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Report of Independent Auditors
and Consolidated Financial Statements

Cal Farley's Boys Ranch and Subsidiary

September 30, 2022 and 2021



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Report of Independent Auditors

The Board of Directors
Cal Farley's Boys Ranch and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Cal Farley's Boys Ranch and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cal Farley's Boys Ranch and Subsidiary as of September 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Cal Farley's Boys Ranch and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 Cal Farley's Boys Ranch and Subsidiary'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 consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Cal Farley's Boys Ranch and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cal Farley's Boys Ranch and Subsidiary'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.



Albuquerque, New Mexico

March 7, 2023

Consolidated Financial Statements

Cal Farley's Boys Ranchand Subsidiary
Consolidated Statements of Financial Position
September 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,524,759	\$ 5,383,595
Accrued interest receivable	168,896	130,965
Receivable from Cal Farley's Boys Ranch Foundation	1,475	175
Other receivables	757,953	294,539
Unconditional promises to give	17,263,898	23,163,090
Prepaid expenses	1,547,457	1,211,674
Inventories	765,648	769,675
Investments without donor restrictions	17,738,069	14,401,470
Investments with donor restrictions	27,944,017	26,527,061
Beneficial interest in perpetual trusts	34,465,492	40,759,812
Funds invested with Cal Farley's Boys Ranch Foundation	16,000,000	9,065,611
Property and equipment, net	<u>23,157,641</u>	<u>25,893,409</u>
 TOTAL ASSETS	 <u>\$ 145,335,305</u>	 <u>\$ 147,601,076</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,056,705	\$ 1,182,014
Payable to Cal Farley's Boys Ranch Foundation	2,439,370	-
Accrued liabilities	<u>1,683,228</u>	<u>1,924,227</u>
 Total liabilities	 <u>5,179,303</u>	 <u>3,106,241</u>
NET ASSETS		
Without donor restrictions	60,989,998	54,051,424
With donor restrictions	<u>79,166,004</u>	<u>90,443,411</u>
 Total net assets	 <u>140,156,002</u>	 <u>144,494,835</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 145,335,305</u>	 <u>\$ 147,601,076</u>

See accompanying notes.

Cal Farley's Boys Ranchand Subsidiary
Consolidated Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions of cash	\$ 25,229,477	\$ 1,694,517	\$ 26,923,994
Contributions of investments	159,330	-	159,330
Contributions of food and clothing	43,172	-	43,172
Contributions of equipment, animals, and other	103,642	-	103,642
Change in value of unconditional promises to give	-	(6,126,124)	(6,126,124)
Change in value of beneficial interest in perpetual trusts	-	(6,294,319)	(6,294,319)
Investment return			
Interest, dividends, and other, net	6,028,095	913,229	6,941,324
Realized (loss) gain	(887,302)	174,156	(713,146)
Unrealized loss	(3,006,740)	(748,909)	(3,755,649)
Change in value of mineral interests	8,352,960	-	8,352,960
Total investment return	<u>10,487,013</u>	<u>338,476</u>	<u>10,825,489</u>
Other income	93,842	-	93,842
Net assets released from restrictions - satisfaction of time or purpose restrictions	<u>889,957</u>	<u>(889,957)</u>	<u>-</u>
Total support and revenue	<u>37,006,433</u>	<u>(11,277,407)</u>	<u>25,729,026</u>
EXPENSES			
Program services			
Boys Ranch operations	28,873,966	-	28,873,966
Program support and alumni services	<u>1,972,262</u>	<u>-</u>	<u>1,972,262</u>
Total program services	<u>30,846,228</u>	<u>-</u>	<u>30,846,228</u>
Support services			
Fund-raising activities	6,546,018	-	6,546,018
Administrative and general	<u>4,357,015</u>	<u>-</u>	<u>4,357,015</u>
Total support services	<u>10,903,033</u>	<u>-</u>	<u>10,903,033</u>
Total expenses	<u>41,749,261</u>	<u>-</u>	<u>41,749,261</u>
OTHER ACTIVITIES			
Support from Cal Farley's Boys Ranch Foundation	<u>11,681,402</u>	<u>-</u>	<u>11,681,402</u>
CHANGE IN NET ASSETS			
NET ASSETS, beginning of year	<u>54,051,424</u>	<u>90,443,411</u>	<u>144,494,835</u>
NET ASSETS, end of year	<u>\$ 60,989,998</u>	<u>\$ 79,166,004</u>	<u>\$ 140,156,002</u>

See accompanying notes.

