



Report of Independent Auditors
and Financial Statements

Cal Farley's Boys Ranch Foundation

September 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Cal Farley's Boys Ranch Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cal Farley's Boys Ranch Foundation, which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cal Farley's Boys Ranch Foundation as of September 30, 2023 and 2022, and the results of its operations and its 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 Foundation 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Cal Farley's Boys Ranch Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) as of October 1, 2022. ASU 2016-02 has been applied utilizing the modified retrospective approach. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cal Farley's Boys Ranch Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cal Farley's Boys Ranch Foundation'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 11, 2024

Financial Statements

Cal Farley's Boys Ranch Foundation
Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 643,491	\$ 667,995
Accrued interest and dividend receivable	30,323	8,603
Accounts receivable - other	-	553
Receivable from Cal Farley's Boys Ranch	7,332,197	2,439,370
Prepaid expenses	1,080,326	125
Investments without donor restrictions	355,248,245	328,147,239
Investments with donor restrictions	21,853,236	21,889,136
TOTAL ASSETS	\$ 386,187,818	\$ 353,153,021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued liabilities	\$ 8,490	\$ 8,920
Payable to Cal Farley's Boys Ranch	97,677	1,475
Gift annuity liability	1,650,772	1,756,629
Funds invested for Cal Farley's Boys Ranch	16,000,000	16,000,000
Total current liabilities	17,756,939	17,767,024
NET ASSETS		
Without donor restrictions	346,577,643	313,496,861
With donor restrictions	21,853,236	21,889,136
Total net assets	368,430,879	335,385,997
TOTAL LIABILITIES AND NET ASSETS	\$ 386,187,818	\$ 353,153,021

See accompanying notes.

Cal Farley's Boys Ranch Foundation
Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions of cash	\$ 266,988	\$ -	\$ 266,988
Contributions of investments	14,071	-	14,071
Investment gain			
Interest, dividends, and other, net	11,135,188	996,764	12,131,952
Realized gain	1,168,479	189,582	1,358,061
Unrealized gain (loss)	23,908,580	(192,282)	23,716,298
Change in value of mineral interests	641,368	-	641,368
Total investment gain	36,853,615	994,064	37,847,679
Net assets released from restrictions - satisfaction of time or purpose restrictions	1,029,964	(1,029,964)	-
Total support and revenue	38,164,638	(35,900)	38,128,738
ADMINISTRATIVE AND GENERAL EXPENSES	22,083	-	22,083
OTHER ACTIVITIES			
Support to Cal Farley's Boys Ranch	5,061,773	-	5,061,773
Total other activities	5,061,773	-	5,061,773
CHANGE IN NET ASSETS	33,080,782	(35,900)	33,044,882
NET ASSETS, beginning of year	313,496,861	21,889,136	335,385,997
NET ASSETS, end of year	\$ 346,577,643	\$ 21,853,236	\$ 368,430,879

See accompanying notes.

Cal Farley's Boys Ranch Foundation
Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 403,191	\$ -	\$ 403,191
Investment (loss) gain			
Interest, dividends, and other, net	32,026,140	942,963	32,969,103
Realized (loss) gain	(991,866)	186,219	(805,647)
Unrealized (loss)	(94,015,590)	(495,882)	(94,511,472)
Change in value of mineral interests	1,369,941	-	1,369,941
Total investment (loss) gain	(61,611,375)	633,300	(60,978,075)
Net assets released from restrictions - satisfaction of time or purpose restrictions	1,936,043	(1,936,043)	-
Total support and revenue	(59,272,141)	(1,302,743)	(60,574,884)
ADMINISTRATIVE AND GENERAL EXPENSES	163,747	-	163,747
OTHER ACTIVITIES			
Support to Cal Farley's Boys Ranch	11,681,402	-	11,681,402
Total other activities	11,681,402	-	11,681,402
CHANGE IN NET ASSETS	(71,117,290)	(1,302,743)	(72,420,033)
NET ASSETS, beginning of year	384,614,151	23,191,879	407,806,030
NET ASSETS, end of year	\$ 313,496,861	\$ 21,889,136	\$ 335,385,997

See accompanying notes.

