REPORT OF INDEPENDENT AUDITORS
AND COMBINED FINANCIAL STATEMENTS

CAL FARLEY'S BOYS RANCH AND SUBSIDIARY AND CAL FARLEY'S BOYS RANCH FOUNDATION

September 30, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors
Cal Farley's Boys Ranch and Subsidiary and
Cal Farley's Boys Ranch Foundation

Report on Financial Statements

We have audited the accompanying combined statement of financial position of Cal Farley's Boys Ranch and Subsidiary, and Cal Farley's Boys Ranch Foundation (collectively referred to as the Organization), as of September 30, 2019 and 2018, and the related combined statements of activities, cash flows and statement of functional expenses for the years then ended. Our responsibility is to express an opinion on these combined financial statements based on our audits.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cal Farley's Boys Ranch and Subsidiary, and Cal Farley's Boys Ranch Foundation as of September 30, 2019 and 2018, and the related combined statements of activities, cash flows and functional expenses for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 of the financial statements, in 2019, the entity adopted ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* Our opinion is not modified with respect to this matter.

Moss Adams LLP

Albuquerque, New Mexico
February 26, 2020

Cal Farley’s Boys Ranch and Subsidiary and Cal Farley’s Boys Ranch Foundation
Combined Statements of Financial Position

ASSETS

	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 4,199,393	$ 3,026,399
Accrued interest receivable	167,946	144,575
Other receivables	616,358	380,255
Unconditional promises to give	21,865,441	17,403,141
Prepaid expenses	289,905	269,157
Inventories	1,014,840	1,008,367
Investments without donor restrictions	338,317,935	340,573,033
Investments with donor restrictions	45,623,503	44,194,571
Beneficial interest in perpetual trusts	35,325,083	36,098,101
Property and equipment, net	30,251,799	30,645,803
Total assets	$ 477,672,203	$ 473,743,402

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable	$ 1,241,740	$ 982,019
Accrued liabilities	2,059,689	2,450,885
Gift annuity liability	2,147,326	2,184,366
Total liabilities	5,448,755	5,617,270
NET ASSETS		
Without donor restrictions	369,429,363	371,668,236
With donor restrictions	102,794,085	96,457,896
Total net assets	472,223,448	468,126,132
Total liabilities and net assets	$ 477,672,203	$ 473,743,402

See accompanying notes.

	September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 20,563,836	$ 2,703,672	$ 23,267,508
Change in value of unconditional promises to give	-	6,354,298	6,354,298
Change in value of beneficial interest in perpetual trusts	-	(672,745)	(672,745)
Investment return			
Interest, dividends, and other	19,071,468	1,733,284	20,804,752
Realized loss	(349,437)	(31,267)	(380,704)
Unrealized loss	(2,080,888)	(182,902)	(2,263,790)
Change in value of mineral interests	822,137	-	822,137
Total investment return	17,463,280	1,519,115	18,982,395
Other income	183,651	-	183,651
Net assets released from restrictions - satisfaction of time or purpose restrictions	3,568,151	(3,568,151)	-
Total support and revenue	41,778,918	6,336,189	48,115,107
EXPENSES			
Program services			
Boys Ranch operations	28,007,791	-	28,007,791
Program support and alumni services	1,993,514	-	1,993,514
Community-based services	60,704	-	60,704
Total program services	30,062,009	-	30,062,009
Support services:			
Fund-raising activities	9,451,185	-	9,451,185
Administrative and general	4,520,061	-	4,520,061
Total support services	13,971,246	-	13,971,246
Total expenses	44,033,255	-	44,033,255
OTHER ACTIVITIES			
Net gain on insurance proceeds	15,464	-	15,464
CHANGE IN NET ASSETS	(2,238,873)	6,336,189	4,097,316
NET ASSETS, beginning of year	371,668,236	96,457,896	468,126,132
NET ASSETS, end of year	$ 369,429,363	$ 102,794,085	$ 472,223,448

Cal Farley’s Boys Ranch and Subsidiary
and Cal Farley’s Boys Ranch Foundation
Combined Statement of Activities (continued)

	September 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 21,951,192	$ 1,860,170	$ 23,811,362
Change in value of unconditional promises to give	-	(155,406)	(155,406)
Change in value of beneficial interest in perpetual trusts	-	670,174	670,174
Investment return:			
Interest, dividends, and other	13,327,964	1,661,453	14,989,417
Realized (loss) gain	(195,863)	159,783	(36,080)
Unrealized gain (loss)	5,110,714	(16,502)	5,094,212
Change in value of mineral interests	379,272	-	379,272
Total investment return	18,622,087	1,804,734	20,426,821
Other income	244,333	-	244,333
Net assets released from restrictions - satisfaction of time or purpose restrictions	4,944,559	(4,944,559)	-
Total support and revenue	45,762,171	(764,887)	44,997,284
EXPENSES			
Program services			
Boys Ranch operations	27,701,714	-	27,701,714
Center for Women and Children	199,856	-	199,856
Program support and alumni services	1,924,863	-	1,924,863
Community-based services	251,146	-	251,146
Total program services	30,077,579	-	30,077,579
Support services			
Fund-raising activities	8,967,742	-	8,967,742
Administrative and general	4,416,405	-	4,416,405
Total support services	13,384,147	-	13,384,147
Total expenses	43,461,726	-	43,461,726
OTHER ACTIVITIES			
Net gain on insurance proceeds	17,091	-	17,091
CHANGE IN NET ASSETS	2,317,536	(764,887)	1,552,649
NET ASSETS, beginning of year	369,350,700	97,222,783	466,573,483
NET ASSETS, end of year	$ 371,668,236	$ 96,457,896	$ 468,126,132

See accompanying notes.