Cal Farley's Boys Ranchand Subsidiary
Consolidated Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 20,177,680	\$ 1,623,544	\$ 21,801,224
Contributions of investments	390,733	-	390,733
Contributions of equipment, animals, and other	14,003	-	14,003
Change in value of unconditional promises to give	-	2,856,741	2,856,741
Change in value of beneficial interest in perpetual trusts	-	4,726,601	4,726,601
Investment return			
Interest, dividends, and other, net	5,443,819	597,541	6,041,360
Realized gain	189,406	158,902	348,308
Unrealized gain (loss)	(2,116,689)	903,899	(1,212,790)
Change in value of mineral interests	<u>1,852,456</u>	<u>-</u>	<u>1,852,456</u>
Total investment return	<u>5,368,992</u>	<u>1,660,342</u>	<u>7,029,334</u>
Other income	68,283	-	68,283
Net assets released from restrictions -			
satisfaction of time or purpose restrictions	1,604,699	(1,604,699)	-
Change in donor restriction	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
Total support and revenue	<u>27,019,654</u>	<u>9,462,529</u>	<u>36,482,183</u>
EXPENSES			
Program services			
Boys Ranch operations	25,631,941	-	25,631,941
Program support and alumni services	<u>1,721,949</u>	<u>-</u>	<u>1,721,949</u>
Total program services	<u>27,353,890</u>	<u>-</u>	<u>27,353,890</u>
Support services			
Fund-raising activities	10,055,200	-	10,055,200
Administrative and general	<u>3,982,800</u>	<u>-</u>	<u>3,982,800</u>
Total support services	<u>14,038,000</u>	<u>-</u>	<u>14,038,000</u>
Total expenses	<u>41,391,890</u>	<u>-</u>	<u>41,391,890</u>
OTHER ACTIVITIES			
Support from Cal Farley's Boys Ranch Foundation	14,631,912	-	14,631,912
Gain on extinguishment of debt	3,767,303	-	3,767,303
Loss on settlement	<u>(2,500,000)</u>	<u>-</u>	<u>(2,500,000)</u>
Total other activities	<u>15,899,215</u>	<u>-</u>	<u>15,899,215</u>
CHANGE IN NET ASSETS			
NET ASSETS, beginning of year	1,526,979	9,462,529	10,989,508
NET ASSETS, end of year	<u>\$ 54,051,424</u>	<u>\$ 90,443,411</u>	<u>\$ 144,494,835</u>

See accompanying notes.

Cal Farley's Boys Ranchand Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,338,833)	\$ 10,989,508
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,235,398	3,442,408
Net gain on disposition of property and equipment	(17,716)	(46,338)
Net realized loss (gain) on investments	741,363	(299,641)
Net unrealized loss on investments	3,755,649	1,212,790
Noncash donations of investments	(159,330)	(400,783)
Noncash donations of property and equipment	(60,390)	(2,683)
Forgiveness of Paycheck Protection Program loan and interest	-	(3,767,303)
Donor restricted contributions	(1,694,517)	(1,623,544)
Investment income restricted for investment	(913,229)	(597,541)
Unrealized loss (gain) on unconditional promises to give	6,392,464	(2,816,344)
Unrealized loss (gain) on beneficial interest in perpetual trusts	6,294,320	(4,726,602)
Unrealized (gain) on mineral interests	(8,352,960)	(1,852,456)
Change in		
Accrued interest receivable	(37,931)	(3,318)
Receivables from Cal Farley's Boys Ranch Foundation	(1,300)	4,877
Other receivables	(463,414)	165,693
Unconditional promises to give	(493,272)	388,654
Prepaid expenses	(335,783)	(80,697)
Inventories	4,027	234,912
Funds invested with Cal Farley's Boys Ranch Foundation	(6,934,389)	(452,469)
Accounts payable	(125,309)	214,564
Payable to Cal Farley's Boys Ranch Foundation	2,439,370	-
Accrued liabilities	<u>(240,999)</u>	<u>(221,132)</u>
Net cash used in operating activities	<u>(1,306,781)</u>	<u>(237,445)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(15,745,855)	(25,127,721)
Proceeds from maturities and sales of investments	15,007,578	23,592,156
Acquisitions of property and equipment	(505,660)	(1,288,845)
Proceeds from sale of property and equipment	<u>84,136</u>	<u>47,530</u>
Net cash used in investing activities	<u>(1,159,801)</u>	<u>(2,776,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment in primarily property and equipment or scholarships	724,987	1,461,976
Investment in donor restricted endowment	969,530	161,568
Investment income restricted for investment	<u>913,229</u>	<u>597,541</u>
Net cash provided by financing activities	<u>2,607,746</u>	<u>2,221,085</u>
NET INCREASE (DECREASE) IN CASH	141,164	(793,240)
CASH AND CASH EQUIVALENTS, beginning of year	5,383,595	6,176,835
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,524,759</u>	<u>\$ 5,383,595</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CASH FLOW INFORMATION		
Forgiveness of Paycheck Protection Program Loan and Interest	<u>\$ -</u>	<u>\$ 3,767,303</u>

See accompanying notes.

