THE WOMEN'S HOME
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.[SM]

DoerenMayhew
CPAs AND ADVISORS

THE WOMEN'S HOME

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
of **The Women's Home**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Women's Home and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2016 financial statements of The Women's Home Hammerly Phase II, LP, which statements reflect total assets and liabilities of $16,903,754 and $9,677,394, respectively, as of December 31, 2016. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Women's Home Hammerly Phase II, LP, is based solely on the report of the other auditors. 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 audits 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.

DoerenMayhew

Opinion

In our opinion, based on the audit evidence we have obtained and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Women's Home and Affiliates as of December 31, 2016 and 2015, and the consolidated 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.

Doeren Mayhew

Houston, Texas
July 6, 2017

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

Assets	**2016**	**2015**
Cash and cash equivalents (Note 3)	$ 1,080,517	$ 972,618
Pledges receivable (Notes 3, 5 and 11)	563,932	476,860
Government grants receivable	343,692	544,725
Other receivables	21,471	106,645
Thrift shop inventory	108,085	91,870
Developer fee receivable (Note 6)	1,071,833	-
Prepaid expenses and other assets	106,517	58,243
Investments (Notes 8 and 9)	2,430,381	2,490,936
Note receivable (Note 7)	6,724,000	-
Cash and cash equivalents restricted for capital projects (Note 13)	7,890,776	1,693,443
Pledges receivable restricted for capital projects, net (Notes 3, 5 and 11)	591,203	1,184,940
Property and equipment, net (Notes 10 and 13)	28,027,123	18,469,200
Total assets	$ 48,959,530	$ 26,089,480

Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	278,939	$ 59,736
Construction payable	321,220	1,191,565
Security deposits and prepaid rent	28,866	24,370
Developer fee payable (Note 12)	1,204,348	-
Notes payable (Note 11)	10,816,476	-
New Market Tax Credits notes payable, net (Note 13)	9,288,441	-
Total liabilities	21,938,290	1,275,671
Net assets:		
Unrestricted:		
The Women's Home (Note 9)	22,153,924	15,048,965
Noncontrolling interest in Hammerly LP (Note 19)	1,288,544	1,696,899
Total unrestricted	23,442,468	16,745,864
Temporarily restricted (Notes 14 and 16)	3,285,577	7,774,750
Permanently restricted (Note 16)	293,195	293,195
Total net assets	27,021,240	24,813,809
Total liabilities and net assets	$ 48,959,530	$ 26,089,480

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:								
Government grants	$ 373,243	$ -	$ -	$ 373,243	$ 3,814,141	$ -	$ -	$ 3,814,141
Contributions	1,659,638	1,572,794	-	3,232,432	1,065,569	2,056,354	-	3,121,923
Special events	549,641	15,000	-	564,641	683,684	15,000	-	698,684
Direct donor benefits for special events	(221,741)	-	-	(221,741)	(368,597)	-	-	(368,597)
United Way contributions	-	191,708	-	191,708	-	195,625	-	195,625
Net assets released from restrictions (Note 11)	6,287,264	(6,287,264)	-	-	487,417	(487,417)	-	-
Total public support	8,648,045	(4,507,762)	-	4,140,283	5,682,214	1,779,562	-	7,461,776
Revenues:								
Sales to public	648,507	-	-	648,507	551,225	-	-	551,225
Rental income	610,292	-	-	610,292	590,459	-	-	590,459
Program service fees	101,334	-	-	101,334	61,526	-	-	61,526
Project development fees (Note 6)	1,243,881			1,243,881	74,962	-	-	74,962
Net investment income (loss) (Notes 9 and 16)	90,218	18,589	-	108,807	(86,131)	(13,455)	-	(99,586)
Other income	35,574	-	-	35,574	4,410	-	-	4,410
Total revenues	2,729,806	18,589	-	2,748,395	1,196,451	(13,455)	-	1,182,996
Total public support and revenues	11,377,851	(4,489,173)	-	6,888,678	6,878,665	1,766,107	-	8,644,772
Expenses:								
Program services:								
Apartments and resident services	1,322,095	-	-	1,322,095	955,511	-	-	955,511
Residential rehabilitation	805,474	-	-	805,474	853,957	-	-	853,957
Clinical counseling	524,701	-	-	524,701	792,204	-	-	792,204
Support services	818,601	-	-	818,601	423,084	-	-	423,084
The Cottage Shop	329,390	-	-	329,390	321,102	-	-	321,102
Total program services	3,800,261	-	-	3,800,261	3,345,858	-	-	3,345,858
Management and general	447,561	-	-	447,561	345,629	-	-	345,629
Fundraising	393,425	-	-	393,425	656,067	-	-	656,067
Total expenses	4,641,247	-	-	4,641,247	4,347,554	-	-	4,347,554
Change in net assets before noncontrolling ownership interest	6,736,604	(4,489,173)	-	2,247,431	2,531,111	1,766,107	-	4,297,218
Change in noncontrolling ownership interest (Note 19)	368,355	-	-	368,355	-	-	-	-
Change in net assets	7,104,959	(4,489,173)	-	2,615,786	2,531,111	1,766,107	-	4,297,218
Net assets, beginning of year	15,048,965	7,774,750	293,195	23,116,910	12,517,854	6,008,643	293,195	18,819,692
Net assets, end of year	$ 22,153,924	$ 3,285,577	$ 293,195	$ 25,732,696	$ 15,048,965	$ 7,774,750	$ 293,195	$ 23,116,910