Combined Statements of Cash Flows

	Years Ended September 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 4,097,316	$ 1,552,649
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,042,580	4,371,294
Net (loss) gain on disposal of property and equipment	(43,451)	1,564,290
Loss on impairment	-	-
Net realized loss (gain) on investments	426,696	(1,525,159)
Net unrealized loss (gain) on investments	2,263,790	(5,094,212)
Noncash donation of investments	(162,652)	(398,317)
Restricted contributions	(2,703,672)	(1,860,170)
Investment income restricted for investment	(1,733,284)	(1,661,453)
Unrealized gain on mineral interests	(822,137)	(379,272)
Unrealized (gain) loss on unconditional promises to give	(6,354,298)	155,406
Unrealized loss (gain) on beneficial interest in perpetual trusts	672,745	(670,174)
Unrealized gain of gift annuities	(292,432)	(166,696)
Change in		
Accrued interest receivable	(23,371)	(10,205)
Other receivables	(236,103)	(169,754)
Unconditional promises to give	1,891,998	2,154,641
Prepaid expenses	(20,748)	520,820
Inventories	(6,473)	(105,622)
Beneficial interest in perpetual trusts	100,273	-
Accounts payable	259,721	(1,432,091)
Accrued liabilities	(391,196)	337,437
Gift annuity liability recognized as income upon death of donor	(39,608)	(256,775)
Net cash provided by (used in) operating activities	925,694	(3,073,363)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(122,919,903)	(67,488,600)
Proceeds from maturities and sales of investments	122,040,372	71,541,636
Acquisitions of property and equipment	(3,652,796)	(1,094,546)
Proceeds from sale of property and equipment	47,671	499,982
Proceeds from gift annuities	295,000	135,000
Net cash (used in) provided by investing activities	(4,189,656)	3,593,472
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted primarily for property and equipment or scholarships	923,705	1,789,845
Proceeds from contributions with donor restriction for investment in permanent endowment	1,779,967	70,325
Investment income with donor restriction for investment	1,733,284	1,661,453
Payments of line of credit	-	(2,000,000)
Net cash provided by financing activities	4,436,956	1,521,623
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,172,994	2,041,732
CASH AND CASH EQUIVALENTS, beginning of year	3,026,399	984,667
CASH AND CASH EQUIVALENTS, end of year	$ 4,199,393	$ 3,026,399

Cal Farley's Boys Ranch and Subsidiary
and Cal Farley's Boys Ranch Foundation
Combined Statement of Functional Expenses – Year Ended September 30, 2019

	Program Services				Support Services			
	Boys Ranch Operations	Program & Alumni Support	Community-based Services	Total	Fund-raising Activities	Administrative and General	Total	Total Expenses
Salaries	$ 11,303,610	$ 1,113,287	$ 38,549	$ 12,455,446	$ 966,362	$ 1,951,347	$ 2,917,709	$ 15,373,155
Payroll taxes	901,412	81,754	2,740	985,906	67,548	140,850	208,398	1,194,304
Employee benefits	2,460,636	170,835	4,740	2,636,211	136,203	349,267	485,470	3,121,681
Employment expenses	14,665,658	1,365,876	46,029	16,077,563	1,170,113	2,441,464	3,611,577	19,689,140
Utilities	682,019	27,475	1,463	710,957	-	213,732	213,732	924,689
Repairs and maintenance	580,279	38,503	92	618,874	76,113	215,199	291,312	910,186
Insurance	870,172	-	-	870,172	-	170,386	170,386	1,040,558
Supplies	58,013	1,273	-	59,286	2,715	12,160	14,875	74,161
Mail Supplies	-	-	-	-	124,217	-	124,217	124,217
Postage	-	1,491	6	1,497	1,960,442	3,011	1,963,453	1,964,950
Mailing list	-	-	-	-	200,774	-	200,774	200,774
Printed material	-	-	-	-	107,782	-	107,782	107,782
Travel	56,775	1,636	5,189	63,600	5,269,745	-	5,269,745	5,333,345
Fuel	245,297	-	-	245,297	60,132	27,247	87,379	332,676
Client services	-	40,471	-	40,471	-	15,784	15,784	56,255
Contract/Professional Services	303,115	-	-	303,115	-	-	-	303,115
Program Support	64,039	-	-	64,039	234,472	327,858	562,330	626,369
Legal expense	-	-	8,222	8,222	-	-	-	8,222
Home life	488,331	-	-	488,331	-	88,355	88,355	576,686
Tascosa Films	-			-	-	6,656	6,656	6,656
Youth activities	473,157	-	-	473,157			-	473,157
Casework Services	30,696	-	-	30,696	-	-	-	30,696
Day Care	(119,727)	-	-	(119,727)	-	-	-	(119,727)
Campus Operations	(6,097)	-	-	(6,097)	-	-	-	(6,097)
School	3,106,449	-	-	3,106,449	-	-	-	3,106,449
Dining hall	1,430,746	-	-	1,430,746	-	-	-	1,430,746
Country Store/Souvenir Shop	(25,123)	-	-	(25,123)	-	-	-	(25,123)
Alumni program and scholarships	-	498,215	-	498,215	-	-	-	498,215
Health and hygiene	1,009,475	-	-	1,009,475	-	-	-	1,009,475
Chapel	32,538	-	-	32,538	-	-	-	32,538
Agriculture/food processing/horticulture	154,813	-	-	154,813	-	-	-	154,813
Community as lab	51,075	-	-	51,075	-	-	-	51,075
Training	12	981	-	993	-	-	-	993
Advertising	-	-	-	-	-	24,275	24,275	24,275
Marketing	-	-	-	-	2,939	267,010	269,949	269,949
Professional development	49,405	14,573	147	64,125	9,469	34,520	43,989	108,114
Laundry/Custodial	62,909		-	62,909	-	-	-	62,909
Fund Raising Event	-	-	-	-	222,968	-	222,968	222,968
Safety/Security	75,144	-		75,144	-	1,312	1,312	76,456
Fees, Interest, Penalties	2,125		-	2,125	7,140	10,763	17,903	20,028
Lease Expense	59,372	-	-	59,372	749	35,842	36,591	95,963
Other expenses	25,755	3,020	(444)	28,331	1,415	163,276	164,691	193,022
Other operating expenses	24,426,422	1,993,514	60,704	26,480,640	9,451,185	4,058,850	13,510,035	39,990,675
Depreciation	3,581,369	-	-	3,581,369	-	461,211	461,211	4,042,580
Total functional expenses	$ 28,007,791	$ 1,993,514	$ 60,704	$ 30,062,009	$ 9,451,185	$ 4,520,061	$ 13,971,246	$ 44,033,255

