EMMAUS HOMES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

Emmaus

Contents

RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Directors
Emmaus Homes, Inc.
St. Charles, Missouri

Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Emmaus Homes, Inc. and its subsidiaries, Emmaus Resident Trust Foundation, L.L.C. and Emmaus Properties, L.L.C., not-for-profit organizations, (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility For The Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 of 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 auditors' 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

November 8, 2017

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	June 30, 2017	June 30, 2016
Current Assets		
Cash and cash equivalents	$ 2,727,369	$ 2,121,837
Cash held for clients	234,522	211,889
Accounts receivable (net of allowance for doubtful accounts of $61,118 in 2017 and $59,622 in 2016)	2,873,763	2,571,046
Grants receivable	34,328	52,470
Unconditional promises to give	690,037	120,823
Prepaid expenses	292,099	300,506
Investments	35,942	—
Total Current Assets	6,888,060	5,378,571
Other Assets		
Assets restricted/designated for endowment	17,323,435	16,042,244
Annuities receivable	47,090	78,495
Other assets	244,141	188,375
Property and equipment	6,464,574	6,560,065
Beneficial interests in perpetual trusts	3,716,170	3,681,659
Total Other Assets	27,795,410	26,550,838
Total Assets	$ 34,683,470	$ 31,929,409

Liabilities And Net Assets

	2017	2016
Current Liabilities		
Current maturities of long-term debt	$ 10,980	$ 10,488
Current maturities of capital lease obligations	39,854	—
Accounts payable	455,732	387,386
Accrued wages	1,152,396	1,123,120
Accrued self-insurance liability	234,000	235,000
Amounts held for clients	234,522	211,889
Total Current Liabilities	2,127,484	1,967,883
Other Long-Term Liabilities	255,361	250,349
Long-Term Debt	278,885	289,861
Capital Lease Obligations - Long-Term	165,408	—
Total Liabilities	2,827,138	2,508,093
Net Assets		
Unrestricted:		
Operations	4,095,305	3,221,232
Investment in property and equipment	5,867,416	6,135,426
Board designated long-term investments	9,887,327	9,475,510
Total Unrestricted	19,850,048	18,832,168
Temporarily restricted	3,666,315	2,342,666
Permanently restricted	8,339,969	8,246,482
Total Net Assets	31,856,332	29,421,316
Total Liabilities And Net Assets	$ 34,683,470	$ 31,929,409

See the accompanying notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program Revenue								
Program service fees	$ 27,530,850	$ —	$ —	$ 27,530,850	$ 25,989,547	$ —	$ —	$ 25,989,547
Governmental program grants	173,044	—	—	173,044	139,215	—	—	139,215
Total Program Revenue	27,703,894	—	—	27,703,894	26,128,762	—	—	26,128,762
Other Revenue and Support								
Contributions	418,737	92,713	1,000	512,450	400,847	73,952	4,800	479,599
Special events, net	68,774	—	—	68,774	56,168	6,175	—	62,343
Bequests	448,522	492,386	—	940,908	168,175	—	—	168,175
United Way	—	199,967	—	199,967	—	199,967	—	199,967
Grant income - nongovernment	67,992	15,859	—	83,851	37,017	14,184	—	51,201
Grants and awards for capital projects	213,028	—	—	213,028	341,690	—	—	341,690
Gift annuities	70,550	3,833	—	74,383	14,353	(42,325)	—	(27,972)
Other income	47,768	—	—	47,768	49,084	—	—	49,084
Investment income appropriated for operations	803,691	—	—	803,691	115,874	—	—	115,874
Total Other Revenue and Support	2,139,062	804,758	1,000	2,944,820	1,183,208	251,953	4,800	1,439,961
Net Assets Released From Restrictions	291,507	(291,507)	—	—	923,829	(923,829)	—	—
Total Revenues And Support	30,134,463	513,251	1,000	30,648,714	28,235,799	(671,876)	4,800	27,568,723
Expenses								
Program Services:								
Residential Care	25,784,271	—	—	25,784,271	24,905,927	—	—	24,905,927
Educational programs	241,146	—	—	241,146	278,418	—	—	278,418
Management	2,938,152	—	—	2,938,152	2,654,361	—	—	2,654,361
Fundraising	576,837	—	—	576,837	564,837	—	—	564,837
Total Expenses	29,540,406	—	—	29,540,406	28,403,543	—	—	28,403,543
Increase (Decrease) In Net Assets From Operations	594,057	513,251	1,000	1,108,308	(167,744)	(671,876)	4,800	(834,820)
Other Income (Loss)								
Gain on disposal of property held for sale	—	—	—	—	4,819,086	—	—	4,819,086
Gain on involuntary conversion	—	—	—	—	488,562	—	—	488,562
Change in value of beneficial interests in perpetual trusts	—	65,555	67,285	132,840	—	(26,180)	(161,959)	(188,139)
Investment income (loss) in excess of amount appropriated for operations	423,823	744,843	25,202	1,193,868	(195,961)	(292,228)	(7,762)	(495,951)
Total Other Income (Loss)	423,823	810,398	92,487	1,326,708	5,111,687	(318,408)	(169,721)	4,623,558
Increase (Decrease) In Net Assets	1,017,880	1,323,649	93,487	2,435,016	4,943,943	(990,284)	(164,921)	3,788,738
Net Assets - Beginning Of Year	18,832,168	2,342,666	8,246,482	29,421,316	13,888,225	3,332,950	8,411,403	25,632,578
Net Assets - End Of Year	$ 19,850,048	$ 3,666,315	$ 8,339,969	$ 31,856,332	$ 18,832,168	$ 2,342,666	$ 8,246,482	$ 29,421,316

