

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
Financial Statements
September 30, 2025 and 2024
With Independent Auditor's Report

Boys and Girls Country of Houston, Inc.
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September 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Boys and Girls Country of Houston, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, cash flows, and functional expenses 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 the Organization as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Organization 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.

Emphasis of Matter – Correction of an Error

As discussed in Note 8 to the financial statements, the 2024 financial statements have been restated to correct material reclassification misstatements. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended September 30, 2024 were audited by Pannell Kerr Forster of Texas, P.C., who joined with WithumSmith+Brown, PC on June 1, 2025, and whose report dated March 14, 2025 expressed an unmodified opinion on those statements.

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 of America, 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 the Organization'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 the Organization'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 the Organization'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.

Withum Smith & Brown, PC

May 15, 2026

Boys and Girls Country of Houston, Inc.
Statements of Financial Position
September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Assets		
Cash and cash equivalents	\$ 285,799	\$ 259,537
Contributions receivable, net	1,379,794	1,223,811
Prepaid expenses and other assets	231,601	225,868
Restricted investments	1,033,292	2,256,420
Restricted cash and cash equivalents	199,773	385,196
Interest in net assets of the Endowment Fund	31,647,251	30,301,422
Property and equipment, net	<u>11,434,289</u>	<u>10,056,618</u>
 Total assets	 <u>\$ 46,211,799</u>	 <u>\$ 44,708,872</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 508,888	\$ 533,266
Advance payable, Endowment Fund	36,097	2,357
Refundable advances	377,138	501,895
Funds held for residents	<u>72,749</u>	<u>101,556</u>
 Total liabilities	 <u>994,872</u>	 <u>1,139,074</u>
Net assets		
Without donor restrictions		
Board designated - endowment	16,295,659	15,396,564
Undesignated	<u>9,768,263</u>	<u>9,458,468</u>
Total without donor restrictions	26,063,922	24,855,032
 With donor restrictions	 <u>19,153,005</u>	 <u>18,714,766</u>
 Total net assets	 <u>45,216,927</u>	 <u>43,569,798</u>
 Total liabilities and net assets	 <u>\$ 46,211,799</u>	 <u>\$ 44,708,872</u>

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

Boys and Girls Country of Houston, Inc.
Statement of Activities
Year Ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 3,533,413	\$ 979,131	\$ 4,512,544
In-kind contributions	28,930	-	28,930
Special events	2,071,792	-	2,071,792
Less: direct benefit to donors	(323,219)	-	(323,219)
Grants from the Endowment Fund	1,300,000	-	1,300,000
Investment income, net	63,230	-	63,230
Other income	150,350	-	150,350
Net assets released from restrictions	<u>987,626</u>	<u>(987,626)</u>	<u>-</u>
Total revenue and support	<u>7,812,122</u>	<u>(8,495)</u>	<u>7,803,627</u>
Expenses			
Program services	5,529,830	-	5,529,830
Supporting activities			
Management and general	1,079,076	-	1,079,076
Fundraising	<u>893,421</u>	<u>-</u>	<u>893,421</u>
Total support services	<u>1,972,497</u>	<u>-</u>	<u>1,972,497</u>
Total expenses	<u>7,502,327</u>	<u>-</u>	<u>7,502,327</u>
Change in interest in Endowment Fund	<u>899,095</u>	<u>446,734</u>	<u>1,345,829</u>
Changes in net assets	1,208,890	438,239	1,647,129
Net assets at beginning of year	<u>24,855,032</u>	<u>18,714,766</u>	<u>43,569,798</u>
Net assets at end of year	<u>\$ 26,063,922</u>	<u>\$ 19,153,005</u>	<u>\$ 45,216,927</u>

The Notes to Financial Statements are an integral part of this statement.