See accompanying notes.

Combined Statement of Functional Expenses – Year Ended September 30, 2018

	Program Services					Support Services			
	Boys Ranch Operations	Center for Women and Children	Program & Alumni Support	Community-based Services	Total	Fund-raising Activities	Administrative and General	Total	Total Expenses
Salaries	$ 10,807,005	$ 2,642	$ 1,061,746	$ 105,428	$ 11,976,821	$ 951,650	$ 1,896,545	$ 2,848,195	$ 14,825,016
Payroll taxes	832,638	241	75,857	7,619	916,355	69,078	134,288	203,366	1,119,721
Employee benefits	2,728,755	(2,188)	194,192	23,745	2,944,504	168,663	296,086	464,749	3,409,253
Employment expenses	14,368,398	695	1,331,795	136,792	15,837,680	1,189,391	2,326,919	3,516,310	19,353,990
Utilities	716,254	-	29,817	7,632	753,703	-	214,475	214,475	968,178
Repairs and maintenance	569,238	-	16,271	554	586,063	53,927	286,001	339,928	925,991
Insurance	870,600	32,136	-	-	902,736	-	180,466	180,466	1,083,202
Supplies	60,400	-	2,074	-	62,474	1,665	12,265	13,930	76,404
Mail Supplies	-	-	-	-	-	157,186	-	157,186	157,186
Postage	-	-	2,314	758	3,072	2,213,251	3,215	2,216,466	2,219,538
Mailing list	-	-	-	-	-	228,568	-	228,568	228,568
Printed material	-	-	-	-	-	4,319,718	-	4,319,718	4,319,718
Travel	52,332	-	961	4,959	58,252	57,557	33,306	90,863	149,115
Fuel	258,436	-	-	-	258,436	-	22,093	22,093	280,529
Client services	-	-	61,387	29,965	91,352	-	-	-	91,352
Contract/Professional Services	261,956	-	-	-	261,956	320,157	339,293	659,450	921,406
Program Support	32,644	-	-	-	32,644	-	-	-	32,644
Legal expense	-	-	-	-	-	-	56,424	56,424	56,424
Home life	469,379	-	-	-	469,379	-	-	-	469,379
Tascosa Films	-	-			-	-	80,964	80,964	80,964
Youth activities	438,175	-	-	-	438,175			-	438,175
Casework Services	35,160	-	-	-	35,160	-	-	-	35,160
Day Care	(79,675)	-	-	-	(79,675)	-	-	-	(79,675)
Campus Operations	(7,979)	-	-	-	(7,979)	-	-	-	(7,979)
School	3,195,749	-	-	-	3,195,749	-	-	-	3,195,749
Dining hall	1,438,410	-	-	-	1,438,410	-	-	-	1,438,410
Country Store/Souvenir Shop	(9,010)	-	-	-	(9,010)	-	-	-	(9,010)
Alumni program and scholarships	-	-	460,822	-	460,822	-	-	-	460,822
Health and hygiene	1,047,589	-	-	-	1,047,589	-	-	-	1,047,589
Chapel	26,052	-	-	-	26,052	-	-	-	26,052
Agriculture/food processing/horticulture	(30,572)	-	-	-	(30,572)	-	-	-	(30,572)
Community as lab	51,862	-	-	-	51,862	-	-	-	51,862
Training	48	-	9,383	-	9,431	-	-	-	9,431
Advertising	-	-	-	-	-	-	17,641	17,641	17,641
Marketing	-	-	-	-	-	197,840	96,124	293,964	293,964
Professional development	47,831	-	5,085	1,167	54,083	14,466	29,482	43,948	98,031
Laundry/Custodial	59,454	-		-	59,454	-	-	-	59,454
Film expenses			-	-	-	-	16	16	16
Fund Raising Event	-	-	-	-	-	164,031	-	164,031	164,031
Safety/Security	62,296	-	-		62,296	-	4,799	4,799	67,095
Fees, Interest, Penalties	2,016	-		-	2,016	42,340	26,119	68,459	70,475
Lease Expense	23,283	-	-	82,781	106,064	3,746	41,734	45,480	151,544
Other expenses	45,852	44,101	4,954	(13,462)	81,445	3,899	92,235	96,134	177,579
Other operating expenses	24,006,178	76,932	1,924,863	251,146	26,259,119	8,967,742	3,863,571	12,831,313	39,090,432
Depreciation	3,695,536	122,924	-	-	3,818,460	-	552,834	552,834	4,371,294
Total functional expenses	$ 27,701,714	$ 199,856	$ 1,924,863	$ 251,146	$ 30,077,579	$ 8,967,742	$ 4,416,405	$ 13,384,147	$ 43,461,726