See the accompanying notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2017

	Residential Care Programs	Educational Programs	Total Programs	Management	Fundraising	Total
Salaries	$ 18,552,301	$ 165,230	$ 18,717,531	$ 1,787,707	$ 355,809	$ 20,861,047
Contracted personnel	73,481	—	73,481	—	—	73,481
Fringe benefits and payroll taxes	2,943,416	31,240	2,974,656	281,468	53,419	3,309,543
Other personnel costs	555,351	4,397	559,748	186,406	11,066	757,220
Audit fees	—	—	—	51,400	—	51,400
Bad debt expense	—	—	—	1,496	—	1,496
Communications	338,132	723	338,855	51,515	41,810	432,180
Contract services	106,677	—	106,677	163,336	—	270,013
Equipment expense	59,713	—	59,713	22,913	2,846	85,472
Food	201,966	500	202,466	—	166	202,632
Information technology services	91,729	—	91,729	41,724	5,116	138,569
Insurance	300,774	7,599	308,373	31,602	4,885	344,860
Interest	27,218	—	27,218	—	—	27,218
Legal fees	12,366	2,560	14,926	71,811	1,645	88,382
Maintenance and repair	296,364	443	296,807	17,598	3,244	317,649
Materials and supplies	228,115	8,327	236,442	16,987	5,326	258,755
Miscellaneous	53,837	25	53,862	14,370	28,655	96,887
Rent	317,580	—	317,580	—	—	317,580
Professional fees	20,278	7,203	27,481	44,481	10,690	82,652
Staff training	85,596	2,171	87,767	11,700	11,181	110,648
Staff travel	203,912	1,195	205,107	8,163	9,926	223,196
Transportation	370,566	31	370,597	20,788	10,060	401,445
Utilities	183,100	7,999	191,099	18,429	2,849	212,377
Total Expenses Before Depreciation And Amortization	25,022,472	239,643	25,262,115	2,843,894	558,693	28,664,702
Depreciation and amortization	761,799	1,503	763,302	94,258	18,144	875,704
Total Expenses	$ 25,784,271	$ 241,146	$ 26,025,417	$ 2,938,152	$ 576,837	$ 29,540,406

See the accompanying notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2016

	Residential Care Programs	Educational Programs	Total Programs	Management	Fundraising	Total
Salaries	$ 17,563,125	$ 200,621	$ 17,763,746	$ 1,605,528	$ 398,039	$ 19,767,313
Contracted personnel	239,513	—	239,513	682	—	240,195
Fringe benefits and payroll taxes	2,841,441	34,973	2,876,414	266,759	53,839	3,197,012
Other personnel costs	575,391	5,458	580,849	124,073	1,859	706,781
Audit fees	—	—	—	49,900	—	49,900
Bad debt expense	—	—	—	2,225	—	2,225
Communications	300,209	877	301,086	60,155	32,761	394,002
Contract services	129,951	—	129,951	155,964	—	285,915
Equipment expense	54,892	—	54,892	31,398	341	86,631
Food	265,162	1,096	266,258	—	—	266,258
Information technology services	72,925	—	72,925	52,604	16,724	142,253
Insurance	267,858	4,963	272,821	41,032	—	313,853
Interest	19,534	—	19,534	4,581	—	24,115
Legal fees	—	—	—	25,626	—	25,626
Maintenance and repair	413,962	1,028	414,990	20,635	—	435,625
Materials and supplies	239,996	8,866	248,862	17,917	1,282	268,061
Miscellaneous	78,778	131	78,909	17,127	21,592	117,628
Rent	226,410	—	226,410	43	—	226,453
Professional fees	35,346	6,625	41,971	20,537	8,694	71,202
Staff training	97,600	171	97,771	23,049	10,884	131,704
Staff travel	189,223	2,045	191,268	5,566	10,066	206,900
Transportation	381,149	860	382,009	12,850	8,129	402,988
Utilities	254,859	9,124	263,983	20,924	—	284,907
Total Expenses Before Depreciation And Amortization	24,247,324	276,838	24,524,162	2,559,175	564,210	27,647,547
Depreciation and amortization	658,603	1,580	660,183	95,186	627	755,996
Total Expenses	$ 24,905,927	$ 278,418	$ 25,184,345	$ 2,654,361	$ 564,837	$ 28,403,543

See the accompanying notes to consolidated financial statements.

