in compliance with the Buckner Policy on Conflict of Interest, including requiring approval of disinterested members of the Finance Committee of the Board. Such transactions are immaterial in amount and no such transactions took place in 2016 or 2015.

Note 15. Fair Value Measurements

The Codification, accounting for fair value measurements and disclosures, established the framework for measuring fair value, which was effective for fiscal years beginning after November 15, 2007. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

Buckner International and Subsidiaries
Notes to Consolidated Financial Statements

The hierarchy established by the Codification gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). As required, Buckner's financial instruments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy, and its applicability to Buckner's financial instruments, are described below:

Level 1 inputs: Pricing inputs are quoted prices available in active markets for identical financial instruments as of the reporting date.

Level 2 inputs: Pricing inputs are quoted prices for similar financial instruments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes financial instruments valued at quoted prices adjusted for legal or contractual restrictions specific to these financial instruments.

Level 3 inputs: Pricing inputs are unobservable for the financial instruments, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Buckner determines the fair value of the financial instruments through application of the guidance established.

Information related to the financial instruments measured at fair value on a recurring basis at December 31, 2016 and 2015 is as follows:

	December 31, 2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
HighGround Endowment Fund	$ 160,770,375	$ -	$ 160,770,375	$ -
Equities - domestic	52,526,691	43,912,550	8,614,141	-
Equities - international	10,420,232	6,194,281	4,225,951	-
Corporate bonds	3,577,777	-	3,577,777	-
U.S. government agencies	4,471,149	-	4,471,149	-
Money market funds	15,341,245	-	15,341,245	-
Bond mutual funds	15,716,979	41,730	15,675,249	-
Mineral interests	44,591,962	-	-	44,591,962
Real estate / other	6,564,196	-	14,167	6,550,029
Pledges and bequests receivable	1,867,298	-	-	1,867,298
Revenue bond proceeds held by trustee	51,736,900	-	51,736,900	-
Annuity funds liabilities for investments held in trust	(5,143,740)	-	-	(5,143,740)

	December 31, 2015			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
HighGround Endowment Fund	$ 162,982,840	$ -	$ 162,982,840	$ -
Equities - domestic	49,675,446	40,143,455	9,531,991	-
Equities - international	7,654,054	5,357,747	2,296,307	-
Corporate bonds	3,791,264	-	3,791,264	-
U.S. government agencies	5,075,297	-	5,075,297	-
Money market funds	18,315,279	-	18,315,279	-
Bond mutual funds	13,680,728	40,716	13,640,012	-
Mineral interests	40,085,656	-	-	40,085,656
Real estate / other	13,938,958	-	4,861,415	9,077,543
Pledges and bequests receivable	3,258,884	-	-	3,258,884
Revenue bond proceeds held by trustee	9,118,508	-	9,118,508	-
Annuity funds liabilities for investments held in trust	(5,368,604)	-	-	(5,368,604)

The following is a description of the valuation methodologies used to measure and disclose fair value financial instruments:

Investments reported as Level 1 consist of equity securities which are determined by reference to quoted market prices for investments listed on an exchange or over-the-counter market.

Investments and revenue bond proceeds held by the trustee reported as Level 2 consists of the following:

HighGround Endowment Fund

HighGround Endowment Fund is a public investment vehicle that is valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified within Level 2 of the valuation hierarchy because the NAV's unit price is quoted on a private market, however the unit price is based on underlying investments which are traded on an observable active market.

Corporate Bonds

The fair value of sovereign government, municipal, and corporate bonds is generally based on using recently executed transactions, market price quotations, bond spreads or credit default swap spreads and quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency-basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority.

Money Market Funds

The fair value of money market funds is estimated based on using recently executed transactions, market price quotations, bond spreads or credit default swap spreads and quoted prices in active markets.

Fair values reported as Level 3 consist of the following:

Mineral Interests

Mineral interests are valued by reviewing the most recent twelve months of mineral income, excluding bonus income, and analyzing current industry methodology and recent market conditions.

Investments in Real Estate

Investments in real estate are valued based on appraisals, property tax values, and recent sales of comparative properties.