Cal Farley's Boys Ranchand Subsidiary
Consolidated Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services				Support Services				Total Expenses	
	Boys Ranch Operations	Program and Alumni Support	Total	Fund-Raising Activities	Administrative and General		Total			
Salaries	\$ 9,672,186	\$ 1,164,420	\$ 10,836,606	\$ 1,028,355	\$ 1,767,479	\$ 2,795,834	\$ 13,632,440			
Payroll taxes	751,366	86,616	837,982	79,672	134,580	214,252	1,052,234			
Employee benefits	<u>1,865,732</u>	<u>178,343</u>	<u>2,044,075</u>	<u>160,468</u>	<u>279,822</u>	<u>440,290</u>	<u>2,484,365</u>			
Employment expenses	12,289,284	1,429,379	13,718,663	1,268,495	2,181,881	3,450,376	17,169,039			
Agriculture	68,716	-	68,716	-	-	-	68,716			
Chapel	14,546	-	14,546	-	-	-	14,546			
Client services	-	61,049	61,049	-	-	-	61,049			
Community as lab	58,676	-	58,676	-	-	-	58,676			
Cosmetology	8,596	-	8,596	-	-	-	8,596			
Country Store	30,339	-	30,339	-	-	-	30,339			
Day care income	(106,068)	-	(106,068)	-	-	-	(106,068)			
Dining hall and food	593,849	-	593,849	-	-	-	593,849			
Donor gifts and promotional	29	-	29	39,680	-	39,680	39,709			
Dues and subscriptions	44,359	2,509	46,868	13,948	9,746	23,694	70,562			
Fees, interests, and penalties	1,168	-	1,168	-	6,700	6,700	7,868			
Fuel and oil	258,276	-	258,276	-	22,113	22,113	280,389			
Fundraising event	17,296	-	17,296	59,793	-	59,793	77,089			
Gift processing	-	-	-	47,499	-	47,499	47,499			
Grocery store	52,384	-	52,384	-	-	-	52,384			
Home life	742,331	-	742,331	-	-	-	742,331			
Horticulture	34,681	-	34,681	-	-	-	34,681			
HR program support	30,046	-	30,046	-	65,794	65,794	95,840			
Insurance	1,385,157	-	1,385,157	-	177,975	177,975	1,563,132			
Lease and rent expense	165,463	-	165,463	-	43,913	43,913	209,376			
Legal expense	-	-	-	-	161,355	161,355	161,355			
Mailing list	163,917	-	163,917	28,007	9,268	37,275	201,192			
Marketing and advertising	222	1,608	1,830	-	33,076	33,076	34,906			
Medical	1,003,483	-	1,003,483	-	14,916	14,916	1,018,399			
Other expenses	11,288	-	11,288	-	-	-	11,288			
Postage	1,094,394	1,474	1,095,868	1,606,793	89,482	1,696,275	2,792,143			
Printed material	2,690,336	-	2,690,336	3,035,341	196,212	3,231,553	5,921,889			
Professional development	16,187	7,746	23,933	12,486	5,518	18,004	41,937			
Professional/contract services	215,732	-	215,732	170,621	586,375	756,996	972,728			
Program support	13,756	-	13,756	-	-	-	13,756			
Repairs and maintenance - building	495,876	14,170	510,046	-	15,101	15,101	525,147			
Repairs and maintenance - equipment	91,461	-	91,461	48,569	10,796	59,365	150,826			
Repairs and maintenance - other	79,212	-	79,212	-	55,792	55,792	135,004			
Repairs and maintenance - software	10,506	-	10,506	165,484	166,468	331,952	342,458			
Repairs and maintenance - vehicles	80,187	11,218	91,405	-	7,002	7,002	98,407			
Roughrider grill	12,414	-	12,414	-	-	-	12,414			
Safety and security	76,433	-	76,433	-	4,201	4,201	80,634			
Scholarship program	-	392,107	392,107	-	-	-	392,107			
School	2,500,000	-	2,500,000	-	-	-	2,500,000			
Small tools and equipment	255,608	1,544	257,152	21,674	51,911	73,585	330,737			
Souvenir shop	(10,560)	-	(10,560)	-	-	-	(10,560)			
Supplies	201,859	3,249	205,108	4,222	19,695	23,917	229,025			
Training	2,486	2,111	4,597	-	-	-	4,597			
Travel	59,775	1,984	61,759	23,406	5,009	28,415	90,174			
Utilities	812,592	42,114	854,706	-	208,722	208,722	1,063,428			
Youth activities	55,929	-	55,929	-	-	-	55,929			
Youth allowances	224,341	-	224,341	-	-	-	224,341			
Other operating expenses	25,846,562	1,972,262	27,818,824	6,546,018	4,149,021	10,695,039	38,513,863			
Depreciation	3,027,404	-	3,027,404	-	207,994	207,994	3,235,398			
Total functional expenses	<u>\$ 28,873,966</u>	<u>\$ 1,972,262</u>	<u>\$ 30,846,228</u>	<u>\$ 6,546,018</u>	<u>\$ 4,357,015</u>	<u>\$ 10,903,033</u>	<u>\$ 41,749,261</u>			