EMMAUS HOMES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2017	2016
Cash Flows From Operating Activities		
Increase in net assets	$ 2,435,016	$ 3,788,738
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	875,704	755,996
(Gain) loss on disposal of property and equipment	4,165	(12,719)
Gain on involuntary conversion	—	(488,562)
Gain on disposal of property held for sale	—	(4,819,086)
Realized gains on investments	(282,936)	(325,121)
Unrealized (gains) losses on investments	(1,627,612)	770,263
Change in value of annuities receivable	31,405	50,190
Change in value of perpetual trusts	(132,840)	188,139
In-kind contributions of property and equipment	(146,596)	(260,964)
In-kind contribution of investment	(35,824)	—
Permanently restricted contributions	(1,000)	(4,800)
Changes in assets and liabilities:		
Increase in cash held for clients	(22,633)	(24,786)
(Increase) decrease in accounts and grants receivable	(284,575)	577,195
(Increase) decrease in unconditional promises to give	(569,214)	90,169
Increase in prepaid expenses and other assets	(47,359)	(115,171)
Increase (decrease) in accounts payable	68,346	(128,331)
Increase (decrease) in accrued wages	29,276	(502,340)
Decrease in accrued self-insurance liability	(1,000)	(5,000)
Increase in amounts held for clients	22,633	24,786
Increase in other liabilities	5,012	116,473
Net Cash Provided By (Used In) Operating Activities	319,968	(324,931)
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,568,187	2,016,333
Purchases of investments	(940,121)	(5,222,842)
Net sale of money market funds	1,173	468,831
Purchases of property and equipment	(410,439)	(616,674)
Proceeds from sale of property and equipment	16,353	57,026
Proceeds from distribution of trust assets	98,329	—
Insurance proceeds received from involuntary conversion	—	488,562
Proceeds from sale of property held for sale	—	5,567,780
Net Cash Provided By Investing Activities	333,482	2,759,016
Cash Flows From Financing Activities		
Borrowings on line of credit	500,000	400,000
Repayments on line of credit	(500,000)	(400,000)
Proceeds from DDRB debt	—	45,000
Principal payments on long-term debt	(10,484)	(1,820,013)
Principal payments on capital leases	(38,434)	—
Permanently restricted contributions	1,000	4,800
Net Cash Used In Financing Activities	(47,918)	(1,770,213)
Net Increase In Cash And Cash Equivalents	605,532	663,872
Cash And Cash Equivalents - Beginning Of Year	2,121,837	1,457,965
Cash And Cash Equivalents - End Of Year	$ 2,727,369	$ 2,121,837
Supplemental Disclosure Of Cash Flow Information		
Property and equipment acquired through capital leases	$ 243,696	$ —
Interest paid	27,250	28,104

1. Organization And Operations

Organization

Emmaus Homes, Inc. (the Organization) is organized as a benevolent nonprofit corporation under the laws of the State of Missouri. The Organization's articles of incorporation provide for management of its property and affairs by a self-perpetuating Board of Directors. The Organization is affiliated with the United Church of Christ through the Council for Health and Human Services Ministries.

The Organization is the sole member of two Missouri limited liability companies that manage its long-term assets. The Emmaus Resident Trust Foundation, L.L.C. (the Foundation) holds and manages the Organization's long-term investment assets while Emmaus Properties, L.L.C. (Properties) holds and manages the Organization's real property. Both the Foundation and Properties are disregarded entities for income tax purposes.

Nature Of Business

Compelled by faith in Jesus Christ, the mission of the Organization is to enrich the lives of individuals of all beliefs, with cognitive or developmental disabilities, by fostering independence, inclusion, and self-advocacy.

The Organization provides for the care and habilitation of more than 270 adults with cognitive and other developmental disabilities. Services are provided in group homes and individualized supported living arrangements in four counties in Eastern Missouri. Services are provided without regard to race, color, religion, national origin, sex, veteran status, or disability. The Organization's corporate office is located in St. Charles, Missouri.

Description Of Program Services And Supporting Activities

The Organization's programs and services are designed to achieve the highest quality of life possible, to inspire growth and learning in the most normative environment possible, to encourage independence in choice of lifestyle and personal growth, and to facilitate participation in all decisions affecting a person's quality of life including the right to decide to attend or not attend religious programs and services.

These services are provided through the Organization's Residential Care and Educational Programs, and through the following supporting activities:

Management

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Organization, and manage the information technology, financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations to support operating activities.

2. Summary Of Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiaries, the Foundation and Properties. All significant inter-entity accounts, balances and transactions have been eliminated in consolidation.

Basis Of Accounting

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows guidance set forth by generally accepted accounting principles for not-for-profit organizations, which requires the Organization 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. Net assets consist of the following:

Unrestricted Net Assets

Unrestricted net assets include net assets and contributions not subject to donor-imposed stipulations. Unrestricted net assets include investments designated by the Board of Directors (the Board) for endowment.