See accompanying notes.

Note 1 – Organization

Cal Farley's Boys Ranch ("Cal Farley's") is a nonprofit organization that provides professional programs and services in a Christ-centered atmosphere to strengthen families and support the overall development of children. The Cal Farley's campus-based, residential programs include our main campus of Cal Farley's Boys Ranch, located 36 miles northwest of Amarillo, Texas, which is a basic care facility for children and youth ages 5-18. Cal Farley's services include aftercare to its alumni through a college scholarship program, vocational attainment assistance, and various case management services. Our program of extensive community-based and general casework services that spanned the Amarillo, Austin, Dallas/Ft. Worth, Houston, Lubbock and San Antonio areas in Texas, and Oklahoma City, Oklahoma, through Family Resource Centers, were closed at various times throughout the year ended September 30, 2018. The Community Engagement Center in Amarillo was closed during the year ended September 30, 2019.

Tascosa Films, LLC (Tascosa) is a wholly owned subsidiary of Cal Farley's. The purpose of Tascosa is to create and share a film project. The film project will help to share the Cal Farley's mission and enhance awareness of Cal Farley's program to both potential clients and potential funders.

Cal Farley's Boys Ranch Foundation (the Foundation) is organized to provide financial support to Cal Farley's through investment and reinvestments of funds, properties and other donations of value received as contributions and support. The Board of Directors of the Foundation is elected by the Board of Directors of Cal Farley's.

Cal Farley's Campus Support Center is located in Amarillo, Texas, and provides administrative and fund-raising functions to Cal Farley's and the Foundation.

Note 2 – Summary of Significant Accounting Policies

Financial Statements Presentation

The combined financial statements include the accounts and transactions of Cal Farley, Tascosa and the Foundation (collectively, the Organization). Cal Farley's has majority voting and economic interest in the Foundation, and therefore the financial statements have been combined. The Organization's combined financial statements are reflected on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All material intercompany balances and transactions have been eliminated. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Note 2 – Summary of Significant Accounting Policies (continued)

Net Assets Without Donor Restrictions
These net assets are not subject to stipulations imposed by the donor and are currently available for expenditures. Items that affect this net asset category principally consist of revenues, contributions without restrictions; restricted contributions whose donor imposed restrictions were met during the fiscal year, expenses, and gains and losses on investments and other assets whose use is not restricted by explicit donor stipulations or law. Net assets without donor restrictions also include net assets transferred from net assets with donor restrictions after temporary restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. A donor's restriction, however, may be released or modified by the donor, a court, or in the circumstances and manner set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Net Assets with Donor Restrictions
These net assets are subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. These net assets may have stipulations by the donor to be maintained in perpetuity, such as an endowment, or the restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. Net assets with donor restrictions also include accumulated net investment income earned by the net assets held in perpetuity.

Use of Estimates
The preparation of the combined 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 combined financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Organization places its temporary cash investments with high credit quality financial institutions. The Organization maintains a Repurchase Agreement with a local bank and all excess funds are "swept" each night and redeposited the next day. Per the Repurchase Agreement, the "swept" amounts are not considered deposits of the bank; however, they are collateralized with pledged securities.

Other Receivables
Receivables are included in the accompanying combined statements of financial position at amount net of the allowance for doubtful accounts.

The Organization writes off receivables when they become uncollectible. However, the Organization has had minimal losses on accounts receivable in prior years and therefore no allowance was deemed necessary as of September 30, 2019 and 2018.

Note 2 – Summary of Significant Accounting Policies (continued)

Unconditional Promises to Give
Unconditional promises to give consist of split interest agreements and multi-year pledges. Promises to give that are expected to be collected within one year are recorded at net realizable value. Multiyear pledges are recorded and calculated using the present value of an annuity and the interest element is reported as a contribution. Split interest agreements are recorded at fair value using the Organization's beneficial interest of the related assets.

An allowance for uncollectible accounts is estimated by management based on its historical loss analysis and is adjusted for those specific unconditional promises to give for which collection is uncertain. Such amounts will be written-off if and when they are deemed uncollectible.

Inventories
Purchased inventories are valued at cost, determined on the first-in, first-out basis. Certain livestock inventories are carried at estimated fair market value. Donated inventories are valued at market, determined at the time of the gift.

Investments
Investments are recorded at fair value in accordance with Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* (Note 4) and the realized and unrealized gains and losses on investments are recorded as increases or decreases in net assets with donor restriction and without donor restriction based upon donor imposed restrictions or applicable law.

