

**BOYS AND GIRLS COUNTRY  
OF HOUSTON, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2022 AND 2021**

## **C O N T E N T S**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Boys and Girls Country of Houston, Inc.  
Hockley, Texas

### **Opinion**

We have audited the accompanying financial statements of Boys and Girls Country of Houston, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Country of Houston, Inc. as of September 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Country of Houston, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Country of Houston, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Boys and Girls Country of Houston, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Country of Houston, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Boys and Girls Country of Houston, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HARPER & PEARSON COMPANY, P.C.

Houston, Texas  
September 11, 2023

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022 AND 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
Unrestricted cash and cash equivalents	\$ 742,100	\$ 701,670
Restricted cash and cash equivalents	89,516	483,656
Total cash and cash equivalents	831,616	1,185,326
Unrestricted marketable securities	-	1,839,841
Restricted marketable securities	3,261,499	-
Receivables		
Contributions receivable, net	1,794,522	1,812,561
Other receivables	341,598	679,294
Prepaid expenses and other assets	350,559	310,082
Interest in net assets of the Endowment Fund	23,431,981	27,207,091
Property and equipment, net	<u>9,151,255</u>	<u>9,132,546</u>
<b>TOTAL ASSETS</b>	<u>\$ 39,163,030</u>	<u>\$ 42,166,741</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 240,653	\$ 241,444
Advance payable, Endowment Fund	750,000	750,000
Note payable, PPP	-	747,617
Accrued salaries and benefits	265,624	226,548
Deferred revenue	1,622,868	1,475,188
Funds held for residents	<u>64,073</u>	<u>51,979</u>
<b>TOTAL LIABILITIES</b>	<u>2,943,218</u>	<u>3,492,776</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	11,452,709	11,179,127
Net assets with donor restrictions	<u>24,767,103</u>	<u>27,494,838</u>
<b>TOTAL NET ASSETS</b>	<u>36,219,812</u>	<u>38,673,965</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 39,163,030</u>	<u>\$ 42,166,741</u>

See accompanying notes.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**WITH SUMMARY TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>2022</b>			<b>September 30, 2021 Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>				
Contributions	\$ 2,035,320	\$ 1,987,090	\$ 4,022,410	\$ 3,370,023
In-kind contributions	60,479	-	60,479	50,222
Special events	2,669,320	-	2,669,320	1,754,073
Reimbursement for care	110,220	-	110,220	116,136
Grants from the Endowment Fund	555,000	100,000	655,000	995,000
Other income	<u>104,736</u>	<u>-</u>	<u>104,736</u>	<u>89,315</u>
Total Operating Revenue	5,535,075	2,087,090	7,622,165	6,374,769
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	<u>1,039,715</u>	<u>(1,039,715)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>6,574,790</u>	<u>1,047,375</u>	<u>7,622,165</u>	<u>6,374,769</u>
<b>EXPENSES</b>				
Program services	5,345,825	-	5,345,825	4,949,749
Management and general	502,600	-	502,600	405,936
Fund raising	768,722	-	768,722	586,135
Direct donor benefit costs	<u>436,139</u>	<u>-</u>	<u>436,139</u>	<u>66,193</u>
Total Expenses	<u>7,053,286</u>	<u>-</u>	<u>7,053,286</u>	<u>6,008,013</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>				
	(478,496)	1,047,375	568,879	366,756
<b>GAIN ON SALE OF ASSETS HELD FOR SALE</b>				
	-	-	-	1,729,846
<b>GAIN ON EXTINGUISHMENT OF DEBT</b>				
	752,078	-	752,078	777,015
<b>CHANGE IN INTEREST IN ENDOWMENT FUND</b>				
	<u>-</u>	<u>(3,775,110)</u>	<u>(3,775,110)</u>	<u>4,405,810</u>
CHANGE IN NET ASSETS	273,582	(2,727,735)	(2,454,153)	7,279,427
NET ASSETS, BEGINNING OF YEAR	<u>11,179,127</u>	<u>27,494,838</u>	<u>38,673,965</u>	<u>31,394,538</u>
NET ASSETS, END OF YEAR	<u>\$ 11,452,709</u>	<u>\$ 24,767,103</u>	<u>\$ 36,219,812</u>	<u>\$ 38,673,965</u>