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Apartments and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Fundraising	Total
Salaries and employee benefits	$ 309,850	$ 421,134	$ 389,375	$ 563,236	$ 214,467	$ 226,301	$ 221,738	$ 2,346,101
Depreciation	361,987	100,547	15,633	28,607	23,351	20,017	3,132	553,274
Professional fees and contract services	191,591	7,996	67,387	19,918	19,918	38,467	64,852	410,129
Utilities	158,476	69,380	19,812	36,699	20,512	18,745	11,002	334,626
Repairs, maintenance and rental	153,153	104,988	11,600	20,332	10,212	21,870	10,206	332,361
Other	32,448	4,567	8,715	125,209	19,874	50,697	29,303	270,813
Food and supplies	13,385	80,164	2,490	12,630	10,518	15,831	6,712	141,730
Interest expense	69,513	-	-	-	-	35,411	-	104,924
Insurance	30,906	16,349	9,486	10,418	8,660	14,121	5,408	95,348
Printing and postage	786	349	203	1,552	1,878	6,101	41,072	51,941
Total expenses	$ 1,322,095	$ 805,474	$ 524,701	$ 818,601	$ 329,390	$ 447,561	$ 393,425	$ 4,641,247

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Apartments and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Fundraising	Total
Salaries and employee benefits	$ 238,198	$ 434,264	$ 630,476	$ 317,894	$ 206,227	$ 216,832	$ 318,157	$ 2,362,048
Depreciation	231,796	100,630	18,108	31,390	25,604	22,879	6,001	436,408
Professional fees and contract services	121,171	15,347	57,678	12,337	8,654	27,403	194,488	437,078
Utilities	150,494	70,237	35,319	22,532	17,409	16,579	10,303	322,873
Repairs, maintenance and rental	149,139	106,132	30,531	19,329	18,809	24,176	14,356	362,472
Other	13,963	5,663	6,152	2,842	19,667	17,618	45,253	111,158
Food and supplies	8,631	108,482	4,590	7,581	14,845	10,015	14,632	168,776
Insurance	41,519	12,562	8,056	8,322	6,745	8,002	1,629	86,835
Printing and postage	600	640	1,294	857	3,142	2,125	51,248	59,906
Total expenses	$ 955,511	$ 853,957	$ 792,204	$ 423,084	$ 321,102	$ 345,629	$ 656,067	$ 4,347,554

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 2,615,786	$ 4,297,218
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	553,274	436,408
Amortization of debt issuance costs	4,467	-
Contributions restricted to investment in capital projects	(2,060,874)	(1,873,314)
Discount on pledges receivable	23,128	8,040
Net unrealized and realized (gain) loss on investments	(53,361)	148,850
Change in operating assets and liabilities:		
Pledges receivable	(110,200)	(102,392)
Government grants receivable	201,033	(505,757)
Other receivables	85,174	(101,338)
Developer fee receivable	(1,071,833)	-
Prepaid expenses and other assets	(48,274)	(15,992)
Thrift shop inventory	(16,215)	(18,762)
Accounts payable and accrued liabilities	219,203	(91,834)
Security deposits and prepaid rent	4,496	4,145
Developer fee payable	1,204,348	-
Net cash provided by operating activities	1,550,152	2,185,272
Cash flows from investing activities:		
Purchases of property and equipment	(10,981,542)	(4,632,411)
Net change in cash and cash equivalents restricted to capital projects	(6,197,333)	(743,224)
Purchases of investments	(878,433)	(1,016,266)
Sales of investments	992,349	1,230,167
Net cash used by investing activities	(17,064,959)	(5,161,734)
Cash flows from financing activities:		
Proceeds from contributions restricted to capital projects	2,654,611	2,885,606
Changes in noncontrolling ownership interest	(408,355)	1,696,899
Issuance of note receivable	(6,724,000)	-
Payments on debt	(1,079,339)	(1,089,503)
Proceeds from debt	21,715,815	-
Debt issuance costs	(536,026)	-
Net cash provided by financing activities	15,622,706	3,493,002
Net increase in cash and cash equivalents	107,899	516,540
Cash and cash equivalents, beginning of year	972,618	456,078
Cash and cash equivalents, end of year	$ 1,080,517	$ 972,618
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, including capitalized interest of $127,041	$ 226,502	$ 32,053
Noncash investing and financing activities - purchase of property and equipment through a trade account payable	$ 870,345	$ 1,191,565

See accompanying notes to consolidated financial statements.