Temporarily Restricted Net Assets

Temporarily restricted net assets include net assets and contributions subject to donor-imposed stipulations that will be met by actions of the Organization or the passage of time. The entire gift, the principal amount given, can be spent in accordance with the donor's restriction. Earnings on permanently restricted net assets are temporarily restricted until appropriated for use by the Board.

Permanently Restricted Net Assets

Permanently restricted net assets include net assets and contributions which require, by donor restriction, that the corpus or principal be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Estimates And Assumptions

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Organization considers all highly liquid financial instruments, excluding amounts categorized as Board designated assets, purchased with a maturity of three months or less to be cash equivalents.

The Organization invests its excess cash in debt instruments and securities with financial institutions with strong credit ratings and has established guidelines relative to diversification and maturities that are designed to maintain safety and liquidity. Cash balances that exceed Federal Deposit Insurance Corporation (FDIC) limits are invested in money market funds that invest exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. At June 30, 2017, the cash balance in excess of FDIC insurance limits was approximately $2,582,000.

Cash Held For Clients

The cash held for clients is held by the Organization for the clients and a corresponding liability is recorded. These funds are maintained in a separate bank account at a federally insured financial institution.

Accounts And Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Those balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for uncollectible grants receivable is considered necessary by management.

Promises To Give

Unconditional promises to give are recognized as support in the period in which the promises are received and are recorded at the present value of the estimated future cash flow. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Promises to give are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that are determined to be uncollectible.

Investments

Investments are reported at fair value. Investments for which quoted market prices are not available are carried at estimated realizable values as determined by the investment manager and reviewed by management. Gains and losses on sales of investments are determined on a specific cost-identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

The Organization invests in series funds that invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property And Equipment

Property and equipment is carried at cost, less accumulated depreciation computed on the straight-line method over estimated useful lives ranging from 3 to 35 years. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenditures of at least $5,000 for additions and improvements, that increase the useful lives of the respective assets, are capitalized.

Donated Materials And Services

Donated materials are recorded at fair value at the date of donation.

The Organization periodically receives inkind donations, including client recreational items, facility supplies, property and equipment, and special event resources. The fair value of donated materials and property and equipment was $177,776 and $305,598 in 2017 and 2016, respectively.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services that meet the criteria for recognition are recorded at fair value at the date of donation.

The Organization generates numerous volunteer hours each year that add a dimension to the quality of life for individuals served by the Organization over and above the amount provided by salaried personnel. These donated services have not been recognized as contributions in the consolidated financial statements since the aforementioned recognition criteria, as stated by generally accepted accounting principles, were not met.

Restricted And Unrestricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Functional Expense Allocation

When expense allocations are necessary, expenses are charged to program services and supporting activities based on an appropriate allocation method, including inputs such as hours, census counts and square footage. Management expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tax Status

The Organization is exempt from federal income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code (IRC).

As single member LLCs of the Organization, the Foundation and Properties are considered disregarded entities for income tax purposes, and thus are also tax exempt under Section 501(c)(3) of the IRC.

The Organization's federal tax returns for tax years 2013 and later remain subject to examination by taxing authorities.

Subsequent Events

Management evaluates subsequent events through the date the consolidated financial statements are available for issue, which is the date of the Independent Auditors' Report.

3. Unconditional Promises To Give

Promises to be received in future periods are collectible in less than one year and consist of:

	2017	2016
United Way	$ 99,984	$ 99,984
Legacies	504,186	—
Other	85,867	20,839
	$ 690,037	$ 120,823

Legacies are recorded by the Organization upon being notified of the bequest's existence and when the amount available for distribution can be accurately estimated.

4. Investments And Assets Restricted/Designated For Endowment

Investments consist of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 15,888	$ 15,888	$ 17,061	$ 17,061
Fixed income securities:				
Fixed income series funds	3,080,275	3,454,700	2,916,220	3,188,226
Liquid diversifiers series funds	1,531,094	1,578,232	1,391,094	1,477,862
	4,611,369	5,032,932	4,307,314	4,666,088
Equity securities:				
Domestic equity series funds	2,171,395	3,099,443	2,354,588	2,872,474
Global equity series funds	4,476,222	5,553,097	4,204,562	4,249,722
Large blend equity funds	—	—	23,614	29,421
Liquid equity surrogates series funds	3,369,694	3,622,075	4,074,669	4,207,478
	10,017,311	12,274,615	10,657,433	11,359,095
Real estate investment trust	35,824	35,942	—	—
	$ 14,680,392	$ 17,359,377	$ 14,981,808	$ 16,042,244

These amounts are reported in the consolidated statement of financial position as follows:

	2017	2016
Investments	$ 35,942	$ —
Assets restricted/designated for endowment	17,323,435	16,042,244
	$ 17,359,377	$ 16,042,244

Investment income (loss) for the years ended June 30, 2017 and 2016 is comprised of the following:

	2017	2016
Unrealized gains (losses)	$ 1,627,612	$ (770,263)
Realized gains	282,936	325,121
Interest and dividend income	142,136	116,173
Less: Investment fees	(55,125)	(51,108)
	$ 1,997,559	$ (380,077)

The amount reported as investment income designated for operations is based on an amount appropriated by the Organization's Board of Directors. From time to time, the amount appropriated for operations may be in excess of the actual investment return.