See accompanying notes.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**WITH SUMMARY TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>2022</b>				<b>Total</b>	<b>September 30, 2021 Total</b>
	<b>Program Services</b>		<b>Management and General</b>	<b>Fund Raising</b>		
	<b>Residential Services</b>	<b>College and Career</b>				
Salaries and employee benefits	\$ 2,980,529	\$ 334,336	\$ 334,750	\$ 409,506	\$ 4,059,121	\$ 3,675,295
Depreciation	484,556	52,384	45,836	72,029	654,805	623,879
Utilities and telephone	202,394	21,880	19,145	30,086	273,506	287,202
Maintenance and operation of properties and vehicles	283,363	40,133	17,992	28,274	369,763	315,093
Resident activities and education support	139,065	230,479	-	-	369,544	196,374
Insurance	191,744	20,729	18,138	28,502	259,113	267,797
Food and supplies	79,709	19,030	-	-	98,738	77,380
Staff recruiting and training costs	86,165	14,206	4,890	40,561	145,821	129,518
Direct mailings and newsletter	-	-	-	87,535	87,535	65,667
Office supplies and postage	31,758	3,433	16,376	29,969	81,536	139,205
Resident medical and dental care	22,134	1,908	-	-	24,042	18,915
Bad debt expense	-	-	-	34,000	34,000	-
Interest expense	-	-	-	-	-	7,726
Ranch operations	27,404	-	-	-	27,404	15,614
Professional fees	<u>67,693</u>	<u>10,793</u>	<u>45,473</u>	<u>8,260</u>	<u>132,219</u>	<u>122,155</u>
Total Expenses	<u>\$ 4,596,514</u>	<u>\$ 749,311</u>	<u>\$ 502,600</u>	<u>\$ 768,722</u>	6,617,147	5,941,820
Direct donor benefit costs					<u>436,139</u>	<u>66,193</u>
Total					<u>\$ 7,053,286</u>	<u>\$ 6,008,013</u>

See accompanying notes.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,454,153)	\$ 7,279,427
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	654,805	623,879
Gain on extinguishment of debt	(747,617)	(777,015)
Donated property and equipment	(52,440)	(44,667)
(Gain) Loss on disposal of property and equipment	-	(1,729,846)
Realized and unrealized loss on marketable securities	70,391	22,172
Change in interest in net assets of Endowment Fund	3,775,110	(4,405,810)
Change in operating assets and liabilities:		
Contributions receivable, net	(1,297,355)	(1,608,089)
Other receivables	337,696	(600,875)
Prepaid expenses and other assets	(40,477)	(97,161)
Accounts payable and accrued liabilities	(791)	10,141
Accrued salaries and benefits	39,076	48,857
Deferred revenue	147,680	1,025,787
Funds held for residents	12,094	(42,603)
Total adjustments	<u>2,898,172</u>	<u>(7,575,230)</u>
Net cash provided (used) by operating activities	<u>444,019</u>	<u>(295,803)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of marketable securities	(1,759,441)	(3,081,585)
Proceeds from sales of marketable securities	267,392	1,432,642
Proceeds from sale of assets held for sale	-	2,131,060
Purchase of property and equipment	<u>(621,074)</u>	<u>(363,179)</u>
Net cash (used) provided by investing activities	<u>(2,113,123)</u>	<u>118,938</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for acquisition of property and equipment	1,315,394	725,737
Repayment of advances from Endowment Fund	-	(250,000)
Borrowings on note payable, PPP	<u>-</u>	<u>747,617</u>
Net cash provided by financing activities	<u>1,315,394</u>	<u>1,223,354</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(353,710)	1,046,489
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,185,326</u>	<u>138,837</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 831,616</u>	<u>\$ 1,185,326</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cost of property and equipment retired	<u>\$ 6,050</u>	<u>\$ 1,891,848</u>

See accompanying notes.



NOTE A BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Boys and Girls Country of Houston, Inc. (Boys and Girls Country), a Texas not-for-profit organization, is a licensed childcare residential facility that provides 24-hour care for children from families in crisis between the ages of 5 and 18, primarily from the Greater Houston area (Residential Services Program). Boys and Girls Country also provides a residential care and scholarship program for residents aged 18 or older (College & Career Program).