Boys and Girls Country of Houston, Inc.
Statement of Activities
Year Ended September 30, 2024

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total
Revenue and support			
Contributions	\$ 3,235,424	\$ 565,326	\$ 3,800,750
In-kind contributions	19,495	-	19,495
Special events	2,422,169	-	2,422,169
Less: direct benefit to donors	(356,785)	-	(356,785)
Grants from the Endowment Fund	750,000	-	750,000
Investment income, net	201,918	-	201,918
Other income, net	218,175	-	218,175
Net assets released from restrictions	<u>1,388,216</u>	<u>(1,388,216)</u>	<u>-</u>
Total revenue and support	<u>7,878,612</u>	<u>(822,890)</u>	<u>7,055,722</u>
Expenses			
Program services	5,070,471	-	5,070,471
Supporting activities			
Management and general	838,463	-	838,463
Fundraising	<u>1,687,884</u>	<u>-</u>	<u>1,687,884</u>
Total support services	<u>2,526,347</u>	<u>-</u>	<u>2,526,347</u>
Total expenses	<u>7,596,818</u>	<u>-</u>	<u>7,596,818</u>
Change in interest in Endowment Fund	<u>2,172,192</u>	<u>2,520,903</u>	<u>4,693,095</u>
Changes in net assets	2,453,986	1,698,013	4,151,999
Net assets at beginning of year	<u>22,401,046</u>	<u>17,016,753</u>	<u>39,417,799</u>
Net assets at end of year	<u>\$ 24,855,032</u>	<u>\$ 18,714,766</u>	<u>\$ 43,569,798</u>

The Notes to Financial Statements are an integral part of this statement.

Boys and Girls Country of Houston, Inc.
Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Cash flows from operating activities		
Changes in net assets	\$ 1,647,129	\$ 4,151,999
Adjustments to reconcile change in net assets to cash flows provided by operating activities:		
Depreciation	650,351	626,329
Realized and unrealized loss on marketable securities	(63,230)	(201,918)
Change in interest in net assets of endowment fund	(1,345,829)	(4,693,095)
Change in assets and liabilities:		
Contributions receivable	(155,983)	(22,317)
Prepaid expenses and other assets	(5,733)	323,206
Accounts payable and accrued liabilities	(24,378)	9,912
Advances payable, Endowment Fund	33,740	-
Refundable advances	(124,757)	(27,546)
Funds held for residents	<u>(28,807)</u>	<u>29,831</u>
Net cash provided by operating activities	<u>582,503</u>	<u>196,401</u>
 Cash flows from investing activities		
Purchases of marketable securities	(1,422,328)	(201,286)
Proceeds from sales of marketable securities	2,708,686	1,731,428
Purchase of property and equipment	<u>(2,028,022)</u>	<u>(1,855,689)</u>
Net cash used in investing activities	<u>(741,664)</u>	<u>(325,547)</u>
 Net change in cash, cash equivalents and restricted cash	(159,161)	(129,146)
 Cash, cash equivalents, and restricted cash at beginning of year	<u>644,733</u>	<u>773,879</u>
 Cash, cash equivalents, and restricted cash at end of year	<u>\$ 485,572</u>	<u>\$ 644,733</u>
 Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 285,799	\$ 259,537
Restricted cash and cash equivalents	<u>199,773</u>	<u>385,196</u>
 Total cash, cash equivalents, and restricted cash	<u>\$ 485,572</u>	<u>\$ 644,733</u>

The Notes to Financial Statements are an integral part of this statement.

Boys and Girls Country of Houston, Inc.
Statement of Functional Expenses
Year Ended September 30, 2025

	<u>Supporting Activities</u>				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Direct Benefit to Donors</u>	
Year ended September 30, 2025					
Salaries and benefits	\$ 3,293,148	\$ 881,265	\$ 463,823	\$ -	\$ 4,638,236
Depreciation	533,288	45,524	71,539	-	650,351
Utilities and telephone	200,753	17,137	26,931	-	244,821
Maintenance and repairs	344,427	19,156	30,103	-	393,686
Resident activities and education	339,977	-	-	-	339,977
Insurance	256,394	21,887	34,394	-	312,675
Food and supplies	148,833	-	43,778	323,219	515,830
Staff recruiting and training	11,743	1,521	1,521	-	14,785
Direct mailings and newsletter	-	-	97,873	-	97,873
Office supplies and postage	164,616	54,731	54,731	-	274,078
Resident medical and dental care	31,647	-	-	-	31,647
Bad debt expense	-	-	30,873	-	30,873
Ranch operations	28,346	-	-	-	28,346
Professional fees	176,658	37,855	37,855	-	252,368
Total expenses	<u>\$ 5,529,830</u>	<u>\$ 1,079,076</u>	<u>\$ 893,421</u>	<u>\$ 323,219</u>	<u>\$ 7,825,546</u>

The Notes to Financial Statements are an integral part of this statement.