Cal Farley's Boys Ranch Foundation
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 33,044,882	\$ (72,420,033)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized (gain) loss on investments	(1,358,061)	805,647
Net unrealized (gain) loss on investments	(23,716,298)	94,511,472
Investment income - restricted	(996,764)	(942,963)
Unrealized gain of gift annuities	(198,948)	(169,121)
Unrealized gain on mineral interests	(641,368)	(1,369,941)
Change in		
Accrued interest and dividend receivable	(21,720)	(7,397)
Accounts receivable - other	553	(479)
Receivable from Cal Farley's Boys Ranch	(4,892,827)	(2,439,370)
Prepaid expenses	(1,080,201)	(125)
Accrued liabilities	(430)	(6,471)
Payable to Cal Farley's Boys Ranch	96,202	1,300
Gift annuity liability	(58,241)	(69,918)
Funds invested for Cal Farley's Boys Ranch	-	6,934,389
Net cash from operating activities	176,779	24,826,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	81,036,813	162,844,857
Proceeds from maturities and sales of investments	(82,386,192)	(188,320,132)
Proceeds from gift annuities	151,332	145,000
Net cash used by investing activities	(1,198,047)	(25,330,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment income - with donor restriction	996,764	942,963
Net cash from financing activities	996,764	942,963
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24,504)	439,678
CASH AND CASH EQUIVALENTS, beginning of year	667,995	228,317
CASH AND CASH EQUIVALENTS, end of year	\$ 643,491	\$ 667,995

See accompanying notes.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

Note 1 – Organization

Cal Farley's Boys Ranch Foundation (the Foundation) is organized to provide financial support to Cal Farley's Boys Ranch (Cal Farley's) through investment and reinvestment of funds, properties, and other donations of value received as contributions and support. Cal Farley's Boys Ranch is a non-profit organization providing a continuum of care that offers mental health services, education, and community resources to children and their families throughout our surrounding communities and across the nation. Our mission is to provide professional programs and services in a Christ-centered atmosphere to strengthen families and support the overall development of children. To do this, we are committed to providing a safe and nurturing environment for children who have experienced abuse, neglect or other difficult circumstances. Programs and services offered include Boys Ranch, Independent Living Program, Transitional Aftercare, Family Preservation, Family Engagement, Alumni Case Management, and Community Counseling.

Cal Farley's Campus Support Center is located in Amarillo, Texas, and provides administrative and fund raising functions to Cal Farley's, as well as to the Foundation. The Foundation's board of directors is elected by Cal Farley's.

The accompanying financial statements are those of the Foundation and do not include Cal Farley's. Combined financial statements that have been separately issued, combining all of the related entities. See Note 8 for a summary of related party transactions.

Note 2 – Summary of Significant Accounting Policies

Financial statements presentation – The Foundation's financial statements are reflected on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 Ranch Foundation

Notes to Financial Statements

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, 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 Foundation places its temporary cash investments with high credit quality financial institutions.

Investments – Investments are recorded at fair value in accordance with Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures (see Note 3), 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 for Cal Farley's Boys Ranch – These amounts consist of investment assets held for Cal Farley's that have been board-designated for a contingency reserve and can be used for future capital improvements and program expansion as needed and approved by the board of directors.

Income taxes – The Foundation 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 Foundation has been classified as an organization that is not a private foundation under the IRC Section 509(a), and, as such, contributions to the Foundation qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511.

The 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 Foundation'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.

Recent accounting pronouncements – FASB Accounting Standards Update (ASU) 2016-02 and 2020-05 – *Leases* (ASC 842): 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, 2021. The ASU mandates a modified retrospective transition method for all entities. The Foundation does not have any leases as such there was no impact on the financial statements related to this standard.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

FASB ASU 2016-03, *Financial Instruments – Credit Losses* (ASC 326) requires the use of the current expected credit losses (CECL) impairment model for a broad scope of financial instruments, including financial assets measured at amortized cost (which includes loans, held-to-maturity debt securities, and trade receivables), net investments in leases, and certain off-balance sheet credit exposures. The CECL model requires the immediate recognition of estimated expected credit losses over the life of the financial instrument. The estimate of expected credit losses considers not only historical information, but also current and future economic conditions and events. CECL is effective for fiscal years beginning after December 31, 2022.

Revenue recognition

Contributions – The Foundation 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 annuity 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.

Note 3 – 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, 2023 and 2022.

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

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.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

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 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.

Investments measured at NAV are assets measured at net asset value per share practical expedient and consist of a Hedge Fund, Closed End Fund, Special Opportunity Funds, and Private Equity Investments.