Boys and Girls Country of Houston Endowment Fund, Inc. (the Endowment Fund), a financially related organization, was created in 1986 to seek support for and hold assets on behalf of Boys and Girls Country. The Endowment Fund has a separate board of directors and Boys and Girls Country does not exercise control over the Endowment Fund, therefore consolidated financial statements are not required but rather the interest in the net assets of the Endowment Fund are included as a single asset in the accompanying statements of financial position. The Endowment Fund transfers assets to Boys and Girls Country when authorized by the Endowment Fund Board of Directors.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States (GAAP). Accordingly, such information should be read in conjunction with Boys and Girls Country's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Management's Estimates - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and the allocation of expenses among various functions during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit and Market Risk - Financial instruments that subject Boys and Girls Country to concentrations of credit risk consist principally of cash, interest-bearing deposits, and marketable securities. Boys and Girls Country places its cash and interest-bearing deposits with high credit quality financial institutions. At times, such amounts may exceed insured limits; however, these amounts typically may be redeemed upon demand and, therefore, bear minimal risk. In monitoring this credit risk, Boys and Girls Country periodically evaluates the stability of these financial institutions.

Marketable securities subject Boys and Girls Country to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Boys and Girls Country's marketable securities. Due to the level of risk associated with marketable securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in risks in the near term could materially impact the amounts reflected in the accompanying financial statements.

NOTE A           BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Cash and Cash Equivalents - Cash and cash equivalents include cash and interest-bearing deposits held in sweep accounts maintained with investment banks.

Marketable Securities - Marketable securities are carried at 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 measurement date. Investment income or loss is included in other income in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Contributions Receivable - Contributions 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, if material, to estimate the present value of future cash flows. Estimated discounts at September 30, 2022 and 2021 were considered immaterial. An allowance for doubtful accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific donors. At September 30, 2022, contributions receivable from two donors represented 64% of gross contributions receivable. At September 30, 2021 contributions receivable from three donors represented 77% of gross contributions receivable.

Other Receivables - Other receivables consist of amounts due primarily from the Endowment Fund and donor contributions and other revenues made through third party credit card processors. Generally, no collateral or other security is required to support other receivables.

Property and Equipment - Property and equipment is recorded at cost if purchased or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 5 to 30 years for buildings and improvements and 3 to 8 years for furniture and equipment and transportation equipment.

Expenditures for additions, major renewals, and betterments are capitalized and expenditures for maintenance and repairs are charged to earnings as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Interest in Net Assets of the Endowment Fund - Interest in net assets of the Endowment Fund is recorded at the fair value of the underlying assets of the Endowment Fund as reported in the audited financial statements of the Endowment Fund. As further discussed in Note F, changes in the value of the Endowment Fund from year to year are recorded as an increase or decrease in net assets with donor restrictions in the statements of activities.

Deferred Revenue - Deferred revenue consists primarily of funds and contributions received for attendance at events to be held in the future.

NOTE A           BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Net Asset Classification - Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- Net assets with donor restrictions include contributions restricted by the donor for specific purposes or time periods. When the purpose is accomplished or the time restriction is met, net assets with donor restrictions are released to net assets without donor restrictions. Net assets with donor restrictions also include Boys and Girls Country's interest in net assets with donor restrictions of the Endowment Fund and earnings on the net assets without donor restrictions that were transferred by Boys and Girls Country to the Endowment Fund. (See Note F).

Net assets with donor restrictions also includes contributions received by the Endowment Fund whereby donors have restricted the contribution in perpetuity. The related investment income is available to the Endowment Fund to distribute to Boys and Girls Country to support various activities.

Contributions - Contributions are recognized as revenue when an unconditional commitment is received from the donor. Conditional contributions are included in revenue when the conditions are substantially met. Boys and Girls Country recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

In-Kind Contributions - Donated assets, materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. Fair value is determined by management using information provided by the donor and in comparison to current prices to acquire such goods or services. The related asset or expense is recorded as the item is used. Contributions of services which would typically need to be purchased, if not provided by donation, are recognized either when services received create or enhance nonfinancial assets or are provided by individuals possessing specialized skills. In 2022 and 2021, \$52,440 and \$44,667 of donated property and equipment and \$8,039 and \$5,555 of donated goods and services were recorded as in-kind contributions, assets and program expenses, respectively.