The fair value of pledges and bequests receivables reported as Level 3 is based on the discounted value of expected future cash flows. The fair value of annuity funds liabilities for investments held in trust reported as Level 3 is based on the discounted value of the future liability.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Real estate / other	Mineral Interests	Pledges and Bequests Receivable	Annuity Funds Liabilities for Investments Held in Trust
December 31, 2014	$ 17,026,278	$ 62,768,418	$ 2,232,509	$ (5,608,885)
Distributions	-	-	(2,098,545)	-
Contributions	-	-	3,124,920	(99,389)
Net realized and unrealized change in investment valuation	(7,948,735)	(22,682,762)	-	339,670
December 31, 2015	9,077,543	40,085,656	3,258,884	(5,368,604)
Distributions	-	-	(2,990,376)	-
Contributions	-	-	1,598,790	-
Net realized and unrealized change in investment valuation	(2,527,514)	4,506,306	-	224,864
December 31, 2016	$ 6,550,029	$ 44,591,962	$ 1,867,298	$ (5,143,740)

Note 16. Endowments Held in Foundation

Foundation endowments consist of individual, donor-restricted funds established for future program services and operation. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted Texas' enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), addressed primarily by the Codification, accounting for not-for-profit entities, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Unless stated otherwise in the gift instrument, 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 the Foundation.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investments returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of equities (US and non-US stocks), fixed income instruments, and a small allocation of alternative investments to achieve its long-term return objective within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year 5-6% of the endowment's investable asset value. The spending objective is determined annually by the Foundation Board taking into consideration current market conditions and average market value of the portfolio's investable assets over the previous periods. The Foundation and the Trustees recognize that the time horizon for the fund is very long-term, and the intent of the endowment is to remain in operation in perpetuity. The Foundation expects to grow the endowment at a rate equal to the nominal spending objective, the rate of inflation, and investments fees and expenses over the long-term. The Foundation will focus on total return without regard to whether that return is in the form of income or capital gains.

Temporarily Restricted Net Assets are restricted for donor imposed stipulations that may be met by actions of the Foundation and/or passage of time to be used generally for capital expenditures and program support.

Permanently Restricted Net Assets are restricted for the Foundation's permanent endowment. The income from the endowment will be used to fund future program services and operations.

	Temporarily Restricted		Permanently Restricted	
	2016	2015	2016	2015
Net assets	$ 3,056,207	$ 2,959,843	$ 57,305,642	$ 58,031,193

For the years ended December 31, 2016 and 2015, the Foundation had the following endowment-related activities:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	$ 2,968,720	$ 57,977,879	$ 60,946,599
Investment return			
Investment income	-	171,871	171,871
Net realized/unrealized gains (losses)	(148,877)	(813,720)	(962,597)
Total investment return	(148,877)	(641,849)	(790,726)
Contributions to endowment	140,000	695,163	835,163
Endowment net assets, December 31, 2015	2,959,843	58,031,193	60,991,036
Investment return			
Investment income	-	40,240	40,240
Net realized/unrealized gains (losses)	(53,811)	(1,251,100)	(1,304,911)
Total investment return	(53,811)	(1,210,860)	(1,264,671)
Contributions to endowment	150,175	485,309	635,484
Endowment net assets, December 31, 2016	$ 3,056,207	$ 57,305,642	$ 60,361,849

Note 17. Commitments and Contingencies

Buckner has been made aware of possible claims and, although the ultimate outcome of these matters is uncertain, management, based on consultation with outside legal counsel, is of the opinion that their resolution will not have a material adverse effect on Buckner’s financial position, results of operations or cash flows.

Federal and other grants are subject to periodic review and assessment by the related federal and other agencies. Buckner believes matters related to these reviews will not have a material adverse effect on Buckner’s financial position.

Buckner maintains a standby letter of credit with a bank for $200,000. The letter of credit is required by the insurance company for Buckner’s professional and general liability insurance policies from prior years. As of December 31, 2016 and 2015, no amounts are outstanding under the letter of credit. At December 31, 2016 and 2015, Buckner maintained a $400,000 reserve for prior years’ professional and general liability insurance.

Buckner is partially insured for employee health benefits and its non-subscriber occupational injury plan. For employee health benefits, Buckner has a stop-loss limit of $150,000 per person per year and BMM has a stop-loss limit of $70,000 per person per year. At December 31, 2016 and 2015, Buckner has accrued $1,078,621 and $731,626, respectively, for employee health benefits. For the non-subscriber occupational injury plan, Buckner has a stop-loss limit of $100,000 per incident per year. At December 31, 2016 and 2015, Buckner has accrued $100,000 for the non-subscriber occupational injury plan.