See accompanying notes.

Cal Farley's Boys Ranchand Subsidiary
Consolidated Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services			Support Services			
	Boys Ranch Operations	Program and Alumni Support	Total	Fund-Raising Activities	Administrative and General	Total	
Salaries	\$ 10,433,920	\$ 1,073,458	\$ 11,507,378	\$ 670,440	\$ 1,923,290	\$ 2,593,730	\$ 14,101,108
Payroll taxes	823,828	78,869	902,697	50,711	135,374	186,085	1,088,782
Employee benefits	2,036,533	150,739	2,187,272	95,643	11,829	107,472	2,294,744
Employment expenses	13,294,281	1,303,066	14,597,347	816,794	2,070,493	2,887,287	17,484,634
Agriculture	172,981	-	172,981	-	-	-	172,981
Chapel	15,181	-	15,181	-	-	-	15,181
Client services	-	46,956	46,956	-	-	-	46,956
Community as lab	38,961	-	38,961	-	-	-	38,961
Cosmetology	2,254	-	2,254	-	-	-	2,254
Country store	157,257	-	157,257	-	-	-	157,257
Day care income	(119,085)	-	(119,085)	-	-	-	(119,085)
Dining hall and food	470,928	-	470,928	-	-	-	470,928
Donor gifts and promotional	-	-	-	6,799	-	6,799	6,799
Dues and subscriptions	43,616	3,013	46,629	8,046	12,087	20,133	66,762
Fees, interest, and penalties	1,136	-	1,136	-	7,810	7,810	8,946
Fuel and oil	175,518	-	175,518	-	17,994	17,994	193,512
Fundraising event	14,636	-	14,636	10,122	-	10,122	24,758
Gift processing	-	-	-	211,189	-	211,189	211,189
Grocery Store	21,025	-	21,025	-	-	-	21,025
Home life	750,233	-	750,233	-	-	-	750,233
Horticulture	33,524	-	33,524	-	-	-	33,524
Insurance	1,214,334	-	1,214,334	-	203,388	203,388	1,417,722
Lease and rent expense	156,302	-	156,302	-	45,167	45,167	201,469
Legal expense	-	-	-	-	192,558	192,558	192,558
Mailing list	-	-	-	252,424	-	252,424	252,424
Marketing and advertising	148	829	977	-	148,807	148,807	149,784
Medical	1,082,438	-	1,082,438	-	907	907	1,083,345
Other expenses	985	900	1,885	-	-	-	1,885
Postage	(10,228)	1,198	(9,030)	2,661,100	3,486	2,664,586	2,655,556
Printed material	-	-	-	5,603,267	-	5,603,267	5,603,267
Professional development	27,689	9,243	36,932	2,977	5,585	8,562	45,494
Professional/contract services	219,992	-	219,992	265,932	506,667	772,599	992,591
Program support	44,822	-	44,822	-	-	-	44,822
Repairs and maintenance - building	352,472	10,313	362,785	-	19,497	19,497	382,282
Repairs and maintenance - equipment	86,986	-	86,986	22,906	5,406	28,312	115,298
Repairs and maintenance - other	60,109	-	60,109	-	55,446	55,446	115,555
Repairs and maintenance - software	2,842	-	2,842	169,421	167,022	336,443	339,285
Repairs and maintenance - vehicles	100,272	15,398	115,670	-	7,275	7,275	122,945
Roughrider grill	13,280	-	13,280	-	-	-	13,280
Safety and security	104,105	-	104,105	-	2,401	2,401	106,506
Scholarship program	-	294,141	294,141	-	-	-	294,141
School	2,500,000	-	2,500,000	-	-	-	2,500,000
Small tools and equipment	199,614	1,889	201,503	9,383	18,057	27,440	228,943
Souvenir shop	(18,470)	-	(18,470)	(39)	-	(39)	(18,509)
Supplies	175,629	2,435	178,064	2,404	15,566	17,970	196,034
Training	1,192	(1,748)	(556)	-	-	-	(556)
Travel	39,467	930	40,397	12,475	4,248	16,723	57,120
Utilities	653,019	33,386	686,405	-	198,250	198,250	884,655
Youth activities	56,991	-	56,991	-	-	-	56,991
Youth allowances	250,231	-	250,231	-	-	-	250,231
Other operating expenses	22,402,136	1,721,949	24,124,085	10,055,200	3,770,197	13,825,397	37,949,482
Depreciation	3,229,805	-	3,229,805	-	212,603	212,603	3,442,408
Total functional expenses	\$ 25,631,941	\$ 1,721,949	\$ 27,353,890	\$ 10,055,200	\$ 3,982,800	\$ 14,038,000	\$ 41,391,890