Property and Equipment
Property and equipment are recorded at cost or estimated fair value at the date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets over their estimated service lives of approximately 10 to 40 years on buildings and improvements and 3 to 10 years on furniture, equipment, and machinery on a straight-line basis.

Impairment of Long-Lived Assets
Cal Farley's reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. As of September 30, 2019 and 2018, there was no impairment of long-lived assets.

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes
The Organization is exempt from federal income taxes on related income under Section 501 (a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in IRC Section 501 (c)(3). Further, the Organization has been classified as an organization that is not a private foundation under the IRC Section 509(a) and, as such, contributions to the Organization qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. Tascosa Films, LLC is a wholly owned subsidiary of Cal Farley's and therefore considered a disregarded entity for federal income tax purposes.

Financial Accounting Standards Board (FASB) provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax return to determine whether the tax positions are *more-likely-than-not* of being sustained *when challenged* or *when examined* by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions.

Revenue Recognition
Contributions – The Organization also follows FASB ASC Subtopic 958-605, *Not-for-Profit Entities: Revenue Recognition* (or ASC 958-605). Contributions received are recorded as without or with donor restriction depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at fair market value at the date of the contribution.

Gift Annuities – Gift annuities require the Foundation to pay a fixed amount periodically to designated beneficiaries. Under the charitable gift arrangement, the Foundation has recorded the assets at fair value, the present value of the expected future payments is recorded as a liability and the excess of the gift over such liability is recognized as contribution revenue without donor restriction. The Foundation maintains state-mandated, segregated reserves for its charitable gift annuity program. Reserve requirements vary by state, and the Foundation maintains its reserve accounts in accordance with those requirements. The reserve accounts are segregated in separate and distinct custodial accounts, independent from all other funds of the Foundation. They are not available to apply to payments of the debts and obligations of the Foundation or for any purpose other than funding for its charitable gift annuity program.

Recent Accounting Pronouncements

ASU 2016-02 – The FASB issued Accounting Standards Update 2016-02, *Leases* - Changes the way lessees will recognize leases as they will recognize most leases on-balance sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 is effective for annual periods beginning after December 15, 2020, and interim periods in fiscal years beginning after December 15, 2021. The ASU mandates a modified retrospective transition method for all entities. Management is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

Note 2 – Summary of Significant Accounting Policies (continued)

ASU 2018-08 – The FASB issued Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* – This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The guidance is applicable for transactions where the entity serves as the resource recipient beginning after December 15, 2018 and for transactions in which the entity serves as the resource provider beginning after December 15, 2019. Management is in the process of determining the impact of this pronouncement.

ASU 2018-13 – In August 2018, FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years beginning after December 15, 2019. Changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Management implemented this standard as of October 1, 2018.

Note 3 – Unconditional Promises to Give

Cal Farley's anticipates collections of unconditional promises to give as follows at September 30:

	2019	2018
Less than one year	$ 146,334	$ 1,358,414
One to five years	5,568,382	5,787,696
More than five years	16,150,725	10,257,031
Total	$ 21,865,441	$ 17,403,141

As of September 30, 2019 and 2018, amounts presented above for split interest agreements were recorded at fair value using the Organization's beneficial interest of the related assets. Multi-year pledges were recorded at fair value using the present value of an annuity and the present value factor interest rate used was 2.2% and 3.4%, the IRS discount rate at September 30, 2019 and 2018. Cal Farley's has determined all amounts to be collectible.

Note 4 – Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Money market funds and other short-term investments are valued at cost plus accrued interest.

Government securities, taxable municipal securities and corporate bonds are valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within Level 2 of the valuation hierarchy.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds are valued at the net asset value (NAV) of shares held and are valued at the closing price reported on the active market on which the individual securities are traded.

Cash value life insurance policies are valued based on the cash surrender value on the individual policy provided by the insurance carrier in which the Ranch is the beneficiary.

Real estate and mineral interests are valued by using significant unobservable inputs including, if available, discounted cash flow analysis, comparable analysis, or third-party appraisals (Level 3). The value of mineral interests reflects value of actual producing wells utilizing a third party valuation that is a standardized valuation method that takes the prior twelve months' revenue multiplied by a factor of three. Management reviews and evaluates the values provided by all third parties and agrees with the valuation methods and assumptions used in determining the fair value of the above investments.

Notes receivable are valued by using significant unobservable inputs including, if available, discounted cash flow analysis, comparable analysis, or third-party appraisals (Level 3).

Investments measured at NAV are assets measured at net asset value per share practical expedient and consist of the Organization's beneficial interest in perpetual trusts, hedge fund, closed end fund and private equity investments.

The investment expenses are netted against investment income. Investment expenses for the years ended September 30, 2019 and 2018 are approximately $1,577,000 and $1,652,000, respectively.

