REACHING MAXIMUM INDEPENDENCE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR

THE YEAR ENDED JUNE 30, 2016)

Independent Auditors' Report

Board of Trustees
Reaching Maximum Independence
San Antonio, Texas

We have audited the accompanying financial statements of Reaching Maximum Independence, (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 (with comparative totals as of June 30, 2016), and the related statements of activity and changes in net assets, functional expenses and cash flows for the year then ended (with comparative totals for the year ended June 30, 2016), and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reaching Maximum Independence, as of June 30, 2017 and the changes in their net assets and their cash flows for the period then ended (with comparatives as of and for the period ended June 30, 2016) in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the comparative statements of Reaching Maximum Idependence's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hanna, Lindow & Company

A Professional Corporation

August 25, 2017

REACHING MAXIMUM INDEPENDENCE

STATEMENT OF FINANCIAL POSITION

Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

ASSETS

	2017	2016
Current assets:		
Cash	$ 950,244	$ 877,490
Accounts receivable (no allowance)	345,806	430,530
Investment in stock	56,365	56,635
Prepaids	10,550	9,837
Total current assets	1,362,965	1,374,492
Property and equipment:		
Residential property:		
Land	141,489	141,489
Building and improvements	1,666,061	1,323,768
Furniture, fixtures and equipment	115,923	94,791
Automobiles	312,347	312,347
Office equipment	244,407	150,031
	2,480,227	2,022,426
Less accumulated depreciation	(1,379,915)	(1,277,432)
	1,100,312	744,994
Other assets:		
Client funds	95,618	76,006
Note receivable (no allowance)	77,923	79,461
Officers' cash surrender value	3,338	11,996
ICF Licnese	20,000	-
Endowment funds	220,136	193,275
	417,015	360,738
	$ 2,880,292	$ 2,480,224

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Long-term debt due within one year	$ 25,294	$ 19,419
Credit card loans payable	52,915	27,298
Accounts payable	78,293	72,531
Deferred revenue	75,000	-
Accrued liabilities:		
Payroll taxes and withholding	25,856	28,082
Salaries	72,387	56,967
Compensated absences	46,912	57,819
Client funds held in trust	95,188	75,598
Prepaid rent and deferred revenue	3,455	3,455
Property tax and interest	2,218	2,218
Total current liabilities	477,518	343,387
Long-term debt:		
Notes payable	466,184	319,550
Less amount due within one year	(25,294)	(19,419)
	440,890	300,131
Total liabilities	918,408	643,518
Commitments	-	-
Net assets:		
Unrestricted net assets:		
Operations	1,032,782	1,222,788
Board designated - replacement reserves	114,170	-
Fixed assets	634,128	425,444
Temporarily restricted	37,500	45,170
Permanently restricted	143,304	143,304
	1,961,884	1,836,706
	$ 2,880,292	$ 2,480,224

See accompanying notes and independent auditors' report

REACHING MAXIMUM INDEPENDENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017
(With Comparative Totals for Year Ended June 30, 2016)

	Unrestricted			Restricted Endowment/Other		Total	
	Operations	Reserved	Fixed Assets	Temporary	Permanent	2017	2016
Unrestricted net assets:							
Public support and revenue:							
Public support:							
Contributions, grants and fundraising	$ 279,664	$ -	$ -	$ -	$ -	$ 279,664	$ 293,556
Revenue:							
Fees, subsidies and reimbursements from governmental agencies	3,406,031	-	-	-	-	3,406,031	3,162,939
Program service fees	287,494	-	-	-	-	287,494	341,347
Other, interest and appreciation (depreciation)	234,289	-	-	26,861	-	261,150	178,897
	3,927,814	-	-	26,861	-	3,954,675	3,683,183
Total public support and revenue	4,207,478	-	-	26,861	-	4,234,339	3,976,739
Expenses:							
Program:							
Residential	3,730,734	-	53,790	-	-	3,784,524	3,554,710
Supporting services:							
Management general	275,944	-	48,693	-	-	324,637	305,716
	4,006,678	-	102,483	-	-	4,109,161	3,860,426
Excess of support and revenue over (under) expenses	200,800	-	(102,483)	26,861	-	125,178	116,313
Net interfund transfers in (out)	(390,806)	114,170	311,167	(34,531)	-	-	-
Net change in net assets	(190,006)	114,170	208,684	(7,670)	-	125,178	116,313
Net assets - beginning of year	1,222,788	-	425,444	45,170	143,304	1,836,706	1,720,393
Net assets - end of year	$ 1,032,782	$ 114,170	$ 634,128	$ 37,500	$ 143,304	$ 1,961,884	$ 1,836,706

REACHING MAXIMUM INDEPENDENCE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017
(With Comparative Totals for Year Ended June 30, 2016)