See accompanying notes.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

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.

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. Tascosa had no activity for the years ending September 30, 2022 and 2021.

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

The accompanying consolidated financial statements are those of Cal Farley's and Tascosa and do not include the Foundation. Combined financial statements have been separately issued combining all of these related entities. See Note 14 for a summary of related entity transactions.

Note 2 – Summary of Significant Accounting Policies

Consolidated financial statements presentation – The consolidated financial statements include the accounts and transactions of Cal Farley's and Tascosa (collectively, the Organization). The Organization's consolidated 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:

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.

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.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

Use of estimates – The preparation of consolidated 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 consolidated 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. Cal Farley's maintains a Repurchase Agreement with one bank, and all excess funds are “swept” each night and redeposited the next day. Per the Repurchase Agreement, these “swept” amounts are not considered deposits of the bank; however, they are collateralized with pledged securities.

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

Cal Farley's writes off receivables when they become uncollectible. However, Cal Farley's has had minimal losses on accounts receivable in prior years, and, therefore, no allowance was deemed necessary as of September 30, 2022 and 2021.

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. No allowance was deemed necessary as of September 30, 2022 and 2021.

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 fair value, 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* (see Note 4), and the realized and unrealized gains and losses on investments are recorded as increases or decreases in net assets with donor restrictions or without donor restrictions based upon donor-imposed restrictions or applicable law.

Funds invested with Cal Farley's Boys Ranch Foundation – These assets consist of investment assets held at the Foundation that have been board-designated for a contingency reserve and for use in future capital improvements as needed.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

Property and equipment – Property and equipment are recorded at cost or estimated fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of approximately 10–40 years on buildings and improvements and 3–10 years on furniture, equipment, and machinery. Included in property and equipment is construction in progress. Once construction is completed and the asset is placed in service, it will be depreciated over the estimated useful life of the asset.

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, 2022 and 2021, there was no impairment of long-lived assets.

Income taxes – Cal Farley's 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, Cal Farley's has been classified as an organization that is not a private foundation under the IRC Section 509(a), and, as such, contributions to Cal Farley's qualify for deduction as charitable contributions.

However, income generated from activities unrelated to Cal Farley'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 consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Cal Farley'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 – Cal Farley's 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.

Loss on settlement – During 2021, a settlement agreement was entered into by Cal Farley's. The settlement agreement required a total payment of \$2,500,000, and Cal Farley's met its obligations under the settlement agreement. This amount is classified as other activities on the consolidated statement of activities.

Cal Farley's Boys Ranchand Subsidiary **Notes to Consolidated Financial Statements**

Recent accounting pronouncements – FASB Accounting Standards Update (ASU) 2016-02 and 2020-05 – *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 consolidated financial statements upon adoption.

FASB ASU 2020-07 – *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*: Requires the presentation of contributed nonfinancial assets, also known as gifts-in-kind, as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. Management has adopted this standard as reflected in the consolidated statement of activities and notes to the consolidated financial statements. There was no adjustment to the change in net assets from the implementation of the standard.

Reclassifications – Certain 2021 amounts have been reclassified to conform with the 2022 presentation.

Note 3 – Unconditional Promises to Give

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

	2022	2021
Less than one year	\$ 507,404	\$ -
One to five years	5,586,069	6,079,447
More than five years	<u>11,170,425</u>	<u>17,083,643</u>
Total	<u>\$ 17,263,898</u>	<u>\$ 23,163,090</u>

As of September 30, 2022 and 2021, 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 3.6% and 1.0%, the IRS discount rate, at September 30, 2022 and 2021, respectively. Cal Farley's has determined all amounts to be collectible.

Note 4 – Fair Value Measurement

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, 2022 and 2021.

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

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

Government securities, taxable municipal securities, and corporate bonds and notes 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 Cal Farley's is the beneficiary.