Reimbursement for Care - Boys and Girls Country requests reimbursements for the care of certain children from Texas Department of Family and Protective Services, Social Security and families. Due to the uncertainty of collection, such reimbursements are recognized as revenue when the funds are received.

Functional Expenses - Certain expenses benefit multiple programs as well as support functions and are allocated to the functional categories as follows:

- Salaries and related benefits are allocated based on job position and time allocations reported by employees.
- Other expenses not directly identifiable to a specific function are allocated based on salary percentages.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

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NOTE A           BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Income Taxes - Boys and Girls Country is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, Boys and Girls Country is subject to taxes on unrelated business income. No unrelated business income was generated in fiscal 2022 and 2021.

Boys and Girls Country believes that all significant tax positions utilized by Boys and Girls Country will more likely than not be sustained upon examination. As of September 30, 2022, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2019 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statement of activities.

Concentrations - Approximately 30% and 27% of total contributions and special events revenue were derived from a single annual event, the Heritage Awards Dinner, during fiscal 2022 and 2021, respectively.

Subsequent events - Management has evaluated subsequent events through September 11, 2023, the date the financial statements were available to be issued. Boys and Girls Country has committed to approximately \$1.1 million for the construction of new facilities. No other subsequent events occurred which require adjustment to or disclosure in the financial statements at September 30, 2022.

NOTE B           LIQUIDITY AND AVAILABILITY

Boys and Girls Country manages its cash flows through the use of an annual budget that is created by Management and approved by its Board of Directors. Boys and Girls Country generally relies on proceeds from its fund-raising events, contributions from different constituencies, grants from the Endowment and other sources of revenue to fund its ongoing operations. As described in Note F, each year the Endowment may grant to Boys and Girls Country up to five percent of its net assets (approximately \$1,171,000 and \$1,362,000 at September 30, 2022 and 2021, respectively) based on a request from Boys and Girls Country. Grant funds are drawn by Boys and Girls Country when needed to provide liquidity for operations. From time to time, Boys and Girls Country may supplement cash flow by utilizing cash restricted for the Cottage Rebuild Program (See Note E) received from donors in advance of the cottage rebuild expenditures. Boys and Girls Country seeks to maximize the return on excess funds through investments in marketable securities for its own account. When needed, these marketable securities are liquidated to fund operations.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

NOTE B LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available to fund subsequent year operations are as follows at September 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 831,616	\$ 1,185,326
Marketable securities	3,261,499	1,839,841
Contributions receivable	1,794,522	1,812,561
Other receivables	341,598	679,294
	6,229,235	5,517,022
Less Restricted Assets (Note I)	(3,478,050)	(2,493,656)
Assets Available	\$ 2,751,185	\$ 3,023,366

NOTE C CONTRIBUTIONS RECEIVABLE, NET

Contributions at September 30, 2022 and 2021 are receivable as follows:

	2022	2021
Receivable in less than one year	\$ 747,158	\$ 771,197
Receivable in one to five years	1,050,000	1,050,000
	1,797,158	1,821,197
Allowance for doubtful accounts	(2,636)	(8,636)
	\$ 1,794,522	\$ 1,812,561

NOTE D FAIR VALUE DISCLOSURES

GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical financial instruments in active markets that Boys and Girls Country has the ability to access.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

NOTE D FAIR VALUE DISCLOSURES (CONTINUED)

Level 2 – Other significant observable inputs (including quoted prices in active or inactive markets for similar financial instruments), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The fair values of marketable securities are categorized as follows September 30, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Interest in net assets of the				
Endowment Fund	\$ -	\$ 23,431,981	\$ -	\$ 23,431,981
Money market mutual fund	1,503,764	-	-	1,503,764
Corporate bonds	-	1,757,735	-	1,757,735
	<u>\$ 1,503,764</u>	<u>\$ 25,189,716</u>	<u>\$ -</u>	<u>\$ 26,693,480</u>
	2021			
	Level 1	Level 2	Level 3	Total
Interest in net assets of the				
Endowment Fund	\$ -	\$ 27,207,091	\$ -	\$ 27,207,091
U.S. government securities	10,009	-	-	10,009
Corporate bonds	-	1,829,832	-	1,829,832
	<u>\$ 10,009</u>	<u>\$ 29,036,923</u>	<u>\$ -</u>	<u>\$ 29,046,932</u>