	Program	Management and General	Total 2017	Total 2016
Accounting, audit and consultants	$ 21,338	$ 4,116	$ 25,454	$ 10,733
Automobile and transportation expenses	64,597	5,105	69,702	57,524
Bad debt expense	1,624	-	1,624	22,622
Cable television service	5,624	-	5,624	5,553
Client payroll and vocational rehab.	151,075	-	151,075	147,028
Contract and consulting services	976,774	2,825	979,599	782,409
Electricity and gas	27,915	1,310	29,225	28,985
Employee benefits	37,245	328	37,573	37,824
Food and household	109,743	9,857	119,600	98,278
Fundraising and grant expenses	54,838	-	54,838	17,895
Garbage collection	2,386	529	2,915	2,728
Inspections and permits	93,168	-	93,168	87,117
Insurance	66,126	3,214	69,340	61,097
Interest and finance charges	19,802	41	19,843	22,689
Office expenses	37,044	3,052	40,096	26,717
Personnel retention	5,027	478	5,505	3,437
Postage and shipping	2,617	421	3,038	3,494
Printing and publications	25,194	3,835	29,029	27,442
Recreation	10,932	292	11,224	11,482
Rent expense - program houses	51,900	-	51,900	65,810
Repairs and maintenance	18,268	1,560	19,828	19,473
Residents' specific costs	3,920	-	3,920	4,247
Salaries and payroll taxes	1,814,573	229,490	2,044,063	2,116,517
Supplies	76,028	5,459	81,487	57,513
Telephone	43,718	3,781	47,499	33,278
Water and sewer service	9,258	251	9,509	9,822
Total expense before depreciation	3,730,734	275,944	4,006,678	3,761,714
Depreciation	53,790	48,693	102,483	103,009
	$ 3,784,524	$ 324,637	$ 4,109,161	$ 3,864,723

REACHING MAXIMUM INDEPENDENCE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017
(With Comparative Totals for Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 125,178	$ 116,313
Non-cash items included in operations:		
Depreciation expense	102,483	98,712
Effect of changes in operating working capital:		
Accounts receivable	84,724	(207,480)
Prepaids	(713)	354
Accounts payable and credit cards payable	31,379	(14,586)
Deferred revenue	75,000	-
Accrued liabilities and deferred revenue	21,877	(26,779)
Net cash provided (used) by operating activities	439,928	(33,466)
Cash flows from investing activities:		
Purchase of fixed assets	(289,501)	(98,536)
Change in client funds	(19,612)	13,585
Payment on note receivable	1,538	1,462
Change in endowment	(26,861)	83,687
Change in fair value of marketable security	270	(4,516)
Decrease (increase) in cash surrender value	8,658	(1,425)
Purchase of ICF license	(20,000)	-
Net cash used by investing activities	(345,508)	(5,743)
Cash flows from financing activities:		
Debt-reduction:		
Notes payable and long-term debt	(21,666)	(29,239)
Net cash used by financing activities	(21,666)	(29,239)
Net increase (decrease) in cash	72,754	(68,448)
Cash at beginning of year	877,490	945,938
Cash at end of year	$ 950,244	$ 877,490
Schedule of noncash investing and financing transactions:		
Cost of assets (home in 2017, vehicle in 2016)	$ 298,858	$ 12,819
Loan	168,300	10,319
Cash downpayment	$ 130,558	$ 2,500
Schedule of supplemental information:		
Cash paid during the year for:		
Interest	$ 19,843	$ 22,689
Income taxes	$ -	$ -

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation - The financial statements include certain prior-year summarized comparative information in total but not by net asset or liability class or activities and net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Property and equipment - Acquired property and equipment are carried at cost. Donated property and equipment are recorded at their estimated fair market value at the date of donation. Depreciation is computed using the straight-line and double declining methods over the estimated useful life of the assets. Asset lives are from three to thirty two years. RMI follows the practice of capitalizing at cost all expenditures for fixed assets in excess of $2,500. The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

Donated services - Donated services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services.

Functional expenses - Expenses are charged to the organization's program based on direct expenditures incurred. Any expenditure not completely chargeable to the program is allocated between program and supporting services classifications on the basis of estimates made by the organization's management.

Total columns - Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations, change in fund balances and cash flows in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation.

Summarized financial information for 2016 - The financial information for the year ended June 30, 2016, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Advertising - Advertising costs, except for costs associated with direct-response advertising are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. There were no advertising costs incurred during the year ended June 30, 2017.

Cash Equivalents and FDIC Limits - Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. Cash deposits in one of the bank accounts, exceeded the FDIC insured limit of $250,000 for most of the fiscal year ended June 30, 2017.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments - The carrying amount of RMI's cash and cash equivalents, receivables, prepaids, other assets, accounts payable, accrued expense, and Officers' Cash Surrender Value (CSV) approximates fair value primarily because of the short maturity of these instruments. The Officers' CSV is a life insurance policy on the Director of Operations at net surrender value as of June 13, 2017.

(Continued)

2 NATURE OF ORGANIZATION

Reaching Maximum Independence (RMI) promotes independent living alternatives for persons with mental retardation and other related disabilities through the development and management of residential alternatives in the San Antonio, Texas area. Originally incorporated in the state of Texas as a non-profit organization in 1978, RMI did not receive notification of public charity status under Internal Revenue Code Section 501(c)(3) until November 1, 1990, effective for the year ending June 30, 1991.