Notes receivables are valued based off the promissory note established between the payor and Cal Farley's.

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 12 months' revenue multiplied by a factor of four. 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.

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 (see Note 5).

The investment expenses are netted against investment income. The investment expenses for the years ended September 30, 2022 and 2021 are approximately \$278,000 and \$180,000, respectively.

The following table presents information about Cal Farley's assets that are measured at fair value on a recurring basis (no liabilities are reported at fair value) as of September 30, 2022 and 2021, 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 defined as follows:

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

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 consolidated financial instrument.

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

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

Cal Farley's uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Cal Farley's 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, 2022, as follows:

	Fair Value Measurements Using				Total
	Level 1	Level 2	Level 3		
Investments					
Money market funds and other short-term investments	\$ 7,034,082	\$ -	\$ -	\$ 7,034,082	
U.S. government securities	5,207,857	8,232,052	-	-	13,439,909
Taxable municipal securities	-	571,110	-	-	571,110
Marketable equity securities	199,449	-	-	-	199,449
Mutual funds	842,396	-	-	-	842,396
Corporate bonds and notes	-	6,276,958	-	-	6,276,958
Notes receivable	-	-	21,575	-	21,575
Cash value life insurance policies	-	1,628,636	-	-	1,628,636
Real estate, mineral interests and other	-	-	15,667,971	-	15,667,971
Total assets in the fair value hierarchy	\$ 13,283,784	\$ 16,708,756	\$ 15,689,546	45,682,086	
Investments measured at NAV (practical expedient)				34,465,492	
Investments at fair value				\$ 80,147,578	

Assets measured at fair value on a recurring basis at September 30, 2021, as follows:

	Fair Value Measurements Using				Total
	Level 1	Level 2	Level 3		
Investments					
Money market funds and other short-term investments	\$ 5,856,778	\$ -	\$ -	\$ 5,856,778	
U.S. government securities	4,965,771	10,756,339	-	-	15,722,110
Taxable municipal securities	-	662,712	-	-	662,712
Marketable equity securities	290,591	-	-	-	290,591
Mutual funds	921,344	-	-	-	921,344
Corporate bonds and notes	-	7,672,970	-	-	7,672,970
Notes receivable	-	-	28,213	-	28,213
Cash value life insurance policies	-	1,594,085	-	-	1,594,085
Real estate, mineral interests and other	-	-	8,179,728	-	8,179,728
Total assets in the fair value hierarchy	\$ 12,034,484	\$ 20,686,106	\$ 8,207,941	40,928,531	
Investments measured at NAV (practical expedient)				40,759,812	
Investments at fair value				\$ 81,688,343	

For Level 3 assets measured at fair value on a recurring basis as of September 30, 2022 and 2021, purchases were \$850,000 and \$860,050, and payments/sales were \$1,704,388 and \$49,646, respectively.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

The following schedule summarizes investments not including beneficial interest in perpetual trusts classified according to any donor restrictions at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments without donor restrictions	\$ 17,738,069	\$ 14,401,470
Investments with donor restrictions	<u>27,944,017</u>	<u>26,527,061</u>
Total investments	<u>\$ 45,682,086</u>	<u>\$ 40,928,531</u>

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; therefore, there is not timing of liquidation of the trust assets. 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 assets. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as change in value of beneficial interest in perpetual trusts in net assets with donor restrictions. Distributed income received from these trusts is recorded in investment income in the net assets without donor restrictions. Change in value of the perpetual trust was \$(6,294,319) and \$4,726,601 for the years ended September 30, 2022 and 2021, respectively.

Note 6 – Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 4,447,841	\$ 4,447,841
Buildings	69,572,733	69,436,372
Furniture and fixtures	6,342,167	6,169,347
Roads and grounds	5,342,759	5,342,759
Utility lines and equipment	3,964,561	3,964,561
Land improvements	601,641	601,641
Sewage complex	3,518,401	3,518,401
Transportation and hauling	5,520,470	5,896,347
Farm and ranch machinery	1,966,948	1,781,277
Construction in progress	<u>31,858</u>	<u>66,847</u>
	101,309,379	101,225,393
Less accumulated depreciation	<u>(78,151,738)</u>	<u>(75,331,984)</u>
Total property and equipment, net	<u>\$ 23,157,641</u>	<u>\$ 25,893,409</u>

Cal Farley's Boys Ranchand Subsidiary
Notes to Consolidated Financial Statements

Depreciation expense for the years ended September 30, 2022 and 2021 was \$3,235,398 and \$3,442,408, respectively.