Note 18. Federal Income Taxes

The Codification guidance accounting for uncertainties in income taxes requires that Buckner 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 tax position. The requirements also provide guidance on measurement, classification, interest and penalties and disclosure.

Tax positions taken related to Buckner's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. For the year ended December 31, 2016, there were no interest or penalties recorded or included in the financial statements. As of December 31, 2016, Buckner's tax years 2013 and thereafter remain subject to examination.

Supplementary Information

Independent Auditor's Report
on Supplementary Information

To the Board of Trustees
Buckner International and Subsidiaries

We have audited the consolidated financial statements of Buckner International and Subsidiaries (collectively, Buckner) as of and for the year ended December 31, 2016 and 2015, and our report thereon dated May 15, 2017, which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statement as a whole. The supplementary consolidating statement of financial position and consolidating statements of activities included hereinafter are presented for purposes of additional analyses and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
May 15, 2017

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P.
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Buckner International and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)

	Buckner International	Buckner Children and Family Services, Inc.	Buckner Retirement Services, Inc.	Buckner Adoption and Maternity Services, Inc.	Buckner Foundation	Eliminations	2016 Consolidated Total	2015 Consolidated Total
ASSETS								
ASSETS								
Cash and cash equivalents	$ -	$ 8,305,859	$ 8,910,496	$ 65,697	$ 2,078,350	$ -	$ 19,360,402	$ 16,258,241
Investments	-	4,351,615	27,157,125	-	282,471,866	-	313,980,606	315,199,522
Assets whose use is limited	-	-	9,381,976	-	-	-	9,381,976	5,247,222
Receivables, net	428,083	1,660,787	2,970,581	8,602	1,571,192	(183,885)	6,455,360	6,351,979
Pledges and bequests receivable, net	-	1,867,298	-	-	-	-	1,867,298	3,258,884
Inventories and supplies	-	-	223,224	-	-	-	223,224	229,029
Notes receivable	-	-	27,966	-	-	-	27,966	80,693
Prepaid expenses	398,903	39,523	691,168	-	-	-	1,129,594	1,473,006
Due from other companies, net	10,886,123	-	-	-	-	(10,886,123)	-	-
Other assets	-	-	4,376,642	-	-	-	4,376,642	3,394,688
Revenue bond proceeds held by trustee	-	-	51,736,900	-	-	-	51,736,900	9,118,508
Real estate held for investment	1,224,066	205,765	-	-	-	-	1,429,831	1,574,026
Property and equipment, net	1,200,095	38,517,199	137,842,122	14,181	3,441	(139,962)	177,437,076	159,488,610
TOTAL ASSETS	14,137,270	54,948,046	243,318,200	88,480	286,124,849	(11,209,970)	587,406,875	521,674,408
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	490,906	391,300	3,865,689	19,052	12,588	-	4,779,535	1,928,034
Accrued liabilities	501,703	1,144,714	3,694,488	40,429	-	-	5,381,334	4,523,693
Lines of credit	1,100,000	-	-	-	-	-	1,100,000	1,393,479
Short-term notes payable	909,772	-	66,741	-	-	-	976,513	1,260,656
Revenue bonds payable, net	-	-	150,446,269	-	-	-	150,446,269	90,489,097
Notes payable	-	-	25,312,969	-	-	-	25,312,969	18,955,468
Resident deposits	-	-	2,052,522	-	-	-	2,052,522	2,021,418
Refundable fees	-	-	23,800,191	-	-	-	23,800,191	21,557,321
Deferred revenue from advance fees	-	-	2,119,809	-	-	-	2,119,809	2,694,832
Annuity and life income fund liability	-	56,504	231,116	-	4,856,120	-	5,143,740	5,368,604
Other	225,394	1,325,832	568,746	37,564	-	(183,885)	1,973,651	2,103,046
Due to other companies, net	-	7,637,354	2,796,074	327,827	124,868	(10,886,123)	-	-
Total liabilities	3,227,775	10,555,704	214,954,614	424,872	4,993,576	(11,070,008)	223,086,533	152,295,648
NET ASSETS								
Unrestricted	10,909,495	40,297,159	3,669,890	(358,028)	220,769,424	(139,962)	275,147,978	278,439,829
Temporarily restricted	-	2,963,294	4,607,199	21,636	3,056,207	-	10,648,336	12,461,278
Permanently restricted	-	1,131,889	20,086,497	-	57,305,642	-	78,524,028	78,477,653
Total net assets	10,909,495	44,392,342	28,363,586	(336,392)	281,131,273	(139,962)	364,320,342	369,378,760
TOTAL LIABILITIES AND NET ASSETS	$ 14,137,270	$ 54,948,046	$ 243,318,200	$ 88,480	$ 286,124,849	$ (11,209,970)	$ 587,406,875	$ 521,674,408