Note 1 - Description of Organization

Founded in 1957, The Women's Home is a charitable nonprofit corporation located in Houston, Texas. The mission of The Women's Home is to help women in crisis regain their self-esteem and dignity, empowering them to return to society as productive, self-sufficient individuals. Current programs include:

- The WholeLife™ program addresses six areas of wellness - emotional/mental, physical, fiscal, social, vocational and spiritual. It provides an opportunity for women to create a balanced and rewarding life. The rehabilitation program includes:
    - Housing for 50 women in settings that foster increasing levels of independence. A resident moves from a dormitory to a small transitional home.
    - Psychiatric and nurse practitioner services, case management, individual, group and family therapy, chemical dependency counseling and spiritual development.
    - Assistance obtaining and maintaining employment by providing individual vocational testing and counseling, job search training and group counseling that focuses on job retention challenges.
- Jane Cizik Garden Place - The Women's Home operates an affordable housing, 87-unit permanent supportive apartment community that offers tenants a safe, sober environment along with case management services.
- Cottage Shop - The Women's Home operates a thrift shop that sells donated items such as clothing, furniture and house wares. The shop is partially staffed by volunteers and serves as a job training site for residential clients.

The Women's Home Hammerly Phase II, LP (Hammerly LP) is a Texas limited partnership formed on June 30, 2014 to develop Adele and Ber Pieper Family Place, an affordable housing, 84-unit permanent supportive apartment community that serves families in a safe, sober environment that includes case management services. The Women's Home Hammerly GP, LLC (Hammerly GP) is the general partner and 0.01% owner of Hammerly LP; Hudson SLP, LLC is the Special Limited Partner and 0.01% owner, and Hudson Women's Home, LLC is the Investment Partner and 99.98% owner. This project was financed with Low Income Housing Tax Credits allocated from the Texas Department of Housing and Community Affairs and funded by the City of Houston (the City) through Home Investment Partnership Program (HOME) funds, a federal pass-through from the U.S. Department of Housing and Urban Development (HUD), in addition to contributions from private sources. Construction of the Adele and Ber Pieper Family Place was completed in October 2016, whereupon it commenced rental operations. Hammerly LP will continue in perpetuity, unless dissolved earlier. The Women's Home is the sole member of Hammerly GP.

Continued

Note 1 - Description of Organization (Continued)

On October 12, 2015, WholeLife™ Services, Inc. was organized as a Texas nonprofit corporation to serve as the Qualified Active Low Income Community Business to secure the New Market Tax Credit (NMTC) financing for the construction of the Mabee WholeLife™ Service Center. This project is next to the Jane Cizik Garden Place and will use collaborative relationships to offer a variety of services to enhance the wellness and stability of families in our housing programs and the surrounding neighborhood. These services will include primary and behavioral healthcare, after-school and summer enrichment programs, and adult education and workforce development programs. This project will be funded in part by the City through Community Development Block Grant Funds, a federal pass-through from HUD, and contributions from private sources. Construction of the Mabee WholeLife™ Service Center is expected to be completed by fall of 2017. WholeLife™ Services, Inc.'s board is appointed by The Women's Home.

Note 2 - Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP), and include the consolidated activities of The Women's Home, Hammerly GP, Hammerly LP and WholeLife™ Services, Inc. (collectively, The Home). Based on the terms of the partnership agreement, Hammerly GP is considered to control Hammerly LP, and as a result, the limited partnership is included in these consolidated financial statements. Intercompany transactions, except revenue funded by limited partner equity transactions, have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, all highly liquid investments with a maturity of three months or less at time of purchase are considered to be cash equivalents. Any restricted funds or escrows with use restrictions are not considered cash equivalents. Cash equivalents held for investment purposes in money market accounts are classified as investments on the consolidated statement of financial position.

Pledges Receivable

Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Allowance for Uncollectible Accounts

An allowance for pledges and government grants receivable is provided when it is believed amounts may not be collected in full. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and account by account analysis of balances each period. Receivables are written off as a charge to the allowance for uncollectible accounts when management determines the receivable will not be collected. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Thrift Shop Inventory

Thrift shop inventory represents donated items such as clothing and home furnishings held for sale to the general public and are valued based on estimated fair value.