The investment expenses are netted against investment income. The investment expenses for the years ended September 30, 2023 and 2022 are approximately \$1,399,000 and \$1,458,000, respectively.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis (no liabilities are reported at fair value) as of September 30, 2023 and 2022 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 Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation 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.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

Assets measured at fair value on a recurring basis at September 30, 2023, are as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Money market funds and other short-term investments	\$ 3,073,470	\$ -	\$ -	\$ 3,073,470
Mutual funds	231,728,059	-	-	231,728,059
Marketable equity securities	176,940	-	-	176,940
US government securities	-	33,127	-	33,127
Real estate, mineral interests and other	-	-	6,910,152	6,910,152
Total investments	<u>\$ 234,978,469</u>	<u>\$ 33,127</u>	<u>\$ 6,910,152</u>	241,921,748
Investments measured at net asset value (practical expedient)				<u>135,179,733</u>
Total investments at fair value				<u>\$ 377,101,481</u>

Assets measured at fair value on a recurring basis at September 30, 2022, are as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Money market funds and other short-term investments	\$ 2,911,665	\$ -	\$ -	\$ 2,911,665
Mutual funds	223,595,220	-	-	223,595,220
Marketable equity securities	209,924	-	-	209,924
Real estate, mineral interests and other	-	-	6,269,035	6,269,035
Total investments	<u>\$ 226,716,809</u>	<u>\$ -</u>	<u>\$ 6,269,035</u>	232,985,844
Investments measured at net asset value (practical expedient)				<u>117,050,531</u>
Total investments at fair value				<u>\$ 350,036,375</u>

During both years ended September 30, 2023 and 2022, there were \$250 and \$0 of sales of Level 3 assets, respectively.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

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, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of hedge funds -				
Total return (a) (d)	\$ 79,359,991	\$ 13,362,718	quarterly, annually	60 days
Private equity funds (b)	53,502,694	44,355,854	none	-
Closed end funds -				
Special opportunities (c)	<u>2,317,048</u>	<u>1,702,915</u>	none	-
Total	<u>\$ 135,179,733</u>	<u>\$ 59,421,487</u>		

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, 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of hedge funds -				
Total return (a) (d)	\$ 65,548,033	\$ 8,136,544	quarterly, annually	60 days
Private equity funds (b)	48,826,727	54,038,099	none	-
Closed end funds -				
Special opportunities (c)	<u>2,675,771</u>	<u>1,702,915</u>	none	-
Total	<u>\$ 117,050,531</u>	<u>\$ 63,877,558</u>		

- 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.
- 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 15 years with up to three one-year extensions. These nonmarketable 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.
- 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.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

- Certain investments in these funds had lock-up provision changes in February 2011 whereby the lock-up period in an investment in the Fund is limited to a one-year lockup. After the lock-up period, some or all shares are available to be redeemed as of the last business day of any calendar quarter. The lock-up provision applies separately to each subscription for purchases of shares. There are no plans to liquidate these funds.

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, 2023 and 2022. However, the diversification of the Foundation's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.

The Foundation'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, 2023 and 2022, there were no transfers.

The following schedule summarizes investments classified according to any restrictions at September 30:

	<u>2023</u>	<u>2022</u>
Investments without donor restrictions	\$ 355,248,245	\$ 328,147,239
Investments with donor restrictions	<u>21,853,236</u>	<u>21,889,136</u>
Total investments	<u>\$ 377,101,481</u>	<u>\$ 350,036,375</u>

Note 4 – Gift Annuities

During the years ended September 30, 2023 and 2022, the Foundation recognized charitable gift annuity contributions and income in the amount of \$151,000 and \$145,000, respectively, and recognized the change in the amount of \$198,948 and \$169,121, respectively, which were reported in the statement of activities. As of September 30, 2023 and 2022, approximately \$2,615,000 and \$2,509,000, respectively, 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 were \$1,650,772 and \$1,756,629 at September 30, 2023 and 2022, respectively.

Note 5 – Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded at fair market value on the donation as an increase in contributions and corresponding increase in either operating expenses or property and equipment, net, in the accompanying 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.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

The Foundation's policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of the Foundation. If an asset is provided that does not allow the Foundation 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 Foundation received investments that were converted to cash of \$14,071 and \$0 for September 30, 2023 and 2022, respectively.

Note 6 – Net Assets

Net assets consist of the following as of September 30:

	2023	2022
Net assets without donor restrictions		
Undesignated	\$ 343,962,377	\$ 310,987,470
Designated - gift annuity reserves	2,615,266	2,509,391
Total net assets without donor restrictions	346,577,643	313,496,861
Net assets with donor restrictions		
Subject to the passage of time		
Remainder interests in property and investments	22,780	22,780
	22,780	22,780
Subject to Cal Farley's spending policy and appropriation		
Endowment funds restricted in perpetuity	18,463,975	18,463,975
Endowment funds accumulated gains	3,366,481	3,402,381
	21,830,456	21,866,356
Total net assets with donor restrictions	21,853,236	21,889,136
Total	\$ 368,430,879	\$ 335,385,997

Note 7 – Endowments

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.