Boys and Girls Country of Houston, Inc.
Statement of Functional Expenses
Year Ended September 30, 2024 (Restated)

	<u>Supporting Activities</u>				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Direct Benefit to Donors</u>	
Year ended September 30, 2024					
Salaries and benefits	\$ 2,800,331	\$ 558,347	\$ 1,143,667	\$ -	\$ 4,502,345
Depreciation	513,589	43,843	68,897	-	626,329
Utilities and telephone	227,184	19,393	30,476	-	277,053
Maintenance and repairs	351,120	19,528	30,688	-	401,336
Resident activities and education	292,105	-	-	-	292,105
Insurance	349,559	29,841	46,891	-	426,291
Food and supplies	123,658	-	87,429	356,785	567,872
Staff recruiting and training	16,677	857	7,108	-	24,642
Direct mailings and newsletter	-	-	66,749	-	66,749
Office supplies and postage	112,509	51,932	95,040	-	259,481
Resident medical and dental care	44,765	-	-	-	44,765
Bad debt expense	-	-	90,100	-	90,100
Ranch operations	40,965	-	-	-	40,965
Professional fees	198,009	114,722	20,839	-	333,570
Total expenses	<u>\$ 5,070,471</u>	<u>\$ 838,463</u>	<u>\$ 1,687,884</u>	<u>\$ 356,785</u>	<u>\$ 7,953,603</u>

The Notes to Financial Statements are an integral part of this statement.

Boys and Girls Country of Houston, Inc.
Notes to Financial Statements
September 30, 2025 and 2024

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Boys and Girls Country of Houston, Inc. (the "Organization"), 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). The Organization 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 the Organization. The Endowment Fund has a separate board of directors and the Organization does not exercise control over the Endowment Fund, therefore consolidated financial statements are not required. However, the interest in the net assets of the Endowment Fund are included as an asset in the accompanying statements of financial position. The Endowment Fund transfers assets to the Organization when authorized by the Endowment Fund's Board of Directors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Management believes its estimates are reasonable.

Financial Instruments, Credit Risk and Concentration of Credit Risk

Financial instruments that subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, contributions and other receivables and marketable securities. The Organization places its cash and cash equivalents 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, the Organization periodically evaluates the stability of these financial institutions. The Organization has not incurred losses related to these deposits.

Contributions receivable and other receivables consists of pledge receivables from individuals and corporations. Contributions receivable from two donors represented 61% and 55% of gross contributions receivable at September 30, 2025 and 2024, respectively. Although the Organization is directly affected by the financial stability of its donors, management does not believe significant credit risk exists at September 30, 2025 and 2024.

The investments in marketable securities are exposed to various risks such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

Approximately 25% and 32% of total contributions and special events revenue were derived from a single annual event, the Heritage Awards Dinner, during the years ended 2025 and 2024, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into cash and have an original maturity of three months or less on the date of acquisition.

Boys and Girls Country of Houston, Inc.
Notes to Financial Statements
September 30, 2025 and 2024

Investments

Investments 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 on 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.

Interest in Net Assets of the Endowment Fund

The Endowment Fund is considered to be a financially interrelated entity and as such, the Organization's interest in the net assets of the Endowment Fund is the net asset balance of the Endowment Fund as reported in their audited financial statements. 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.

Contributions and Other Receivables

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, 2025 and 2024 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.

Contributions receivables are as follows at September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Receivable in less than one year	\$ 329,794	\$ 176,447
Receivable in one to five years	<u>1,050,000</u>	<u>1,050,000</u>
	1,379,794	1,226,447
Less: allowance for doubtful accounts	<u>-</u>	<u>(2,636)</u>
	<u>\$ 1,379,794</u>	<u>\$ 1,223,811</u>

Property and Equipment

Purchased property and equipment are stated at cost, and donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in net assets without restrictions unless the donor has restricted the donated asset to a specific purpose. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Boys and Girls Country of Houston, Inc.
Notes to Financial Statements
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Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated lives for computing depreciation on property and equipment are:

<u>Asset Classification</u>	<u>Useful Life (Years)</u>
Vehicles	3
Equipment	1 to 15
Computer equipment	2 to 6
Furniture and fixtures	3 to 15
Buildings	3 to 30
Leasehold improvements	3 to 40

Refundable Advances

Refundable advances consist primarily of funds and contributions received for attendance at events to be held in the future.