As discussed in Note 10, investments are pledged as collateral against the line of credit.

5. Irrevocable Charitable Trusts

The Organization is the beneficiary of various irrevocable deferred gifts administered by a third party. The present value of these contracts has been reflected in the consolidated financial statements as annuities receivable and as temporarily restricted net assets due to time restrictions. These receivables are carried at the present value of the estimated future receivable upon maturity. When the contracts mature, the current value will be reclassified as unrestricted, temporarily restricted, or permanently restricted net assets based on the donors' restrictions.

The following is a summary of changes in annuity receivables:

		2017		2016
Beginning balance	$	78,495	$	128,685
Maturity of gift annuities		(26,805)		(3,365)
Change in present value of receivable		(4,600)		(46,825)
Ending balance	$	47,090	$	78,495

6. Beneficial Interests In Perpetual Trusts

The Organization is the beneficiary of several perpetual split interest trusts. The Organization records these trusts at fair market value in the amount of split interest as designated by the donors, ranging from 4.76% to 100%.

Various terms included in the trust documents require distributions to be made each year based upon income earned and/or a percentage of assets remaining. The Organization received $228,420 in distributions, including $98,329 received from a trust upon final dissolution and recognized investment appreciation of $132,840, net of realized loss on trust dissolution of $79,222, for the year ended June 30, 2017. The Organization received $115,874 in distributions and recognized investment depreciation of $188,139 for the year ended June 30, 2016. See Note 13 for fair value disclosures.

7. Property And Equipment

Property and equipment consists of:

		2017		2016
Land, buildings and leasehold improvements	$	8,887,488	$	9,685,093
Furniture and equipment		1,597,443		1,979,785
Vehicles		2,642,672		2,342,148
Construction in process		4,054		13,425
		13,131,657		14,020,451
Less: Accumulated depreciation and amortization		6,828,213		7,460,386
		6,303,444		6,560,065
Idle property, net of accumulated depreciation of $736,870		161,130		—
	$	6,464,574	$	6,560,065

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 totaled $875,704 and $755,996, respectively.

Idle property is comprised of property in Marthasville for which management has ceased utilization during 2017. The Property is no longer being depreciated. The Property is not classified as held for sale as it is not actively marketed for sale. No asset impairment was considered necessary during the year ended June 30, 2017.

In July 2015, the Organization sold approximately 88 acres of land and related buildings to an unrelated third party for $5,568,000, net of broker commissions, resulting in a gain of $4,819,086 in the year ended June 30, 2016.

In April 2015, multiple buildings and vehicles owned by the Organization sustained substantial storm damage. The Organization was awarded an insurance claim in the amount of approximately $633,000 subsequent to June 30, 2015. As of June 30, 2015, the net book value of the damaged property, which totaled approximately $119,000, was written off. The resulting gain on involuntary conversion of $488,562 was recognized in fiscal year 2016.

The Organization leases certain buildings to an unrelated not-for-profit organization that provides employment opportunities to individuals with developmental disabilities. The term of the lease agreement extends through June 30, 2039, unless earlier terminated by the Organization due to certain triggering events. The agreement is structured as a triple-net lease and provides for annual rental payments to the Organization as follows:

Year	**Amount**
2018	$ 3,000
2019	3,000
2020	3,600
2021	3,600
2022	3,600
Thereafter	85,200
	$ 102,000

8. Long-Term Debt

At June 30, 2017, the Organization's outstanding debt balance consists of two bank borrowings that were used to partially finance the purchase of two residential homes (the Homes); the Homes are used to support the operating activities of the Organization's Residential Care Programs. The two bank borrowings are structured as 5-year loans with fixed interest rates of 4.50%, and require monthly principal and interest payments totaling $1,998 until maturity, based on a 20-year amortization schedule and one final lump sum payment due at maturity. Both loans are secured by the respective property as well as an assignment of the rent associated with each property, and both loans mature in the Organization's fiscal year ending June 30, 2020. The balances outstanding for these two loans at June 30, 2017 and June 30, 2016 were $289,865 and $300,349, respectively.

In addition to bank borrowings, the purchase of the Homes was partially financed by long-term funding agreements with the DDRB of St. Charles County ("DDRB"). Under these funding agreements, the DDRB provided $102,031 that may remain outstanding during the term of the Organization's continued ownership and use of the Homes to support adults with developmental disabilities. The balance related to these funding agreements at June 30, 2017 and 2016 was $102,031, respectively, and has been included in other long-term liabilities in the consolidated statements of financial position.