Note Receivable

The note receivable is reported at its outstanding principal balance. The note receivable is considered to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided. Interest on the note receivable is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding.

Investments

Investments are reported at fair value. Investment income is reported in the consolidated statement of activities and changes in net assets as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of gift, if donated. Property and equipment purchases over $5,000 are capitalized. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to ten years for furniture, fixtures and equipment and ten to thirty-nine years for buildings and improvements.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Long Lived Assets

The Home reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which carrying amount exceeds the fair value as determined by an appraisal, discounted cash flow analysis or other valuation technique. There was no impairment loss recognized as of December 31, 2016 or 2015.

Debt Issuance Costs

Debt issuance costs represent costs related to the issuance of the NMTC notes payable and are amortized over the term of the notes. Amortization of debt issuance costs is reported as a component of interest expense. Unamortized debt issuance costs are reported as a direct reduction of the related debt. Accumulated amortization of debt issuance costs is $4,467 and $0 at December 31, 2016 and 2015, respectively.

Net Asset Classification

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

- *Unrestricted net assets* include those net assets whose use is not subject to donor-imposed stipulations and that may be designated for specific purpose by action of the Board of Directors.

- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return on permanently restricted net assets is temporarily restricted until used in accordance with donor restrictions.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions that are restricted by the donor for future periods or a specific purpose are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Gifts of property and equipment are recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from restrictions when the donated or acquired long-lived assets are placed in service.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at date of receipt. A substantial number of volunteers have made significant contributions of their time to support programs, the thrift shop, fundraising efforts and administration. No amounts have been reflected in the accompanying consolidated financial statements for these services since the nature of these services does not meet the criteria for revenue recognition under GAAP.

Government Grants, Sales to Public and Program Service Fees

Government grants and program service fees are recognized in the period that services are provided. Sales to the public are recognized when products are sold.

Rental Income

Apartment rental income is recognized as rent becomes due. Rental payments received in advance are deferred until earned and reported as prepaid rent. The rental rates include free utilities and access to cable television. Other income resulting from fees earned for late payments, cleaning, damages and laundry facilities are recorded when earned. All apartment leases are short-term operating leases.

Project Development Fees

Project development fees are recognized in accordance with the respective agreements.

Continued

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Expenses which are directly associated with a particular program are charged to that program. Expenses that cannot be directly identified with a specific program are charged to the various programs based upon salaries, square footage, or other reasonable methods for allocating multiple program expenditures.

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various programs. Accordingly, actual results could differ from those estimates.

Adoption of Accounting Pronouncement

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-03 on simplifying the presentation of debt issuance costs. The Home has adopted this ASU for the year ended December 31, 2016 resulting in all debt issuance costs being reported as a contra-liability. This ASU requires retrospective application; however, The Home had no debt issuance costs as of and for the year ended December 31, 2015.

Note 3 - Concentrations of Credit Risk

Pledges Receivable

At December 31, 2016, pledges totaling $475,417 from two organizations were in excess individually of 10% of gross total pledges. At December 31, 2015, pledges totaling $640,000 from two organizations were in excess individually of 10% of gross total pledges.

Cash in Excess of FDIC Insurance

Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to $250,000 per depositor. As of December 31, 2016 and 2015, amounts in excess of the insured limits were $9,193,442 and $2,189,194, respectively. Management believes that the credit risk is mitigated by the financial strength of the financial institutions where the deposits are held.

Continued

Note 4 - Income Taxes

The Women's Home and WholeLife™ Services, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, file annual federal information returns that are subject to routine examinations. There are no examinations for any tax periods currently in progress for these tax-exempt entities and the open tax period is 2013 through 2016.

Hammerly GP and Hammerly LP are for-profit entities that are treated as pass-through entities for tax purposes and are not subject to federal income taxes. Accordingly, no provision for income taxes has been reflected in the consolidated financial statements for these for-profit entities. These partnerships may be subject to state franchise taxes consisting of tax on taxable margin. No provision for state franchise taxes was made in the accompanying consolidated financial statements as management anticipates no state franchise tax liability for the year ended December 31, 2016 or 2015. Income tax returns filed by the partnerships are subject to examination by the Internal Revenue Service for period of three years. There are no examinations currently in progress for the partnership tax returns.