Note 7 – Net Assets

For the years ending September 30, 2022 and 2021, net assets consist of the following:

	2022	2021
Net assets without donor restrictions		
Undesignated	\$ 21,832,357	\$ 19,092,404
Net investment in property and equipment	23,157,641	25,893,409
Designated - board reserve	<u>16,000,000</u>	<u>9,065,611</u>
Total net assets without donor restrictions	<u>\$ 60,989,998</u>	<u>\$ 54,051,424</u>
Net assets with donor restrictions		
Subject to expenditure for specified purpose		
Operations and program support	\$ 154,292	\$ 177,107
Scholarships	1,730,158	1,416,236
Capital projects	4,269,297	3,977,097
Special medical needs	<u>188,539</u>	<u>240,449</u>
	<u>6,342,286</u>	<u>5,810,889</u>
Subject to the passage of time		
Contributions receivable	<u>16,756,494</u>	<u>23,156,540</u>
	<u>16,756,494</u>	<u>23,156,540</u>
Subject to Cal Farley's spending policy and appropriation		
Endowment funds restricted in perpetuity	17,525,803	16,556,273
Endowment funds accumulated gains	<u>4,075,929</u>	<u>4,159,897</u>
	<u>21,601,732</u>	<u>20,716,170</u>
Subject to restriction in perpetuity		
Perpetual trusts held by others	<u>34,465,492</u>	<u>40,759,812</u>
Total net assets with donor restrictions	<u>79,166,004</u>	<u>90,443,411</u>
Total	<u>\$ 140,156,002</u>	<u>\$ 144,494,835</u>

Cal Farley's Boys Ranchand Subsidiary **Notes to Consolidated Financial Statements**

Note 8 – Gifts In-Kind

Gifts in-kind are recorded at market value on the date of donation as an increase in contributions and a corresponding increase in either operating expenses or property and equipment, net, in the accompanying consolidated statements of activities and financial position. The contributions are recorded as without donor restriction unless explicit donor stipulations specify how the donated assets must be used.

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The Organization received investments that were converted to cash of \$159,330 and \$390,733 for September 30, 2022 and 2021, respectively. The Organization also received \$43,172 and \$0 of donated clothing and food that was used for our youth. \$103,642 and \$14,003 of other items such as animals, vehicles, equipment, gift cards, and supplies for rodeo were also received as of September 30, 2022 and 2021, respectively.

Note 9 – Leases

The Organization leases certain facilities and equipment under certain noncancelable 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, 2022 and 2021, respectively, the lease expense was approximately \$209,376 and \$192,558.

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

Years Ending
September 30,

2023	\$	189,547
2024		151,298
2025		95,216
2026		41,677
2027		<u>18,685</u>
Total minimum future lease payments	\$	<u>496,423</u>

Note 10 – Endowments

Endowment funds – Effective September 1, 2007, the State of Texas enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

FASB 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.

Cal Farley'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.

Interpretation of relevant law – Based on the interpretation of UPMIFA by the Board of Directors of Cal Farley's, the guidance in ASC 958-205, and absent explicit donor stipulations to the contrary, Cal Farley's 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 Cal Farley's in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Cal Farley's 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 Cal Farley's 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 Cal Farley's
- The investment policies of Cal Farley's

Net asset classification by type of endowment as of September 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	\$ -	\$ 17,525,803	\$ 17,525,803
Restricted by purpose or time	\$ -	\$ 4,075,929	\$ 4,075,929
Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ -	\$ 21,601,732	\$ 21,601,732

Cal Farley's Boys Ranchand Subsidiary
Notes to Consolidated Financial Statements

Changes in endowment net assets for the year ended September 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2021	\$ -	\$ 20,716,170	\$ 20,716,170
Investment return	-	908,999	908,999
Net depreciation (realized and unrealized)	-	(574,753)	(574,753)
Total investment gain	-	334,246	334,246
Contributions	-	969,530	969,530
Appropriation of endowment assets for expenditure	-	(418,214)	(418,214)
Endowment net assets, September 30, 2022	\$ -	\$ 21,601,732	\$ 21,601,732

Net asset classification by type of endowment as of September 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	\$ -	\$ 16,556,273	\$ 16,556,273
Restricted by purpose or time	-	4,159,897	4,159,897
Total	\$ -	\$ 20,716,170	\$ 20,716,170

Cal Farley's Boys Ranchand Subsidiary
Notes to Consolidated Financial Statements

Changes in endowment net assets for the year ended September 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2020	\$ -	\$ 19,281,355	\$ 19,281,355
Investment return	-	594,086	594,086
Net appreciation (realized and unrealized)	-	1,062,801	1,062,801
Total investment gain	-	1,656,887	1,656,887
Contributions	-	202,768	202,768
Appropriation of endowment assets for expenditure	-	(424,840)	(424,840)
Endowment net assets, September 30, 2021	\$ -	\$ 20,716,170	\$ 20,716,170

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. Due to changes in the market values, there were three funds with deficiencies as of September 30, 2022, in the amount of \$115,780. The original gift value for these funds is \$1,245,168. There were no deficiencies as of September 30, 2021.