Starting with the year ended June 30, 1991, RMI is exempt from federal income taxes (except on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and operates as a publicly supported organization under Section 509(a)(2). It is also exempt from Texas franchise tax under the Texas Non-Profit Corporation Act.

3 ACCOUNTS RECEIVABLE AND CREDIT RISK CONCENTRATION

Accounts receivable are due primarily from the Texas Department of Human Services, a state agency that receives federal funding, relevant to the revenue described in Note 6. There is no allowance for bad debt at year end.

In May, 2012, RMI sold one of their houses and took an $85,000 note receivable with interest at 5.0% and monthly payments of $456 through May 2042 as partial payment on the sale. The note is collateralized by the property sold. The balance was $77,923 as of June 30, 2017. Other details of the sale have been omitted.

4 LONG -TERM DEBT

Long-term debt consists of the following at June 30, 2017:

Note payable to a local bank, secured by vehicle, payable $301 per month including interest at 3.25%, maturing September, 2018.	$ 4,410
Four notes payable to local bank, secured by four residential real properties, payable $3,786 monthly including interest at 5.24% through December, 2031 when three of the notes will be paid off, and then $1,359 through March 2032 when the final note is paid in full.	461,774
	466,184
Less amount due in one year	(25,294)
	$ 440,890

4 LONG-TERM DEBT (Continued)

Future principal maturities of long-term debt is as follows:

Year Ending June 30,	
2018	$ 25,294
2019	23,820
2020	24,168
2021	25,465
2022	26,832
Thereafter	340,605
	$ 466,184

Interest expense on these and other notes (including those paid off during the year) was $19,843.

5 OPERATING LEASES

RMI leases seven copiers on month to month lease plans with monthly payments of $1,295. Total lease and other related costs for these leases for the fiscal year ended June 30, 2017 was $21,395. Future minimum rental payments under these lease are $15,540 for the fiscal years June 30, 2018 through June 30, 2022 , and $3,885 for the fiscal years ending June 30, 2023.

6 FEES, SUBSIDIES AND REIMBURSEMENTS FROM GOVERNMENTAL AGENCIES

Residents living in the RMI houses qualify for rent subsidies and program fees from various state and federal government agencies. Program revenue from these agencies totaled $3,406,031 during the year ended June 30, 2017, as follows:

Medicaid	$ 3,406,031

7 PERMANENTLY RESTRICTED ASSETS

During the year ended June 30, 2006, RMI recognized an endowment held and managed by the San Antonio Area Foundation (The Foundation). The fair value of this endowment was $220,136 at June 30, 2017, and has been provided to us by the Foundation with no specifics of individual investments. According to the restrictions of the contributor, distributions are only to be made to supplement, enhance and/or support the creation of new programs by RMI or the operations of the new program for a period not to exceed one year. According to records supplied by The Foundation, actual donor contributions were $143,304 (permanently restricted) and earnings and appreciation through June 30, 2017 totaled $76,832. Total earnings/loss and depreciation for the year ended June 30, 2017 was a net increase of $26,861. All investments, distributions, and other management decisions are performed by The Foundation. (Investment and management fees of $1,310 for the fiscal year ended June 30, 2017 have been netted against the earnings/loss and appreciation noted above.)

8 SALE AND LEASEBACK OF RESIDENTIAL PROPERTIES

During February 2008 RMI sold two of their residential properties to Foundation for the Challenged with the understanding that RMI would lease them back for a period of five years (initial term) with two five year renewal terms. Total monthly rent for these two properties increased to $2,843 by year end. Total payment during the year ended June 30, 2017 totaled $33,900.

9 INVESTMENT IN STOCK AND FAIR VALUE MEASUREMENTS

Investment in stock consists of 540 shares of Chevron Corporation stock with a fair market value of $56,365 at June 30, 2017.

Fair value investments, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Project uses appropriate valuation techniques based on the available inputs to measure the fair value of its investment. The Project measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value (used for valuing the fair value of the Chevron Corporation stock.) Level 2 and Level 3 inputs were not used.

During the fiscal year ended June 30, 2017, RMI received $2,329 in dividends and stock depreciation of $270, which is included in the "Statement of Activities and Changes In Net Assets" as "Other, interest and appreciation/(depreciation)."

Fair value of the endowment (Note 7) was provided by San Antonio Area Foundation and is categorized as a Level 1 input.

10 IMPAIRMENT OF LONG-LIVED ASSETS

The Project reviews its real and personal property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2017.

11 SUBSEQUENT EVENTS AND ACCOUNTING STANDARDS CODIFICATION

RMI evaluates subsequent events in accordance with ASC Topic No. 855, Subsequent Events (formally SFAS No. 165). The guidance requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In preparing these financials, RMI has evaluated events and transactions for potential recognition or disclosure through August 25, 2017, which is the date the financial statements were available to be issued. (There were no significant subsequent events requiring disclosure.)