Interest in net assets of the Endowment Fund is reported at the fair value of the net assets of the Endowment Fund as of September 30, 2022 and 2021 and is based upon the fair value of the underlying assets which consist primarily of actively traded equity securities, corporate bonds and U.S. government securities. The investments of the Endowment Fund also include limited partnership funds and limited liability company funds reported by the Endowment Fund using the net asset value per share (NAV) practical expedient. At September 30, 2022 and 2021, the value of the limited partnerships and limited liability company was \$5,836,416 and \$4,251,153, respectively.

There have been no changes in the techniques used to determine fair value during fiscal 2022 and 2021. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Boys and Girls Country believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

NOTE E            PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2022 and 2021:

	2022	2021
Land and improvements	\$ 4,733,315	\$ 4,709,139
Buildings and improvements	13,299,687	12,717,277
Furniture and equipment	1,677,129	1,613,356
Transportation equipment	689,666	691,866
Livestock	59,350	59,350
Construction in progress	59,086	59,781
	20,518,233	19,850,769
Less accumulated depreciation	(11,366,978)	(10,718,223)
	\$ 9,151,255	\$ 9,132,546

Since 2015, Boys and Girls Country has entered into a series of agreements with HomeAid Houston and various builders for the construction of replacement cottages under its Cottage Rebuild Program. Each agreement requires the builder to build a cottage for which approximately half of the cost will be paid by Boys and Girls Country and approximately half of the cost will consist of donated materials and services. Boys and Girls Country is required to make a donation to HomeAid of five percent of the estimated value of the donated materials and services which is paid prior to completion of the cottage.

In addition, Boys and Girls Country must use each cottage for ten years from the date of completion or reimburse HomeAid Houston ten percent of the value of the donated materials and services for each year that a cottage is not used for the mission of the organization. Boys and Girls Country intends to utilize each cottage for the full term of each agreement, thus unexpired contingent liabilities have not been recorded.

The status of each agreement and the amount of Boys and Girls Country's contingent liability for each project is as follows:

Joanne Watford Cottage

The cottage was completed on November 30, 2016 and included \$335,000 in donated materials and services. At September 30, 2022, the contingent liability to HomeAid Houston was approximately \$137,000.

Hamill Cottage

This cottage was completed on March 21, 2018 at a total cost of \$978,408, including \$512,000 of donated materials and services. At September 30, 2022, the contingent liability to HomeAid Houston was approximately \$282,000.

NOTE E            PROPERTY AND EQUIPMENT (CONTINUED)

Woodforest Cottage

This cottage was completed on September 30, 2020 at a total cost of \$723,359, including approximately \$158,000 of donated materials and services. At September 30, 2022, the contingent liability to HomeAid Houston was approximately \$126,000.

NOTE F            THE ENDOWMENT FUND

In prior years, Boys and Girls Country had transferred a total of \$2,594,360 unrestricted, excess funds to the Endowment Fund to invest. Earnings on this transfer accrue to the Endowment Fund and are reported as donor restricted for the general support of Boys and Girls Country. No unrestricted transfers were made during fiscal 2022 and 2021. These unrestricted funds are invested with the other Endowment Fund assets but may upon approval from the Endowment Board of Directors be utilized by Boys and Girls Country to fund its activities. In addition, Boys and Girls Country may request grants from the donor restricted assets of the Endowment Fund to support the specific activities for which they were intended. In fiscal 2022 and 2021, grants amounting to \$655,000 and \$995,000, respectively, were requested and approved.

The transactions and balances of the net assets of the Endowment Fund are reflected as net assets with donor restrictions in the accompanying financial statements.