The scheduled maturities of the long-term debt at June 30, 2017 are as follows:

Year	**Amount**
2018	$ 10,980
2019	11,487
2020	267,398
	$ 289,865

9. Capital Lease Obligations

The Organization leases certain vehicles under noncancellable capital leases. The assets acquired under the leases have been capitalized and the related obligations included in long-term debt in the financial statements. The capital lease obligations are payable in aggregate monthly installments of $4,396 with final payments on dates ranging from June 2021 through July 2021.

The future remaining minimum lease payments as of June 30, 2017 are due as follows:

Year		**Amount**
2018	$	52,760
2019		52,760
2020		52,760
2021		55,160
2022		25,720
Total minimum lease payments		239,160
Amount representing interest		(33,898)
Present value of net minimum lease payments		205,262
Current maturities		(39,854)
Long-term capital lease obligations	$	165,408

Total assets under capital leases included in property and equipment on the consolidated statement of financial position consist of:

		2017
Vehicles	$	243,696
Accumulated amortization		(40,421)
	$	203,275

Amortization expense for assets under capital leases was $40,421 for the year ended June 30, 2017.

10. Line Of Credit

The Organization has a line-of-credit agreement in the amount of $1,000,000 with U.S. Bank. The line of credit was renewed during the year under similar terms and expires in March 2018. Borrowing under the line of credit bears interest at a rate equal to the LIBOR monthly rate plus 2% (3.06% at June 30, 2017). There was no outstanding balance on this line of credit at June 30, 2017 or 2016.

The line of credit is secured by all investments and contains a financial covenant. The Organization is in compliance with this covenant at June 30, 2017.

11. Self-Insured Medical Benefits

The Organization has established a self-insurance plan covering certain medical benefits for substantially all of its employees. Medical claims are subject to per participant and aggregate limits, with the excess liability coverage provided by an independent insurer. After meeting a preset claim limit for a participant, the Organization is reimbursed for the excess cost of claims paid for a participant during the annual term of the insurance policy. The amount expensed by the Organization for these medical benefits is $1,558,033 and $1,554,821 for the years ended June 30, 2017 and 2016, respectively. This expense is included in fringe benefits in the consolidated financial statements. The accrued self-insurance liability as of June 30, 2017 and 2016 is $234,000 and $235,000, respectively.

12. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to the following restrictions:

	2017	2016
Time Restricted:		
Annuities	$ 47,090	$ 78,495
Beneficial interest in perpetual trusts	332,663	267,109
Bequests and legacies	504,186	—
Contributions	82,768	19,906
United Way grants and awards	99,984	99,984
Total Time Restricted	1,066,691	465,494
Purpose Restricted:		
Endowment income	2,479,646	1,734,803
Capital campaign donations	54,218	69,218
Contributions	36,030	38,708
Nongovernment grants	18,359	14,183
Client activities	11,371	14,085
Special events	—	6,175
Total Purpose Restricted	2,599,624	1,877,172
	$ 3,666,315	$ 2,342,666

Temporarily restricted net assets were released from restrictions as follows:

		2017		2016
Time Restricted:				
United Way	$	199,967	$	192,976
Bequests and legacies		—		91,000
Annuities		31,405		2,531
Various		11,939		—
Total Time Restricted		243,311		286,507
Purpose Restricted:				
Endowment income		—		604,200
Nongovernment grants		11,683		15,000
Various		36,513		18,122
Total Purpose Restricted		48,196		637,322
	$	291,507	$	923,829

Permanently Restricted Net Assets

Permanently restricted net assets are comprised as follows:

		2017		2016
Endowments	$	4,956,462	$	4,831,931
Beneficial interests in perpetual trusts		3,383,507		3,414,551
	$	8,339,969	$	8,246,482

Endowment

The Organization's endowment consists of various funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting standards, assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation Of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor restricted endowment funds:

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

Endowment Asset Composition By Type Of Fund As Of June 30:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ —	$ 2,479,646	$ 4,956,462	$ 7,436,108
Board designated endowment funds	9,887,327	—	—	9,887,327
	$ 9,887,327	$ 2,479,646	$ 4,956,462	$ 17,323,435

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ —	$ 1,734,803	$ 4,831,931	$ 6,566,734
Board designated endowment funds	9,475,510	—	—	9,475,510
	$ 9,475,510	$ 1,734,803	$ 4,831,931	$ 16,042,244

Changes In Endowment Assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, July 1, 2015	$ 5,977,939	$ 2,624,999	$ 4,834,893	$ 13,437,831
Investment income, net	(202,429)	(285,996)	(7,762)	(496,187)
Board designated additions	3,700,000	—	—	3,700,000
Contributions	—	—	4,800	4,800
Appropriation for current operations	—	(604,200)	—	(604,200)
Endowment assets, June 30, 2016	9,475,510	1,734,803	4,831,931	16,042,244
Investment income, net	1,085,417	744,843	25,202	1,855,462
Contributions	—	—	1,000	1,000
Distribution of third party trust	—	—	98,329	98,329
Appropriation for current operations	(673,600)	—	—	(673,600)
Endowment assets, June 30, 2017	$ 9,887,327	$ 2,479,646	$ 4,956,462	$ 17,323,435

Funds With Deficiencies

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2017 or 2016.