Note 5 - Pledges Receivable

Pledges receivable consist of the following at December 31:

	2016	2015
Amounts to be collected within one year:		
United Way	$ 191,712	$ 195,624
Other pledges	816,036	982,943
Amounts to be collected one to five years	155,532	514,506
Pledges receivable	1,163,280	1,693,073
Discount to present value, 4% interest rate	(8,145)	(31,273)
Pledges receivable, net	$ 1,155,135	$ 1,661,800
Pledges receivable	$ 563,932	$ 476,860
Pledges receivable restricted to capital projects, net	591,203	1,184,940
Pledges receivable, net	$ 1,155,135	$ 1,661,800

Note 6 - Developer Fee Receivable

On May 29, 2015, The Women's Home entered into an agreement to provide development and consulting services to the third party developer of the Adele and Ber Pieper Family Place. The amount earned by The Women's Home is paid by the third party developer from amounts received from their development agreement with Hammerly LP (see Note 12). As of December 31, 2016, the developer fee receivable is $1,071,833.

Continued

Note 7 - Note Receivable

The Women's Home entered into an agreement on October 14, 2016 to lend $6,724,000 to COCRF Women's Home Fund, LLC (COCRF Fund). The note is secured by COCRF Fund's membership interest in Catalyst CDE-5, LLC (CSH CDE) and COCRF SubCDE 43, LLC (COCRF CDE), (collectively the CDEs) and other cash accounts held by a secured party. The interest rate on the note is fixed at 1.5%. Interest is payable quarterly beginning December 2016 until October 2023. All principal and unpaid interest is due and payable in October 2046. Interest earned in 2016 was $21,573. This note receivable serves as collateral to secure performance by The Home pursuant to a grant agreement with the City of Houston.

Note 8 - Fair Value of Financial Instruments

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value 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 reporting date.

Certain of The Home's financial assets are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3 - Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally unobservable.

Continued

Note 8 - Fair Value of Financial Instruments (Continued)

Financial instruments measured at fair value on a recurring basis at December 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 176,793	$ -	$ -	$ 176,793
Mutual funds:				
Bond mutual funds	1,007,022	-	-	1,007,022
Mid-cap equity mutual funds	343,351	-	-	343,351
Foreign equity mutual funds	209,895	-	-	209,895
Large-cap equity mutual funds	162,230	-	-	162,230
Foreign fixed income mutual funds	144,383	-	-	144,383
Market neutral equity mutual funds	133,981	-	-	133,981
Long/short equity mutual funds	88,807	-	-	88,807
Real assets mutual funds	86,531	-	-	86,531
Small-cap equity mutual funds	45,354	-	-	45,354
Non-traditional bonds mutual funds	32,034	-	-	32,034
Total mutual funds	2,253,588	-	-	2,253,588
Total investments	$ 2,430,381	$ -	$ -	$ 2,430,381

Financial instruments measured at fair value on a recurring basis at December 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 170,131	$ -	$ -	$ 170,131
Mutual funds:				
Bond mutual funds	879,972	-	-	879,972
Mid-cap equity mutual funds	401,628	-	-	401,628
Foreign equity mutual funds	299,155	-	-	299,155
Large-cap equity mutual funds	229,013	-	-	229,013
Foreign fixed income mutual funds	190,070	-	-	190,070
Market neutral equity mutual funds	57,835	-	-	57,835
Long/short equity mutual funds	64,672	-	-	64,672
Real assets mutual funds	100,196	-	-	100,196
Small-cap equity mutual funds	60,476	-	-	60,476
Non-traditional bonds mutual funds	37,788	-	-	37,788
Total mutual funds	2,320,805	-	-	2,320,805
Total investments	$ 2,490,936	$ -	$ -	$ 2,490,936

Mutual funds and money market funds are valued at the net asset value of shares held at year end. Equity securities are valued at the closing price reported at year end on the active market on which the individual securities are traded. There have been no changes in methodologies used at December 31, 2016 from 2015.

Continued

Note 8 - Fair Value of Financial Instruments (Continued)

The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security. Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, 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 and statement of activities.

Note 9 - Investments and Investment Income

Investments are comprised as follows at December 31:

	2016	2015
Board designated net assets for replacement reserve	$ 270,000	$ 640,000
Donor-endowed funds designated for facility maintenance	441,908	423,319
Operations and facility maintenance	1,718,473	1,427,617
Total investments	$ 2,430,381	$ 2,490,936

Investment income is comprised as follows for the years ended December 31:

	2016	2015
Net realized and unrealized gain (loss)	$ 53,361	$ (148,850)
Interest and dividends	84,012	80,009
Investment fees	(28,566)	(30,745)
Net investment income (loss)	$ 108,807	$ (99,586)

Note 10 - Property and Equipment

The following is a summary of property and equipment at December 31:

	Lives	2016	2015
Land		$ 3,460,874	$ 3,343,000
Land improvements	15 years	1,032,273	-
Buildings and improvements	10 - 39 years	25,549,619	11,587,602
Furniture and fixtures	7 years	1,213,567	508,630
Office equipment	3 - 10 years	454,466	448,349
Automobiles	5 years	90,447	90,447
Construction in progress		1,002,246	6,714,268
Property and equipment		32,803,492	22,692,296
Less: accumulated depreciation		(4,776,369)	(4,223,096)
Property and equipment, net		$ 28,027,123	$ 18,469,200

Continued

Note 10 - Property and Equipment (Continued)

Construction in progress is stated at cost, which includes the cost of construction and other direct costs. Interest expense of $127,041 and $32,053 was capitalized during fiscal years 2016 and 2015, respectively. No provision is made on construction in progress until such time as the relevant assets are completed and put into use. As of December 31, 2016 and 2015, construction in progress represents the project costs associated with the Mabee WholeLife™ Service Center and Adele and Ber Pieper Family Place, respectively. Construction commitments of approximately $6,480,000 exist as of December 31, 2016.

Note 11 - Notes Payable

On October 14, 2016, The Women's Home entered into a loan agreement with a bank totaling $3,788,781. The loan agreement was initiated as a construction loan for the Mabee WholeLife™ Service Center, bears interest at prime plus 1%, and matures on October 13, 2019. This loan is secured by pledge receivables and certain other assets. As of December 31, 2016, the principal balance outstanding on this loan was $2,709,442.

On May 29, 2015, Hammerly LP entered into an advancing construction loan agreement with a bank. The loan agreement is for a maximum of $8,761,411, bears interest at a floating rate of LIBOR plus 3.5% (with a minimum rate of 4.25%) and matures on May 29, 2017. The construction loan is secured by a senior multifamily construction deed of trust, an assignment of rents, security agreement and fixture filing and is guaranteed by The Women's Home. As of December 31, 2016 and 2015, the principal balance outstanding on this construction loan was $8,107,034 and $0, respectively.

In March 2016, The Women's Home opened a $250,000 revolving line of credit with a bank. The line of credit is available until March 25, 2017 and carries a floating interest rate of Prime plus 1.35% or the floor rate of 4%. There was no activity under this line of credit during fiscal year 2016.

During 2015, The Women's Home had an advancing term line of credit for $1.5 million with an availability period that ended on October 1, 2015. The line had an interest rate of 4.25% and was due in full by October 1, 2018. The balance due on the advancing term line of credit was paid during fiscal year 2015, at which time the line was closed.

Future maturities of notes payable are as follows as of December 31, 2016:

Years Ending December 31,	Amount
2017	$ 9,527,695
2018	750,000
2019	538,781
Total notes payable	$ 10,816,476

Continued

Note 12 - Developer Fee Payable

Hammerly LP entered into an agreement with a third party developer to provide specified services in connection with the development and construction of the Adele and Ber Pieper Family Place. As of December 31, 2016, the total developer fee of $2,007,247 had been earned by the third party and capitalized into the project, with $1,204,348 remaining unpaid. Developer fee payments will be made from additional Limited Partner capital contributions and cash flow. The General Partner is obligated to make a capital contribution to pay any developer fees remaining after the 12th anniversary of the payment of the second capital contribution. Developer fees not paid when earned accrue interest at a rate of 2.3%.

Note 13 - New Market Tax Credits Notes Payable

WholeLife™ Services, Inc., as a Qualified Active Low Income Community Business, executed loan agreements on October 14, 2016, that provide for borrowings of $8,820,000 and $1,000,000 from CSH CDE and COCRF CDE, respectively. The loans are to finance the construction of the Mabee WholeLife™ Service Center Project and are intended to be treated as a "qualified low-income community investment" for purposes of generating NMTC under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement and fixture filing on this property, and a guaranty by The Women's Home.

Pursuant to the issuance of the NMTC Financing Commitment, WholeLife™ Services, Inc. is required to maintain certain funds at Capital One, N.A. At December 31, 2016, $8,311,348 is held for this purpose.

	2016	2015
Total NMTC notes payable	$ 9,820,000	$ -
Less: Unamortized debt issuance costs	(531,559)	-
NMTC notes payable, net	$ 9,288,441	$ -

Note 13 - New Market Tax Credits Notes Payable (Continued)

The balances outstanding on the notes payable, maturity dates and repayment terms are as follows:

	Amount
Note payable to CSH CDE, interest of 1.539%, matures on October 13, 2046, with principal payments commencing in December 2023.	$ 6,051,600
Note payable to CSH CDE, interest of 1.539%, matures on October 13, 2046, with principal payments commencing in December 2023.	2,768,400
Note payable to COCRF CDE, interest of 1.009%, matures on October 13, 2046, with principal payments commencing in December 2023.	672,400
Note payable to COCRF CDE, interest of 1.009%, matures on October 13, 2046, with principal payments commencing in December 2023.	327,600
Total NMTC notes payable	$ 9,820,000

No prepayment of any portion of the loans is allowed until the seventh anniversary of the loan. At any time after the seventh anniversary and before the eighth anniversary of the NMTC notes payable, the sole member in the COCRF Fund can exercise its put option to sell its interest in the COCRF Fund to The Women's Home for $1,000. After exercising its option to purchase the interest in the COCRF Fund, The Women's Home may cancel the NMTC notes payable.