Return objectives and risk parameters – Cal Farley's 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. Cal Farley's 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, Cal Farley's 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). Cal Farley's 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. Cal Farley uses a five-year rolling rate-of-return average to allocate earnings to each endowment yearly unless the endowment is invested in specific securities specified by the donors, then the actual rate of return for the year is used.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

Spending policy and how the investment objectives relate to spending policy – Cal Farley's has a policy which allows for appropriating expenditures each year up to 5%, or the percentage specified by donor, of its endowment fund's average fair value over the prior five fiscal years. In establishing this policy, Cal Farley's considered the long-term expected return on its endowment. Cal Farley's policy is to not spend from underwater endowments unless directed otherwise by the donor. There were no spending underwater endowments during September 30, 2022 and 2021.

Note 11 – 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. Cal Farley's made matching contributions of approximately \$575,000 and \$588,000 for the years ended September 30, 2022 and 2021, respectively.

Note 12 – Self-Insurance Plan

Cal Farley's 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 Cal Farley's during the years ended September 30, 2022 and 2021 was approximately \$1,772,000 and \$1,927,000, respectively.

A liability has been accrued in the amount of \$214,000 and \$264,000 as September 30, 2022 and 2021 for medical insurance claims incurred but not paid for all current employees. This amount is recorded in accrued liabilities on the consolidated Statements of Financial Position.

Note 13 – 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, 2022 and 2021. Cal Farley's recognized approximately \$803,000 and \$759,000 as an accrual for paid time off. This amount is recorded in accrued liabilities in the consolidated statements of financial position.

Note 14 – Related Party Transactions

During the years ended September 30, 2022 and 2021, Cal Farley's received \$11,681,402 and \$14,631,912, respectively, in support from the Foundation. At September 30, 2022 and 2021, Cal Farley's had a receivable from the Foundation of \$1,475 and \$175, respectively. Cal Farley's had payables due to the Foundation of \$2,439,370 and \$0, at September 30, 2022 and 2021. Cal Farley's Boys Ranch Foundation holds investment assets for Cal Farley's that have been board-designated for a contingency reserve and for use in future capital improvements as needed. Board-approved funding and uses and investment earnings are applied to this reserve through the fiscal year. As of September 30, 2022 and 2021, \$16,000,000 and \$9,065,611, respectively, were outstanding and available for approved use.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

Note 15 – Liquidity and Funds Available

The following table reflects Cal Farley's financial assets as of September 30, 2022 and 2021, 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 if the Board of Directors approves that action.

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 5,524,759	\$ 5,383,595
Accrued interest receivable	168,896	130,965
Other receivables	759,428	294,714
Unconditional promises to give	17,263,898	23,163,090
Investments without donor restrictions	17,738,069	14,401,470
Investments with donor restrictions	27,944,017	26,527,061
Beneficial interest in perpetual trusts	34,465,492	40,759,812
Funds invested with Cal Farley's Boys Ranch Foundation	<u>16,000,000</u>	<u>9,065,611</u>
Total financial assets	<u>119,864,559</u>	<u>119,726,318</u>
Less those unavailable for general expenditure within one year, due to		
perpetual trusts held by others not convertible		
to cash within next 12 months	(34,465,492)	(40,759,812)
Contribution and accounts receivable collectible beyond		
one year	(16,756,494)	(23,163,090)
Endowments and accumulated earnings subject		
to appropriation beyond one year	(21,601,732)	(20,716,170)
Board-designated reserves for future contingencies	(16,000,000)	(9,065,611)
Mineral interests - not available for sale	(15,545,312)	(7,192,352)
Investments with donor restrictions not expected to be used		
within one year	<u>(6,342,285)</u>	<u>(5,810,891)</u>
Financial assets available to meet cash needs for general		
expenditures within one year	<u>\$ 9,153,244</u>	<u>\$ 13,018,392</u>

Cal Farley's cash flows have seasonal variations during the year attributable to contributions received at calendar year end. Cal Farley's is also supported by the Cal Farley's Boys Ranch Foundation and has the ability to draw down funds from the Foundation as approved by the Board of Directors.

Cal Farley's Boys Ranchand Subsidiary

Notes to Consolidated Financial Statements

Note 16 – Subsequent Events

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

Cal Farley's has evaluated subsequent events through March 7, 2023, which is the date the consolidated financial statements were available to be issued.