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through the March 31 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new contributions and investment return.

13. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended June 30, 2017 and 2016. Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 — Quoted prices that are readily available in active markets/exchanges for identical investments and derivatives. The types of investments and derivatives that are classified at this level generally include money market funds and exchange-traded equities.

Level 2 — Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets/exchanges or prices quoted for identical or similar investments in markets that are not active, and fair value is determined using inputs that are derived principally from or corroborated by observable model data by correlation or other means. The types of investments that are classified at this level typically include bonds and bond funds.

Level 3 Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment. The inputs into determination of fair value require significant management judgment and estimation. The types of investments that are classified at this level include beneficial interests in perpetual trusts held by others.

Inputs refer broadly to the assumptions that market participants would use in pricing the investments, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the investment or derivative based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the investment or derivative. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment or derivative.

The Organization's assets that are measured at fair value are reported in the consolidated statements of financial position as either "investments," "assets restricted/designated for endowment" or "beneficial interests in perpetual trusts" at both June 30, 2017 and 2016.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 15,888	$ —	$ —	$ 15,888
Real estate investment trust	—	—	35,942	35,942
Beneficial interests in perpetual trusts	—	—	3,716,170	3,716,170
	$ 15,888	$ —	$ 3,752,112	3,768,000
Investments measured at net asset value (a)				17,307,547
				$ 21,075,547

	2016			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 17,061	$ —	$ —	$ 17,061
Large blend equity funds	29,421	—	—	29,421
Beneficial interests in perpetual trusts	—	—	3,681,659	3,681,659
	$ 46,482	$ —	$ 3,681,659	3,728,141
Investments measured at net asset value (a)				15,995,762
				$ 19,723,903

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2017 and 2016:

	Real Estate Investment Trust	Beneficial Interests In Perpetual Trusts	Total
Balance - July 1, 2015	$ —	$ 3,869,798	$ 3,869,798
Change in value of beneficial interests in perpetual trusts	—	(188,139)	(188,139)
Balance - June 30, 2016	—	3,681,659	3,681,659
Receipt of asset through in-kind donation	35,824	—	35,824
Unrealized gain on investment	118	—	118
Distribution of assets upon trust dissolution	—	(98,329)	(98,329)
Realized loss upon trust dissolution	—	(79,222)	(79,222)
Change in value of beneficial interests in perpetual trusts	—	212,062	212,062
Balance - June 30, 2017	$ 35,942	$ 3,716,170	$ 3,752,112

There were no significant transfers between Levels 1, 2 or 3 during the years ended June 30, 2017 or 2016.

As of June 30, 2017 and 2016, the Level 3 investments listed in the fair value hierarchy tables use the following valuation techniques and inputs:

Alternative Investments - Real Estate Investment Trust

Alternative investments consist of an investment in a Real Estate Investment Trust (REIT). The fair value of this investment is classified as Level 3. The values for underlying investments are fair value estimates determined by the REIT in accordance with U.S. generally accepted accounting principles.

Beneficial Interests In Perpetual Trusts

Beneficial interests in perpetual trusts held by others are valued using the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interests. Perpetual trusts held by others are classified within Level 3 of the fair value hierarchy.

The following table summarizes the Organization's investments that calculate net asset value per share (or its equivalent):

	Fair Value		Unfunded	Redemption	Redemption
	2017	2016	Commitments	Frequency	Notice Period
Fixed income series funds (a)	$ 3,454,700	$ 3,188,226	$ —	semi-monthly	5-30 days
Domestic equity series funds (b)	3,099,443	2,872,474	—	semi-monthly	5-30 days
Global equity series funds (c)	5,553,097	4,249,722	—	semi-monthly	5-30 days
Liquid diversifiers series funds (d)	1,578,232	1,477,862	—	semi-monthly	5-30 days
Liquid equity surrogates series funds (e)	3,622,075	4,207,478	—	semi-monthly	5-30 days

a. This series primarily invests in corporate bonds, asset backed securities, and government bonds. The principal purpose of the Fixed Income Series is to provide relative protection of principal and a predictable source of income. Additionally, the series may invest in "extended" sectors of the fixed income market (high yield, non-dollar, and convertible securities). The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

b. This series primarily invests in equity positions in domestic corporations traded on any national exchange or NASDAQ. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts, debentures and warrants are allowed. The series is also permitted to invest in mutual funds and other commingled investment vehicles. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

c. This series primarily invests in equity positions in both U.S. and non-U.S.-based corporations traded on any global exchange. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts, debentures and warrants are allowed. Additionally, Investments in Global Depository Receipts and European Depository Receipts are allowed. The series is also permitted to invest in mutual funds. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. There are no obligations to make any additional contributions to the series.