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with GAAP. Accordingly, these financial statements present the financial position, change in net assets, and cash flows of the Organization.

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification, net assets, revenues, expenses, gains and losses are classified 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 the Organization's interest in net assets with donor restrictions of the Endowment Fund. 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 the Organization to support various activities.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in net assets with donor restrictions depending upon the nature of the restriction. When a restriction expires or is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions in which the restrictions are met in the same year as received are recorded as unrestricted contributions in the accompanying statements of activities.

Boys and Girls Country of Houston, Inc.
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Conditional promises to give are not included as support until the promise becomes unconditional. A conditional promise to give has a barrier to overcome and either the right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. As of September 30, 2025 and 2024, \$377,138 and \$501,895 respectively, were considered conditional as they are dependent on occurrence of the annual dinner and are included in refundable advances on the statements of financial position.

In 2023, the Organization submitted claims for Employee Retention Credits related to payroll costs incurred in prior years. Management evaluated the credits under GAAP and determined they represent a conditional contribution. Because the related conditions had not been substantially met, no contribution revenue was recognized as of year-end. Amounts ultimately approved will be recognized as contribution revenue in the period the conditions are satisfied. As of September 30, 2025, \$1,355,410 of claimed credits remained conditional.

The Organization recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

The Organization 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.

Special Event Income

Special event revenue includes proceeds from fundraising events such as ticket sales and sponsorships. The portion of event proceeds that represents the fair value of goods or services provided to participants is recognized as exchange revenue when the event occurs. The excess of proceeds over the fair value of benefits provided is recognized as contribution revenue, generally as net assets without donor restrictions unless donor restrictions apply. Direct costs of special events are recorded as direct donor benefits.

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 when promised. 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. For the years ended September 30, 2025 and 2024, \$23,008 and \$17,066 of donated property and equipment and \$3,247 and \$2,429 of donated goods were recorded as assets and program expenses, respectively. The Organization did not monetize any contributed noncash assets and contributed noncash assets did not have donor restrictions. The Organization's policy is not to monetize donated noncash assets, unless donated specifically for fundraising purposes.

Functional Expenses

The Organization allocates expenses on a functional basis among the various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification. 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, 2025 and 2024

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to taxes on unrelated business income. No unrelated business income was generated in the years ended September 30, 2025 and 2024.

The Organization believes that all significant tax positions utilized by the Organization will more likely than not be sustained upon examination. As of September 30, 2025, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2022 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.

Restatement

Transfers to the Endowment Fund from the Organization and the related earnings on those transfers were previously reported as net assets with donor restrictions. In accordance with FASB ASC 958, the transfer and the related earnings on the transfer should be reported as an equity transaction and recorded without donor restrictions. The Endowment Fund restated net assets as of September 30, 2023 by reclassifying \$10,630,012 from with donor restrictions to without donor restrictions. In addition, the Organization reversed conditional contributions receivable and the related liability of approximately \$608,000 on the statement of financial position as of September 30, 2024 and reclassified approximately \$357,000 from fundraising to direct benefits to donors in the schedule of functional expenses for the year ended September 30, 2024.

2. LIQUIDITY AND AVAILABILITY

The Organization manages its cash flows through the use of an annual budget that is created by management and approved by its board of directors. The Organization 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. Each year the Endowment may grant to the Organization up to five percent of its net assets (approximately \$1,582,000 and \$1,511,000 at September 30, 2025 and 2024, respectively) based on a request from the Organization. Grant funds are drawn by the Organization when needed to provide liquidity for operations. The Organization 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.

Financial assets available to fund subsequent year operations are as follows at September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Cash and cash equivalents	\$ 285,799	\$ 259,537
Contributions receivable, net	<u>1,379,794</u>	<u>1,223,811</u>
	<u>\$ 1,665,593</u>	<u>\$ 1,483,348</u>

3. FAIR VALUE DISCLOSURES

The Organization uses a three-level hierarchy for determination of the fair value. This hierarchy is based on the transparency of inputs to the valuation process as follows:

Level 1 – observable inputs such as quoted prices in active markets at the measurement date for identical assets or liabilities.