Buckner International and Subsidiaries

Consolidating Statement of Activities
for the Year Ended December 31, 2016
(With Comparative Totals For 2015)

	Buckner International	Buckner Children and Family Services, Inc.	Buckner Retirement Services, Inc.	Buckner Adoption and Maternity Services, Inc.	Buckner Foundation	Eliminations	2016 Consolidated Total	2015 Consolidated Total
REVENUES								
Client support and related income	$ -	$ 13,667,482	$ 63,247,222	$ -	$ -	$ -	$ 76,914,704	$ 78,656,207
Investment income	84,299	525,309	1,716,458	-	20,162,450	-	22,488,516	26,809,098
Distributions from related foundation	12,095,034	15,557,904	830,244	730,451	-	(29,213,633)	-	-
Contributions								
Baptist General Convention of Texas	-	289,980	233,227	11,932	-	-	535,139	474,251
Individual and business gifts	855,664	16,852,958	220,552	240	270,080	-	18,199,494	23,579,113
Bequests	54,022	1,775,003	819,077	-	-	-	2,648,102	1,750,197
Gain on sales of real estate held for investment	1,088,842	-	600	-	-	-	1,089,442	18,897
Other	56,025	373,891	106,627	-	-	-	536,543	473,671
Administrative fees	5,668,000	-	-	-	-	(5,668,000)	-	-
Total revenues	19,901,886	49,042,527	67,174,007	742,623	20,432,530	(34,881,633)	122,411,940	131,761,434
EXPENSES								
Salaries and benefits	11,006,641	16,408,541	36,423,092	827,472	881,593	-	65,547,339	63,432,128
Supplies and direct expenses	7,136	18,700,324	8,782,118	93,671	7,222	-	27,590,471	26,756,448
Occupancy and insurance	1,654,396	3,553,235	8,051,296	16,881	19,900	-	13,295,708	13,231,092
Travel and transportation	366,470	2,061,002	419,074	28,086	24,343	-	2,898,975	3,701,307
Administration	4,802,739	5,337,667	4,530,122	121,927	166,059	(5,668,000)	9,290,514	9,470,875
Depreciation	227,667	1,478,363	6,342,849	695	1,966	-	8,051,540	7,805,299
Interest expense	24,402	321	5,034,161	-	-	-	5,058,884	5,153,237
Total expenses	18,089,451	47,539,453	69,582,712	1,088,732	1,101,083	(5,668,000)	131,733,431	129,550,386
CHANGE IN NET ASSETS FROM OPERATIONS	1,812,435	1,503,074	(2,408,705)	(346,109)	19,331,447	(29,213,633)	(9,321,491)	2,211,048
NONOPERATING ITEMS								
Net realized and unrealized gains (losses) on investments	-	221,380	(348,338)	-	6,812,310	-	6,685,352	(40,750,657)
Distributions to related entities	1,494,948	-	(1,494,948)	-	(29,213,633)	29,213,633	-	-
Other, net	(6,273,535)	6,373,821	(2,399,763)	37,227	(160,029)	-	(2,422,279)	(303)
CHANGE IN NET ASSETS	(2,966,152)	8,098,275	(6,651,754)	(308,882)	(3,229,905)	-	(5,058,418)	(38,539,912)
NET ASSETS, BEGINNING OF YEAR	13,875,647	36,294,067	35,015,340	(27,510)	284,361,178	(139,962)	369,378,760	407,918,672
NET ASSETS, END OF YEAR	$ 10,909,495	$ 44,392,342	$ 28,363,586	$ (336,392)	$ 281,131,273	$ (139,962)	$ 364,320,342	$ 369,378,760