FASB ASC Subtopic 958-205, *Not-for-Profit: Financial Statement*, (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 requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

The Foundation'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 the Foundation, the guidance in ASC 958-205, and absent explicit donor stipulations to the contrary, the Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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 Foundation 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 Foundation
- The investment policies of the Foundation

Net asset classification by type of endowment as of September 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	\$ -	\$ 18,463,975	\$ 18,463,975
Restricted by purpose or time	-	3,366,481	3,366,481
Total	\$ -	\$ 21,830,456	\$ 21,830,456

Cal Farley's Boys Ranch Foundation
Notes to Financial Statements

Changes in endowment net assets for the year ended September 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2022	\$ -	\$ 21,866,356	\$ 21,866,356
Investment return	-	996,764	996,764
Net depreciation (realized and unrealized)	-	(2,700)	(2,700)
Total investment return	-	994,064	994,064
Appropriation of endowment assets for expenditure	-	(1,029,964)	(1,029,964)
Endowment net assets, September 30, 2023	<u>\$ -</u>	<u>\$ 21,830,456</u>	<u>\$ 21,830,456</u>

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	\$ -	\$ 18,463,975	\$ 18,463,975
Restricted by purpose or time	-	3,402,381	3,402,381
Total	<u>\$ -</u>	<u>\$ 21,866,356</u>	<u>\$ 21,866,356</u>

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	\$ -	\$ 22,261,099	\$ 22,261,099
Investment return	-	942,963	942,963
Net depreciation (realized and unrealized)	-	(309,663)	(309,663)
Total investment return	-	633,300	633,300
Appropriation of endowment assets for expenditure	-	(1,028,043)	(1,028,043)
Endowment net assets, September 30, 2022	<u>\$ -</u>	<u>\$ 21,866,356</u>	<u>\$ 21,866,356</u>

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

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 are reported in net assets with donor restrictions. Due to changes in the market values, there was one fund with deficiencies as of September 30, 2023 and 2022, in the amount of \$(49,821) and \$(68,022). The original gift value for these funds is \$325,508.

Return objectives and risk parameters – The Foundation 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 Foundation currently expects its endowment funds, over time, to provide 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 Foundation 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 Foundation 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's 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.

Spending policy and how the investment objectives relate to spending policy – The Foundation has a policy which allows for appropriating expenditures each year up to 5%, or the percentage specified by the donor, of its endowment fund's average fair value over the prior five fiscal years. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation's policy is to not spend from underwater endowments unless directed otherwise by the donor. There was no spending of underwater endowments during September 30, 2023 and 2022.

Note 8 – Related Party Transactions

Accounts receivable from Cal Farley's as of September 30, 2023 and 2022 were \$7,332,197 and \$2,439,370, respectively. Accounts payable to Cal Farley's as of September 30, 2023 and 2022 were \$97,677 and \$1,475, respectively. During the years ended September 30, 2023 and 2022, the Foundation transferred \$5,061,773 and \$11,681,402, respectively, to Cal Farley's. 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 and program expansion as needed and approved by the Board of Directors. Board-approved funding and uses, and investment earnings are applied to this reserve throughout the fiscal year. As of September 30, 2023 and 2022, \$16,000,000 was outstanding and available for approved use.

Cal Farley's Boys Ranch Foundation

Notes to Financial Statements

Note 9 – Liquidity and Funds Available

The following table reflects the Foundation's financial assets as of September 30, 2023 and 2022, 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, endowments, and accumulated earnings net of appropriations within one year, or funds held for others.

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 643,491	\$ 667,995
Accrued interest and dividend receivable	30,323	8,603
Accounts receivable - other	-	553
Receivable from Cal Farley's Boys Ranch	7,332,197	2,439,370
Investments without donor restrictions	355,248,245	328,147,239
Investments with donor restrictions	21,853,236	21,889,136
Total financial assets	385,107,492	353,152,896
Less those unavailable for general expenditure within one year, due to		
Endowments and accumulated earnings subject to appropriation beyond one year	(21,830,456)	(21,866,356)
Board designated reserves - held for Cal Farley's Boys Ranch	(16,000,000)	(16,000,000)
Investments held in trusts and various state required gift annuity reserves	(2,615,266)	(2,509,391)
Investments with donor restrictions not expected to be used within one year	(22,780)	(22,780)
Mineral Interests - not available for sale	(3,586,831)	(2,945,463)
Private equity, hedge, and closed end funds - illiquid	(135,179,733)	(117,050,531)
Financial assets available to meet cash needs for general expenditures within one year	\$ 205,872,426	\$ 192,758,375

The Foundation supports Cal Farley's Boys Ranch as approved by the board of directors.

Note 10 – Subsequent Events

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

The Foundation has evaluated subsequent events through March 11, 2024, which is the date that the financial statements were available to be issued.