Boys and Girls Country of Houston, Inc.
Notes to Financial Statements
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Level 2 – other inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

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 value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the techniques used during 2025 and 2024. There were no significant transfers in or out of the fair value categories during 2025 and 2024.

The fair values of marketable securities are categorized as follows at September 30, 2025 and 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2025				
Money market mutual fund	\$ 787,054	\$ -	\$ -	\$ 787,054
Corporate bonds	<u>-</u>	<u>246,238</u>	<u>-</u>	<u>246,238</u>
Total investments	<u>\$ 787,054</u>	<u>\$ 246,238</u>	<u>\$ -</u>	<u>\$ 1,033,292</u>
September 30, 2024				
Money market mutual fund	\$ 252,770	\$ -	\$ -	\$ 252,770
Corporate bonds	<u>-</u>	<u>2,003,650</u>	<u>-</u>	<u>2,003,650</u>
Total investments	<u>\$ 252,770</u>	<u>\$ 2,003,650</u>	<u>\$ -</u>	<u>\$ 2,256,420</u>

The methods described above may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the valuation methods are considered appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2025</u>	<u>2024</u>
Vehicles	\$ 782,012	\$ 688,121
Furniture and fixtures	1,860,350	1,795,864
Buildings	14,405,517	14,724,360
Livestock	59,350	59,350
Construction in progress	2,262,758	507,619
Land and land improvements	<u>4,732,836</u>	<u>4,735,294</u>
	24,102,823	22,510,608
Less: accumulated depreciation	<u>(12,668,534)</u>	<u>(12,453,990)</u>
Total property and equipment, net	<u>\$ 11,434,289</u>	<u>\$ 10,056,618</u>

Depreciation expense totaled \$650,351 and \$626,329 for the years ended September 30, 2025 and 2024, respectively.

Since 2015, the Organization 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 the Organization and approximately half of the cost will consist of donated materials and services. The Organization 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, the Organization 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. The Organization 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 the Organization'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, 2025, the contingent liability to HomeAid Houston was approximately \$36,000.

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, 2025, the contingent liability to HomeAid Houston was approximately \$128,000.

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, 2025, the contingent liability to HomeAid Houston was approximately \$79,000.

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5. THE ENDOWMENT FUND

In prior years, the Organization transferred a total of \$2,594,360 of unrestricted, excess funds to the Endowment Fund to invest. No transfers were made to the Endowment Fund during the years ended September 30, 2025 and 2024. These unrestricted funds are invested with the other Endowment Fund assets but may, upon approval from the Endowment Board of Directors, be utilized by the Organization to fund its activities. In addition, the Organization may request grants from the Endowment Fund to support the specific activities for which they were intended. In the years ended September 30, 2025 and 2024, grants amounting to \$1,300,000 and \$750,000, respectively, were requested and approved. The net assets of the Endowment are partially reported as with donor restrictions, as detailed in Note 6, and partially as board designed – endowment in the accompanying statement of financial position of the Organization. During 2025, the prior period classification was reclassified to net assets without donor restriction in conformity with GAAP (Note 8).

In September 2011, the Organization entered into a Service Agreement with the Endowment Fund whereby the Endowment Fund reimburses the Organization for payroll and other costs benefiting the Endowment Fund. During the years ended September 30, 2025 and 2024, the Organization provided to the Endowment Fund in-kind accounting and management services valued at \$38,000 and \$37,000, respectively. The Organization owed the Endowment Fund approximately \$36,000 and \$2,000 at September 30, 2025 and 2024, respectively, for advances.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are classified based on the nature of donor-imposed restrictions and consist of the following at September 30:

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Purpose restricted:		
Residential services	\$ 649,424	\$ 631,880
College and career Facilities	12,694	1,396
Cottage rebuild	2,980,887	2,999,799
Other	158,406	176,833
Endowment support	<u>7,487,311</u>	<u>7,134,243</u>
Total purpose restricted	11,288,722	10,944,151
Time restricted:		
In perpetuity	<u>7,864,283</u>	<u>7,770,615</u>
Total net assets with donor restrictions	<u>\$ 19,153,005</u>	<u>\$ 18,714,766</u>