d. This series investment strategy is intended to offset the volatility of a traditional stock and/or bond portfolio. The investment strategies utilized in this series are expected to have low correlations to global equities and can be used in an effort to protect against specific market environments, such as inflationary or deflationary markets. Investments may include, but are not limited to, U.S. Treasury securities, Non-U.S. Sovereign Debt Obligations, U.S. Treasury Inflation-Protected Securities, Non-U.S. Inflation-Linked Bonds, commodities, and cash or cash equivalents. The series is permitted to invest in separate accounts, mutual funds and other commingled investment vehicles that invest in the types of investments identified above and that ordinarily provide liquidity within 60 days or less.

e. This series investment strategy is intended to complement a traditional stock and/or bond portfolio for those investors who wish to increase portfolio diversification and lower volatility while maintaining a relatively high degree of liquidity. Investments may include, but are not limited to, Master Limited Partnerships, risk parity strategies, global equities, frontier emerging market equities, emerging market bonds, and high yield bonds. Investments in this series are expected to have varying degrees of equity market risk exposure, with less-than-market beta and volatility. The series is permitted to invest in separate accounts, mutual funds and other commingled investment vehicles that invest in the types of securities identified above that ordinarily provide liquidity within 90 days or less.

During 2017 and 2016, there were no changes in the methods or assumptions utilized to derive the fair values of the Organization's assets.

14. Funding Concentration

The Organization receives funding for a majority of its clients from the Missouri Department of Mental Health (DMH) under the Medicaid Waiver program. DMH reimburses the Organization for the expenses associated with the residential habilitation of these individuals. The amounts received from the above sources account for approximately 96% of Total Program Revenue and 85% of Total Revenues and Support for the year ended June 30, 2017. The amounts received from the above sources account for approximately 95% of Total Program Revenue and 90% of Total Revenues and Support for the year ended June 30, 2016.

Since the Organization receives a substantial amount of its support from state and local government agencies, a reduction in the level of this support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

As of June 30, 2017 and 2016, substantially all of the accounts receivable balance represented amounts due from state governmental agencies.

15. Pension Plans

The Organization's employees may be eligible to receive pension benefits under one of two pension plans currently in effect. The first is a defined contribution plan, administered through the United Church of Christ, which provides benefits for employees serving in a ministerial capacity for the Organization. Contributions for ministers are made quarterly at a rate of 14% of the employees' total compensation.

The second plan is a 403(b) retirement plan sponsored by the Organization that provides coverage for its remaining employees. Employees are eligible to participate in salary reduction contributions on their dates of hire. Employees who have completed one year of consecutive service are eligible to receive employer matching contributions. The Organization's contributions plus any earnings they generate are vested 100% after three years of service.

Pension expense for the years ended June 30, 2017 and 2016 for both plans totaled $216,173 and $187,615, respectively. This amount is included in fringe benefits in the consolidated financial statements.

Additionally, the Organization has entered into agreements with certain current management employees of the Organization providing retirement benefits under nonqualified, deferred compensation plans. The asset and corresponding liability at June 30, 2017 and 2016 in the amounts of $72,330 and $45,062, respectively, are reported as other assets and other liabilities in the consolidated statement of financial position. The contributions to these plans amounted to $20,031 and $13,719 in 2017 and 2016, respectively.

16. Commitments

The Organization leases various residential space, office space, vehicles and equipment under operating leases expiring on various dates through 2022. Rent expense for the years ended June 30, 2017 and 2016 was $443,828 and $322,145, respectively. Aggregate minimum rental commitments under operating leases at June 30, 2017 are as follows:

Year	Amount
2018	$ 241,132
2019	176,954
2020	82,704
2021	67,104
2022	11,184
	$ 579,078

Additionally, the Organization is the guarantor on several leases for residential space entered into by individuals supported by the Organization. The aggregate amount guaranteed by the Organization at June 30, 2017 totaled approximately $6,658,000. These leases expire on various dates through fiscal year 2029.

The Organization has identified asbestos in floor and ceiling tiles as well as pipe insulation in certain buildings owned by the Organization. A liability has not been recognized for the future costs of remediating the asbestos due to the indeterminate settlement date of such liability. The Organization will remove and dispose of the asbestos upon any major renovation to the areas in its buildings with asbestos. Currently, there are no future plans for major renovation to the areas of the Organization's buildings with asbestos.

The Organization has recorded a liability related to the future remediation of a waste holding reservoir located on the Marthasville campus. The remediation will include the disposal of a significant portion of existing wastewater, collapsing the reservoir walls, land reclamations and disconnecting the flow of wastewater. The recorded liability at June 30, 2017 and 2016 is $81,000 and is included in other long-term liabilities on the consolidated statements of financial position.

17. Contingencies

The Organization is subject to legal claims arising out of the normal course of conducting its operations. Management does not expect that these matters will have a material adverse effect on the consolidated financial statements of the Organization.