Note 4 – Fair Value Measurements (continued)

The following table presents information about the Organization's assets that are measured at fair value on a recurring basis (no liabilities are reported at fair value) as of September 30, 2019 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Assets measured at fair value on a recurring basis at September 30, 2019 as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds and other short-term investments	$ 8,762,577	$ -	$ -	$ 8,762,577
U.S. Government securities	4,424,365	11,444,327	-	15,868,692
Marketable equity securities	651,550	-	-	651,550
Mutual funds	251,795,076	-	-	251,795,076
Corporate bonds and notes	-	7,039,714	-	7,039,714
Cash value life insurance policy	-	1,481,296	-	1,481,296
Notes receivable	-	-	35,503	35,503
Real estate, mineral interests and other	-	-	8,726,187	8,726,187
Total assets in the fair value hierarchy	$ 265,633,568	$ 19,965,337	$ 8,761,690	294,360,595
Investments measured at net asset value (practical expedient)				124,905,926
Investments at fair value				$ 419,266,521

Note 4 – Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis at September 30, 2018 as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds and				
other short-term investments	$ 8,341,224	$ -	$ -	$ 8,341,224
U.S. Government securities	1,890,799	11,991,095	-	13,881,894
Marketable equity securities	612,349	-	-	612,349
Mutual funds	276,429,572	-	-	276,429,572
Corporate bonds and notes	-	6,546,665	-	6,546,665
Cash value life insurance policy	-	1,435,997	-	1,435,997
Notes receivable	-	-	41,179	41,179
Real estate, mineral interests				
and other	-	-	8,047,499	8,047,499
Total assets in the fair value hierarchy	$ 287,273,944	$ 19,973,757	$ 8,088,678	315,336,379
Investments measured at net asset value (practical expedient)				105,529,326
Investments at fair value				$ 420,865,705

For Level 3 assets measured at fair value on a recurring basis as of September 30, 2019, purchases and sales were $3,499 and payments/sales were $133,715.

The table below presents additional information about Level 3 assets measured at fair value on a recurring basis as of September 30, 2018. Both observable and unobservable inputs may be used to determine the fair value of positions that the Organization has classified within the Level 3 category.

Fair value measurements using significant unobservable inputs (Level 3) at September 30, 2018 as follows:

	Notes Receivable	Real Estate, Mineral Interests, and Other	Total
Beginning balance,			
September 30, 2017	$ 47,759	$ 7,814,500	$ 7,862,259
Total net gains			
realized and unrealized	-	74,768	74,768
Change in value of accounts		224,886	224,886
Payments/Sales	(6,580)	(66,655)	(73,235)
Ending balance,			
September 30, 2018	$ 41,179	$ 8,047,499	$ 8,088,678
Total gain for the period			
included in income attributable			
to change in unrealized gain			
at September 30, 2018	$ -	$ 50,027	$ 50,027

Note 4 – Fair Value Measurements (continued)

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of September 30, 2019 (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of hedge funds -				
Total return (a) (d)	$ 58,738,972	$ -	quarterly, annually	60 days
Private equity funds (b)	25,832,892	10,417,461	none	-
Closed end funds -				
Special opportunities (c)	5,008,979	2,541,898	none	-
Beneficial interest in perpetual trusts	35,325,083	-	none	-
Total	$ 124,905,926	$ 12,959,359		

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of September 30, 2018 (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of hedge funds -				
Total return (a) (d)	$ 40,111,364	$ -	quarterly, annually	60 days
Private equity funds (b)	22,860,028	14,578,250	none	-
Closed end funds -				
Special opportunities (c)	6,459,833	-	none	-
Beneficial interest in perpetual trusts	36,098,101	-	none	-
Total	$ 105,529,326	$ 14,578,250		

(a) The strategies of the underlying hedge funds in this category primarily include hedged fixed income arbitrage, event driven, macro, multi-strategy, equity hedged and long/short strategies. Some investments within the fund have partially or fully suspended redemptions. The suspension may be lifted at any time, subject to the discretion of the investment fund. There are no plans to liquidate these funds.

(b) This category is invested in a broad range of private equity funds including, but not limited to, funds of funds that make direct investments in different private equity-related disciplines including, but not limited to, venture capital, buyouts, debt funds and real estate. The fund has a term of fifteen years with up to three one-year extensions. These non-marketable funds do not permit redemptions prior to the termination of the fund, except with the manager's consent. Due to the illiquid nature of the funds' investments, the valuation reported to the investor will be based on the most recent valuations reported to the fund. There are no plans to liquidate these funds.

Note 4 – Fair Value Measurements (continued)

(c) This closed-end portfolio of funds has a structure similar to a traditional private equity fund. It is anticipated that a significant amount, and possibly all, of the portfolio's investments will consist of securities for which there is no public market and/or that are subject to restrictions on sale. Each closed-end portfolio will have a term of seven years with, in the discretion of the Board of Directors, up to two one-year extensions for orderly liquidation of its investments. Investments in the portfolio and reported to the investor will be valued based on the most recent valuations reported to the fund. There are no plans to liquidate these funds.

(d) Certain investments in this category have gate provisions, which allow a manager to limit redemptions despite the normal liquidity provisions, if the manager receives redemptions in excess of the gate (a level stated in their governing documents). The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the statement of financial position as of September 30, 2019. However, the diversification of the Organization's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.

The Organization's policy is to recognize transfers between Levels 1, 2, and 3 and transfers due to strategy reclassifications, if any, as if the transfer occurred at the beginning of the period. For the years ended September 30, 2019 and 2018, there were no transfers.

