

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

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report.....	2-3
Statements of Financial Position	4
Statements of Activities.....	5
Statements of Functional Expenses.....	6
Statements of Cash Flows	7
Notes to Financial Statements	8-16



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Boys and Girls Country of Houston, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Country of Houston, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited the 2014 financial statements of Boys and Girls Country of Houston, Inc. and we expressed an unmodified audit opinion on those financial statements in our report dated July 31, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harper E Pearson Company, P.C.

Houston, Texas
June 28, 2016

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS	2015	2014
Cash	\$ 814,716	\$ 613,854
Investments	354,887	642,592
Receivables		
Pledges receivable, net	1,693,729	2,777,453
Other receivables	519,088	87,215
Prepaid expenses and other assets	241,691	189,383
Interest in net assets of the Endowment Fund	15,989,990	17,246,334
Property and equipment, net	<u>7,842,687</u>	<u>8,296,103</u>
 TOTAL ASSETS	 <u>\$ 27,456,788</u>	 <u>\$ 29,852,934</u>
 LIABILITIES AND NET ASSETS		
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 127,659	\$ 158,162
Accrued salaries and benefits	244,271	194,251
Funds held for residents	25,518	25,315
Deferred compensation	<u>-</u>	<u>76,301</u>
 TOTAL LIABILITIES	 <u>397,448</u>	 <u>454,029</u>
 NET ASSETS		
Unrestricted	10,373,106	11,539,880
Temporarily restricted	10,552,817	11,841,148
Permanently restricted	<u>6,133,417</u>	<u>6,017,877</u>
 TOTAL NET ASSETS	 <u>27,059,340</u>	 <u>29,398,905</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 27,456,788</u>	 <u>\$ 29,852,934</u>

See accompanying notes.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARY TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	December 31, 2015 Total	December 31, 2014 Total
OPERATING REVENUES					
Contributions	\$ 1,516,584	\$ 921,489	\$ -	\$ 2,438,073	\$ 4,821,963
Special events	2,611,128	-	-	2,611,128	3,474,253
Direct donor benefit costs	(572,330)	-	-	(572,330)	(606,945)
Reimbursement for care	115,089	-	-	115,089	126,282
Other income	<u>693,924</u>	<u>333,000</u>	<u>-</u>	<u>1,026,924</u>	<u>197,346</u>
Total Operating Revenue	4,364,395	1,254,489	-	5,618,884	8,012,899
NET ASSETS RELEASED FROM RESTRICTIONS					
Capital expenditures	91,543	(91,543)	-	-	-
Expenditures for program purposes	708,327	(708,327)	-	-	-
Expiration of time restrictions	<u>371,067</u>	<u>(371,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>5,535,332</u>	<u>83,552</u>	<u>-</u>	<u>5,618,884</u>	<u>8,012,899</u>
EXPENSES					
Program services	5,580,784	-	-	5,580,784	5,470,367
Management and general	457,503	-	-	457,503	452,352
Fund raising	<u>663,819</u>	<u>-</u>	<u>-</u>	<u>663,819</u>	<u>923,718</u>
Total Expenses	<u>6,702,106</u>	<u>-</u>	<u>-</u>	<u>6,702,106</u>	<u>6,846,437</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(1,166,774)	83,552	-	(1,083,222)	1,166,462
CHANGE IN INTEREST IN ENDOWMENT FUND	<u>-</u>	<u>(1,371,883)</u>	<u>115,540</u>	<u>(1,256,343)</u>	<u>1,418,019</u>
CHANGE IN NET ASSETS	(1,166,774)	(1,288,331)	115,540	(2,339,565)	2,584,481
NET ASSETS, BEGINNING OF YEAR	<u>11,539,880</u>	<u>11,841,148</u>	<u>6,017,877</u>	<u>29,398,905</u>	<u>26,814,424</u>
NET ASSETS, END OF YEAR	<u>\$ 10,373,106</u>	<u>\$ 10,552,817</u>	<u>\$ 6,133,417</u>	<u>\$ 27,059,340</u>	<u>\$ 29,398,905</u>