Future maturities of the NMTC notes payable are as follows as of December 31, 2016:

Years Ending December 31,	Amount
2017	$ -
2018	-
2019	-
2020	-
2021	-
Thereafter	9,820,000
Total NMTC notes payable	$ 9,820,000

Continued

Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2016	2015
Capital expansion and improvement	$ 1,512,401	$ 5,916,697
Property maintenance reserves	1,389,017	1,472,428
Clinical counseling program	191,577	191,577
Residential rehabilitation program	71,692	73,158
Vocational program	55,890	55,890
Jane Cizik Garden Place case management	50,000	50,000
Special events - future periods	15,000	15,000
Temporarily restricted net assets	$ 3,285,577	$ 7,774,750

Note 15 - Net Assets Released From Restrictions

During 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	2016	2015
Capital expansion and improvements	$ 5,977,140	$ 50,000
Property maintenance reserves	102,000	52,800
Residential rehabilitation program	73,158	74,651
Clinical counseling program	65,244	172,935
Vocational program	54,722	57,031
Special events - future periods	15,000	80,000
Net assets released from restrictions	$ 6,287,264	$ 487,417

Note 16 - Endowment Fund

The Home has a donor-restricted endowment fund for facility maintenance which is maintained in accordance with explicit donor stipulations. The Board of Directors of The Home has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Home classifies endowment contributions as permanently restricted net assets. 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 Home.

Continued

Note 16 - Endowment Fund (Continued)

In accordance with TUPMIFA, The Home considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of The Home and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of The Home
- The investment policies of The Home

The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. 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 preserve the inflation-adjusted purchasing power of the assets. To satisfy its long-term rate-of-return objectives, The Home 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 Home targets a diversified portfolio to achieve its long-term objectives within prudent risk constraints. The Home has adopted a policy that the maximum distribution from the endowment fund each year is the lesser of five percent of the market value of the endowment fund or the investment return for the year. In establishing this policy, The Home considered the long-term expected return on its endowment. No appropriations have been approved from the donor-restricted endowment fund since its inception.

The facility maintenance endowment fund, by net asset classification, is as follows:

	2016	2015
Permanently restricted net assets	$ 293,195	$ 293,195
Temporarily restricted net assets	106,565	130,124
Total endowment net assets	$ 399,760	$ 423,319

Continued

Note 16 - Endowment Fund (Continued)

Changes in the endowment fund for the years ended December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	$ -	$ 143,579	$ 293,195	$ 436,774
Investment return:				
Investment income	-	16,207	-	16,207
Net depreciation of investments	-	(24,865)	-	(24,865)
Investment management fees	-	(4,797)	-	(4,797)
Endowment net assets, December 31, 2015	-	130,124	293,195	423,319
Investment return:				
Investment income	-	13,737	-	13,737
Net appreciation of investments	-	9,657	-	9,657
Investment management fees	-	(4,805)	-	(4,805)
Appropriation for expenditure	42,148	(42,148)	-	-
Disbursement	(42,148)	-	-	(42,148)
Endowment net assets, December 31, 2016	$ -	$ 106,565	$ 293,195	$ 399,760

Note 17 - Employee Benefit Plan

The Home established a defined contribution plan for its employees. Under this plan, the employee may elect to defer a percentage of eligible compensation, as defined in the plan adoption agreement and subject to limit by Internal Revenue Code regulations. During 2016 and 2015, The Home matched 100% of the participant's contributions, up to 4% of the participant's eligible compensation. The matching contributions made into the defined contribution plan by The Home during 2016 and 2015 were $32,930 and $39,300, respectively.

Note 18 - Commitments and Contingencies

A portion of the development costs of The Home's affordable housing projects has been funded through HOME funds and other governmental grants or performance-based loans. These agreements have various restrictive covenants, including operating and financial constraints such as limitations on transfer or sale of the properties or additional borrowings and required replacement and other reserves. These sources of funding generally place specific long-term restrictions on the properties as to their operation as affordable housing. Should these restrictions not be met in the future, The Home would be responsible for refunding all or a portion of these proceeds to the government. A liability for such repayment is not reported in these consolidated financial statements because management believes the properties are being operated in accordance with such restrictions.