The following schedule summarizes investments not including beneficial interest in perpetual trusts classified according to any donor restrictions at September 30:

	2019	2018
Investments without donor restrictions	$ 338,317,935	$ 340,573,033
Investments with donor restrictions	45,623,503	44,194,571
Total investments	$ 383,941,438	$ 384,767,604

Note 5 – Beneficial Interest in Perpetual Trusts

Cal Farley's receives charitable trusts from donors. Some of these trusts are considered perpetual trusts because Cal Farley's will never receive the trust assets, but they have an irrevocable right to receive all or a portion of the income earned from the trust assets in perpetuity. Cal Farley's has recorded the asset and has recognized contribution revenue with donor restrictions at the fair market value of Cal Farley's beneficial interest in the trust. Subsequent changes in fair value of the beneficial interest are recorded as change in value of beneficial interest in perpetual trusts in net assets with donor restrictions. Change in the value of the perpetual trust was approximately $ (672,745) and $670,174 for the years ended September 30, 2019 and 2018, respectively.

Note 6 – Gift Annuities

During the years ended September 30, 2019 and 2018, the Foundation recognized charitable gift annuity contributions and income in the amount of $295,000 and $135,000, and recognized the change in value of charitable gift annuities in the amount of $292,342 and $167,000, which are reported in the statement of activities. As of September 30, 2019 and 2018, approximately $3,016,000 and $2,930,000, of charitable gift annuity assets are included in investments without donor restrictions on the statements of financial position. These amounts are held in segregated reserves. Liabilities associated with these gift annuities was approximately $2,147,000 and $2,184,000 at September 30, 2019 and 2018, respectively.

Note 7 – Property and Equipment

At September 30, property and equipment consisted of the following:

	2019	2018
Land	$ 4,447,841	$ 4,447,841
Buildings	72,316,619	72,013,393
Furniture and fixtures	9,844,878	9,331,813
Roads and grounds	5,548,823	5,454,347
Utility lines and equipment	4,039,730	4,039,730
Land improvements	845,853	843,373
Sewage complex	290,866	290,866
Transportation and hauling	6,023,639	6,347,143
Farm and ranch machinery	2,042,313	2,036,015
Construction in progress	2,908,945	290,533
	108,309,507	105,095,054
Less accumulated depreciation	(78,057,708)	(74,449,251)
Total property and equipment, net	$ 30,251,799	$ 30,645,803

Depreciation expense for the years ended September 30, 2019 and 2018 was $4,042,580 and $4,371,294, respectively.

Note 8 – Line-of-Credit

Cal Farley's has a line of credit agreement consisting of one promissory note:

- Promissory Note: Principal amount of up to $6,000,000, bearing interest at a variable rate per annum equal to LIBOR plus 1.50%, with a term of 1 year. Interest is payable quarterly. Note renews annually on June 1.

Note 8 – Line-of-Credit (continued)

This line of credit agreement is collateralized by investments held by Cal Farley's and is guaranteed by Cal Farley's Boys Ranch Foundation. Amounts outstanding under the line of credit agreement total $0 as of September 30, 2019 and September 30, 2018.

Note 9 – Net Assets

Net assets consist of:

	2019	2018
Net Assets without donor restrictions		
Undesignated	$ 329,471,539	$ 332,345,084
Net investment in property and equipment	30,251,799	30,645,803
Designated - board reserve	6,689,629	5,747,392
Designated - gift annuity reserves	3,016,396	2,929,957
Total net assets without donor restrictions	$ 369,429,363	$ 371,668,236
Net assets with donor restrictions		
Subject to expenditure for specified purpose:		
Operations and program support	$ 221,853	$ 147,807
Scholarships	485,911	532,583
Capital projects	3,937,229	4,234,371
Special medical needs	226,604	160,533
Remainder interests in property and investments	930,780	970,780
	5,802,377	6,046,074
Subject to the passage of time		
Contributions receivable	21,845,500	16,165,225
Remainder interests in property	45,000	45,000
	21,890,500	16,210,225
Subject to Cal Farley's spending policy and appropriation:		
Endowment funds restricted in perpetuity	34,607,955	32,877,963
Endowment funds accumulated gains	5,168,170	5,225,533
	39,776,125	38,103,496
Subject to restriction in perpetuity:		
Perpetual trusts held by others	35,325,083	36,098,101
Total net assets with donor restrictions	$ 102,794,085	$ 96,457,896
Total net assets	$ 472,223,448	$ 468,126,132

Note 10 – Leases

The Organization leases certain facilities and equipment under certain non-cancelable operating lease agreements. The Organization expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. For the years ending September 30, 2019 and 2018, respectively, the lease expense was $96,000 and $152,000.

Future minimum lease rentals under these non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended September 30,	Future Minimum Lease Rentals
2020	$ 121,900
2021	109,243
2022	88,715
2023	68,578
2024	34,489
Total minimum future lease payments	$ 422,925

Note 11 – Endowments

Endowment Funds

Effective September 1, 2007, the State of Texas enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date.

FASB ASC Subtopic 958-205, *Not-for-Profit Financial Statements*, (ASC 958-205) provides guidance on the net asset classification of donor-restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Organization's endowment consists of donor-restricted endowment funds and does not include any funds designated by the Board of Directors to function as endowments. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11 – Endowments (continued)

Interpretation of Relevant Law
Based on the interpretation of UPMIFA by the Board of Directors of the Organization, the guidance in ASC 958-205, and absent explicit donor stipulations to the contrary, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not considered permanent in nature is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization 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 Organization
- The investment policies of the Organization

Net asset classification by type of endowment as of September 30, 2019, is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	$ -	$ 34,607,955	$ 34,607,955
Restricted by purpose or time	-	5,168,170	5,168,170
	$ -	$ 39,776,125	$ 39,776,125

Note 11 – Endowments (continued)