In September 2011, Boys and Girls Country entered into a Service Agreement with the Endowment Fund whereby the Endowment Fund reimburses Boys and Girls Country for payroll and other costs benefiting the Endowment Fund. No fund-raising services were provided to the Endowment Fund during fiscal 2022 or 2021. In addition, during fiscal 2022 and 2021, Boys and Girls Country provided to the Endowment Fund in-kind accounting and management services valued at \$33,000 and \$28,000, respectively. At September 30, 2022 and 2021, other receivables included unremitted grants of \$300,000 and \$645,000, respectively, and other expenses of \$16,159 and \$1,507, respectively.

In May 2017, the Endowment Fund Board approved a working capital loan to Boys and Girls Country up to one million dollars (\$1,000,000) to cover construction payments for the Cottage Rebuild Project and other needs. Outstanding advances amounting to \$750,000 at both September 30, 2022 and 2021, are non-interest bearing and will be repaid in the future when Cottage Rebuild Project pledge payments are received or through reductions of future Endowment grants awarded to Boys and Girls Country.

NOTE G            LINE OF CREDIT

Boys and Girls Country entered into a line of credit agreement with a bank which provided for borrowings up to \$300,000 at an interest rate of 3.50% per annum. At September 30, 2022 and 2021 there were no outstanding borrowings under this agreement. The line of credit matured October 12, 2022 and was not renewed.



**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
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**SEPTEMBER 30, 2022 AND 2021**

NOTE H PAYCHECK PROTECTION PROGRAM

On April 10, 2020, Boys and Girls Country received a loan of \$770,100 pursuant to the Paycheck Protection Program ("PPP loan") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Boys and Girls Country elected to treat the funds as debt under FASB ASC 470 Debt. Boys and Girls Country applied for loan forgiveness as directed by the CARES Act and received full forgiveness of the loan and related interest on April 7, 2021. On March 9, 2021, Boys and Girls Country received a second PPP loan of \$747,617 and received full forgiveness of the loan and related interest on October 25, 2021.

The forgiveness is recognized as a gain on extinguishment of debt on the statements of activities and cash flows.

NOTE I NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include contributions restricted by the donor for specific purposes or time periods and are comprised of the following at September 30, 2022 and 2021:

	2022	2021
<u>Purpose Restricted:</u>		
Residential Services Program	\$ 274,184	\$ 205,200
College & Career Program	-	51,950
<u>Facilities:</u>		
Cottage Rebuild	3,478,050	2,493,656
Other	177,251	131,304
Endowment Support	13,202,822	17,090,638
Total Purpose Restricted	17,132,307	19,972,748
<u>Time Restricted:</u>		
In Perpetuity	7,634,796	7,522,090
	7,634,796	7,522,090
Total Net Assets with Donor Restrictions	\$ 24,767,103	\$ 27,494,838

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

NOTE I            NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The Endowment Fund holds assets received from donors restricted to be held in perpetuity, the earnings from which are to be used for the purposes indicated below:

	<u>2022</u>	<u>2021</u>
General support of Boys and Girls Country	\$ 4,142,818	\$ 4,105,897
Scholarships	607,444	1,672,712
Children's Table Funds	1,747,512	606,459
Facilities Maintenance Fund	1,000,000	1,000,000
Teaching parent support	125,000	125,000
Other	<u>12,022</u>	<u>12,022</u>
	<u>\$ 7,634,796</u>	<u>\$ 7,522,090</u>

Assets restricted for the long-term purposes of the Cottage Rebuild Program at September 30, 2022 and 2021 include:

	<u>2022</u>	<u>2021</u>
Restricted cash and cash equivalents	\$ 89,516	\$ 483,656
Restricted marketable securities	3,261,499	-
Contributions receivable	1,065,000	1,365,000
Endowment receivable	-	645,000
Restricted asset (surplus) deficit	<u>(937,965)</u>	<u>-</u>
	<u>\$ 3,478,050</u>	<u>\$ 2,493,656</u>

In 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Capital expenditures	\$ 402,440	\$ 104,254
Expenditures for program purposes	<u>637,275</u>	<u>629,852</u>
	<u>\$ 1,039,715</u>	<u>\$ 734,106</u>

NOTE J            RETIREMENT PLANS

Boys and Girls Country contributes an amount equal to 3% of each employee's annual salary to a defined-contribution retirement plan for employees who have met the Plan's eligibility requirements. Boys and Girls Country contributed \$62,957 and \$66,165 to the plan in 2022 and 2021, respectively.