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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 as of September 30:

	<u>2025</u>	<u>2024</u>
Operations support of Boys and Girls		
Country	\$ 4,145,792	\$ 4,132,971
Scholarships	1,815,070	1,774,746
Children's table funds	608,220	607,898
Facilities maintenance fund	1,170,201	1,130,000
Teaching parent support	<u>125,000</u>	<u>125,000</u>
Total purpose restricted	<u>\$ 7,864,283</u>	<u>\$ 7,770,615</u>

Net assets restricted for the long-term purposes of the Cottage Rebuild Program are as follows at September 30:

	<u>2025</u>	<u>2024</u>
Restricted cash and cash equivalents	\$ 199,773	\$ 385,196
Restricted marketable securities	1,033,292	2,256,420
Contributions receivable	1,065,000	1,065,000
Restricted asset (surplus) deficit	<u>682,822</u>	<u>(706,817)</u>
	<u>\$ 2,980,887</u>	<u>\$ 2,999,799</u>

The restricted asset surplus represents cottage rebuild costs paid using unrestricted assets. The restricted asset deficit represents contributions restricted for the Cottage Rebuild Program that are included in unrestricted assets.

During the years ended September 30, 2025 and 2024, 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>2025</u>	<u>2024</u>
Capital expenditures	\$ 600,706	\$ 1,155,898
Residential Services Program	361,413	195,344
College & Career Program	28	19,325
Facilities	<u>25,479</u>	<u>17,649</u>
	<u>\$ 987,626</u>	<u>\$ 1,388,216</u>

7. RETIREMENT PLAN

The Organization 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. The Organization contributed \$80,578 and \$64,787 to the plan during the years ended September 30, 2025 and 2024, respectively.

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8. RESTATEMENT

The Endowment Fund corrected an error related to the accounting for transfers from the Organization during prior years. The transfers and the related earnings on those transfers were originally and correctly reported as unrestricted net assets but were reclassified on the advice of a former auditor as with donor restricted net assets. In accordance with relevant accounting guidance (ASC 958-605), those amounts have been reclassified to net assets without donor restrictions and shown as a Board Designated Endowment. The correction has been reflected in net assets as of September 30, 2023 by reclassifying \$10,630,012 to net assets without donor restrictions. In addition, the Organization reversed conditional contributions receivable and the related liability of approximately \$608,000 on the statement of financial position as of September 30, 2024, and reclassified approximately \$357,000 from fundraising to direct benefits to donors in the schedule of functional expenses for the year ended September 30, 2024. The change in the affected accounts was disclosed in the table below as of and for the year ended September 30, 2024, to reflect such prior period adjustment:

	<u>As Originally Reported</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
Statement of Financial Position as of September 30, 2024			
Contributions receivable, net	1,831,811	(608,000)	1,223,811
Refundable advances	1,109,895	(608,000)	501,895
Net assets			
Without donor restrictions			
Board designated - endowment	-	15,396,564	15,396,564
Undesignated	<u>12,052,828</u>	<u>(2,594,360)</u>	<u>9,458,468</u>
Total without donor restrictions	12,052,828	12,802,204	24,855,032
With donor restrictions	31,516,970	(12,802,204)	18,714,766
Statement of Activities for the Year Ended September 30, 2024			
Change in interest in Endowment Fund			
Without donor restrictions	-	2,172,192	2,172,192
With donor restrictions	4,693,095	(2,172,192)	2,520,903
Changes in net assets			
Without donor restrictions	281,794	2,172,192	2,453,986
With donor restrictions	3,870,205	(2,172,192)	1,698,013
Net assets, beginning of year			
Without donor restrictions	11,771,034	10,630,012	22,401,046
With donor restrictions	27,646,765	(10,630,012)	17,016,753

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	<u>As Originally Reported</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
Net assets, end of year			
Without donor restrictions	12,052,828	12,802,204	24,855,032
With donor restrictions	31,516,970	(12,802,204)	18,714,766
Statement of Functional Expenses for the Year Ended September 30, 2024			
Fundraising expenses	2,044,669	(356,785)	1,687,884
Direct benefit to donors	-	356,785	356,785

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events as of May 15, 2026, the date the financial statements were available to be issued and has determined that there are no subsequent events to be reported.