Changes in endowment net assets for the year ended September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2018	$ -	$ 38,103,496	$ 38,103,496
Investment return	-	1,714,355	1,714,355
Net appreciation (realized and unrealized)	-	(214,168)	(214,168)
Total investment return	-	1,500,187	1,500,187
Contributions	-	1,729,992	1,729,992
Appropriation of endowment assets for expenditure	-	(1,557,550)	(1,557,550)
Endowment net assets, September 30, 2019	$ -	$ 39,776,125	$ 39,776,125

Net asset classification by type of endowment as of September 30, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	$ -	$ 32,877,963	$ 32,877,963
Restricted by purpose or time	-	5,225,533	5,225,533
	$ -	$ 38,103,496	$ 38,103,496

Note 11 – Endowments (continued)

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2017	$ -	$ 37,745,375	$ 37,745,375
Investment return	-	1,650,478	1,650,478
Net appreciation (realized and unrealized)	-	143,287	143,287
Total investment return	-	1,793,765	1,793,765
Contributions	-	323,311	323,311
Appropriation of endowment assets for expenditure	-	(1,758,955)	(1,758,955)
Endowment net assets, September 30, 2018	$ -	$ 38,103,496	$ 38,103,496

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the fund. In accordance with GAAP, deficiencies of this nature exist in one fund with an original gift value of $685,450, a current fair value of $678,515, resulting in a deficiency of $6,935 as of September 30, 2019. These deficiencies resulted from unfavorable market fluctuations that may impact purpose restricted funds differently depending in their inception date.

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historical dollar value 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 exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Organization currently expects its endowment funds to produce a total investment rate of return over the long term which exceeds the rate of inflation as measured by the Consumer Price Index (CPI) by at least 5%. Actual returns in any given year may vary from this amount.

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

Note 11 – Endowments (continued)

Spending Policy and how the Investment Objectives Relate to Spending Policy

The Organization has a policy which allows for appropriating expenditures each year up to 5% of its endowment fund's average fair value over the prior five fiscal years. In establishing this policy, the Organization considered the long-term expected return on its endowment mentioned above. There was no spending of underwater endowments during September 30, 2019 or 2018.

Note 12 – Benefit Plans

401(k) Plan

Substantially all employees of Cal Farley's are eligible to participate in a plan qualified under Section 401(k) of the IRC. Eligible participants may generally make contributions up to the lesser of the amount allowed under ERISA or 100% of their compensation. The employer matched an amount equal to 100% of the employees' contribution, not exceeding 5% of the employees' compensation through September 30, 2019. Cal Farley's made matching contributions of approximately $645,000 and $589,000 for the years ended September 30, 2019 and 2018, respectively.

Note 13 – Self-Insurance Plan

The Organization is self-insured for employee medical claims up to $300,000 per employee. Monthly premiums are paid into a trust from which claims are paid by the administrator of the trust. Total amounts charged to expense by the Organization during the years ended September 30, 2019 and 2018 was approximately $2,301,000 and $2,778,000, respectively.

A liability has been accrued in the amount of $370,000 and $856,000 as of September 30, 2019 and 2018 for medical insurance claims incurred but not paid for all current employees. This amount is recorded in accrued liabilities on the combined Statements of Financial Position.

Note 14 – Compensated Absences

Employees of the Organization are entitled to paid time off depending on job classification, length of service and other factors. Cal Farley's accrues for unused paid time off, and at September 30, 2019 and 2018 Cal Farley's recognized approximately $829,000 and $794,000, as an accrual for paid time off. This amount is recorded in accrued liabilities on the combined Statements of Financial Position.

Note 15 – Liquidity and Funds Available

The following table reflects the Organization's financial assets as of September 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted trust assets, perpetual trusts held by others, endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve. These board designations could be drawn upon in the board approves that action.

	2019	2018
Financial assets		
Cash and cash equivalents	$ 4,199,393	$ 3,026,399
Accounts and contributions receivable	22,654,838	17,927,971
Investments	383,941,438	384,767,604
Perpetual trusts held by others	35,325,083	36,098,101
Total financial assets	446,120,752	441,820,075
Less those unavailable for general expenditure within one year, due to:		
Perpetual trusts held by others not convertible to cash within next 12 months	(35,325,083)	(36,098,101)
Contribution and accounts receivable collectible beyond one year	(21,719,107)	(16,044,727)
Endowments and accumulated earnings subject to appropriation beyond one year	(39,776,125)	(38,103,496)
Board designated reserves for future contingencies	(6,689,629)	(5,747,392)
Investments with donor restrictions not expected to be used within one year	(6,505,019)	(6,091,075)
Investments held in trusts and various state required gift annuity reserves	(3,017,974)	(2,895,782)
Mineral Interests - not available for sale	(6,093,515)	(5,929,019)
Private equity, hedge, and closed end funds - illiquid	(89,580,843)	(69,431,225)
Financial assets available to meet cash needs for general expenditures within one year	$ 237,413,457	$ 261,479,258

Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the combined statements of financial position date but before the combined financial statements are issued. The Organization recognizes in the combined financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the combined statement of financial position, including estimates inherent in the process of preparing the combined financial statements. The Organization's combined financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the combined statement of financial position but arose after the combined statement of financial position date and before the combined financial statements are available to be issued.

The Organization has evaluated subsequent events through February 26, 2020, which is the date the financial statements were available to be issued.