Continued

Note 18 - Commitments and Contingencies (Continued)

Jane Cizik Garden Place

This property was funded in part by a $2,028,000 HOME grant from the City of Houston, a $1,000,000 HOME grant from Harris County, and a $400,000 grant from the U.S. Department of Housing and Urban Development. Under the terms of the grants, these amounts and accrued interest will be forgiven 20 years after project completion (in 2028, 2028 and 2029, respectively), provided The Women's Home continues to comply with the terms of the agreements. The development is subject to Land Use Restriction Agreements for each of the funding sources.

Adele and Ber Pieper Family Place (Hammerly LP)

This property was funded in part by a $3,500,000 HOME grant from the City of Houston. Under the terms of the grant agreement, this amount plus accrued interest will be forgiven 20 years after completion of the facility (in 2036), provided that The Women's Home continues to comply with the terms of the agreement.

This property was funded in part by a $500,000 subsidy from the Federal Home Loan Bank of Dallas. Under the terms of the subsidy agreement, principal and interest will be forgiven 15 years after completion of the facility (in 2031), provided that The Women's Home continues to comply with the terms of the agreement.

This project received a Housing Tax Credit allocation which was sold in return for a limited partnership interest in Hammerly LP. These Housing Tax Credits require compliance with Section 42 of the Internal Revenue Code. Failure to maintain compliance with tenant income eligibility and rent limits, or to correct instances of noncompliance within a reasonable time period, could result in recapture of previously claimed tax credits plus interest. The Women's Home is the guarantor of the limited partnership agreement. In connection with this property, Hammerly GP is obligated to pay all excess development costs, as defined.

Hammerly GP is obligated to loan Hammerly LP any funds required to fund operating deficits, beginning with the date breakeven operations, as defined, is achieved and ending on the later of the date on which (i) breakeven operations are maintained over twelve month periods on an annual basis for three consecutive years, and (ii) the operating reserve account balance is at least equal to $400,000. Hammerly GP shall not be obligated to fund more than $625,000 of operating deficits in the aggregate. Operating Deficit Loans bear no interest and are repayable from net cash flow, as defined. Hammerly GP shall not be required to make an Operating Deficit Loan unless the Operating reserve has been depleted to zero.

Continued

Note 18 - Commitments and Contingencies (Continued)

Mabee WholeLife™ Service Center Project

In 2015, The Women's Home entered into a $1,630,000 grant agreement with the City of Houston to construct the Mabee WholeLife™ Service Center. The grant requires that the facility must be used as a social service center for a period of five years after date of completion. As of December 31, 2016, these funds had not been expended.

In 2016, The Women's Home secured NMTC financing to construct the Mabee WholeLife™ Service Center. The Home partnered with Capital One, N.A. and Corporation for Supportive Housing in this transaction. The NMTC program carries a seven year compliance period, during which time The Home will be responsible to provide services as agreed in financing documents.

Note 19 - Noncontrolling Ownership Interest

Noncontrolling ownership interest represents the limited partners' ownership in Hammerly LP, which was formed during 2014 but which did not become operational until 2015. The changes in noncontrolling interest are as follows for the years ended December 31, 2015 and 2016:

	Total	Controlling Interest	Noncontrolling Interest
Noncontrolling interest, December 31, 2014	$ -	$ -	$ -
Initial capital contribution	1,696,999	100	1,696,899
Noncontrolling interest, December 31, 2015	1,696,999	100	1,696,899
Syndication costs	(40,000)	-	(40,000)
Change in noncontrolling interest (net loss)	(368,392)	(37)	(368,355)
Noncontrolling interest, December 31, 2016	$ 1,288,607	$ 63	$ 1,288,544

Remaining capital contribution installment payments are payable upon the achievement of certain financing, operating and reporting milestones, as defined. Profits, losses and tax credits are generally allocated to the partners in accordance with their ownership interests. Net cash flow from operations, as defined, shall be distributed annually as defined.

Continued

Note 20 - Subsequent Events

In March 2017, The Women's Home renewed a $250,000 revolving line of credit with a bank. The line of credit is available until March 28, 2018 and carries a floating interest rate of Prime plus 0.84%. An outstanding balance of $250,000 is due on this line of credit as of July 6, 2017.

On June 26, 2017, Hammerly LP used funds received from Investment Partner capital contributions to pay off the advancing construction loan.

Management has evaluated subsequent events through July 6, 2017, the date which the consolidated financial statements were available to be issued. Management has determined that there are no other subsequent events requiring recognition or disclosure in the consolidated financial statements.

*** * * End of Notes * * ***