See accompanying notes.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARY TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fund Raising	December 31, 2015 Total	December 31, 2014 Total
Salaries and employee benefits	\$ 3,552,426	\$ 279,611	\$ 316,588	\$ 4,148,625	\$ 3,854,642
Depreciation	628,258	51,739	59,130	739,127	849,073
Utilities and telephone	253,882	20,908	23,895	298,685	338,541
Maintenance and operation of properties and vehicles	267,955	15,574	17,799	301,328	334,824
Activities and education support	367,764	468	535	368,767	347,899
Insurance	213,381	17,573	20,083	251,037	237,323
Food and supplies	143,447	-	-	143,447	143,410
Staff recruiting and training costs	33,720	2,114	9,425	45,259	75,623
Direct mailings and newsletter	16,230	1,337	121,648	139,215	123,103
Office supplies and postage	43,215	30,729	35,859	109,803	101,714
Medical and dental care	33,542	-	-	33,542	36,764
Bad debt expense	-	-	-	-	250,000
Ranch operations	17,468	-	-	17,468	44,255
Professional fees	<u>9,496</u>	<u>37,450</u>	<u>58,857</u>	<u>105,803</u>	<u>109,266</u>
 Total Expenses	 <u>\$ 5,580,784</u>	 <u>\$ 457,503</u>	 <u>\$ 663,819</u>	 6,702,106	 6,846,437
 Direct donor benefit costs				 <u>572,330</u>	 <u>606,945</u>
 Total				 <u>\$ 7,274,436</u>	 <u>\$ 7,453,382</u>

See accompanying notes.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,339,565)	\$ 2,584,481
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	739,127	849,073
Contributions restricted for acquisition of property and equipment	(505,549)	(2,347,192)
Vehicle gifts to others	13,264	12,428
Donated property and equipment	(66,950)	(67,676)
Realized and unrealized (gain) loss on investments	796	(11,734)
Deferred compensation	(75,297)	(73,987)
Change in interest in net assets of Endowment Fund	1,256,343	(1,418,019)
Change in operating assets and liabilities:		
Pledges receivable, net	453,420	267,514
Other receivables	(431,873)	390,190
Prepaid expenses and other assets	(52,308)	(18,715)
Accounts payable and accrued liabilities	(30,503)	(67,053)
Accrued salaries and benefits	50,020	19,687
Funds held for residents	203	(4,143)
 Total adjustments	 <u>1,350,693</u>	 <u>(2,469,627)</u>
 Net cash (used) provided by operating activities	 <u>(988,872)</u>	 <u>114,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(50,000)	(726,878)
Proceeds from sales of investments	303,171	988,016
Net change in money market mutual fund investments	32,734	(286,713)
Purchase of property and equipment	(232,024)	(413,684)
 Net cash provided (used) by investing activities	 <u>53,881</u>	 <u>(439,259)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted to acquisition of property and equipment	<u>1,135,853</u>	<u>338,433</u>
 Net cash provided by financing activities	 <u>1,135,853</u>	 <u>338,433</u>
 NET CHANGE IN CASH	 200,862	 14,028
 CASH AT BEGINNING OF YEAR	 <u>613,854</u>	 <u>599,826</u>
 CASH AT END OF YEAR	 <u>\$ 814,716</u>	 <u>\$ 613,854</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cost of property and equipment retired	<u>\$ 96,658</u>	<u>\$ 225,503</u>

See accompanying notes.

NOTE A BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States (GAAP). Accordingly, such information should be read in conjunction with the Boys and Girls Country's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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

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

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

Investments - Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss is included in other income in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

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

Pledges Receivable - Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. An allowance for doubtful accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific donors. At December 31, 2015 and 2014, pledges receivable from four donors represented 93% and five donors represented 89% of gross pledges receivable, respectively.

Other Receivables - Other receivables consists of amounts due from the Endowment Fund and on-line contributions in transit. Generally, no collateral or other security is required to support other receivables.

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

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities. Expenditures for maintenance and repairs are charged to earnings as incurred.

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

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

- Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- Temporarily restricted net assets include contributions restricted by the donor for specific purposes or time periods. When the purpose is accomplished or the time restriction is met, temporarily restricted net assets are released to unrestricted net assets. Temporarily restricted net assets also include Boys and Girls Country's interest in the temporarily restricted net assets of the Endowment Fund and the unrestricted funds that were transferred by Boys and Girls Country to the Endowment Fund. (See Note F).
- Permanently restricted net assets represent the interest in the permanently restricted net assets of the Endowment Fund. The Endowment Fund's permanently restricted net assets are contributions that donors have restricted in perpetuity. The related investment income is available to the Endowment Fund to distribute to Boys and Girls Country to support various activities.

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

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

In-Kind Contributions - Donated assets, materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services which would typically need to be purchased, if not provided by donation, are recognized either when services received create or enhance nonfinancial assets or are provided by individuals possessing specialized skills. In 2015, \$66,950 of donated property and equipment and \$83,993 of donated goods were recorded as in-kind contributions, assets and program expenses. In 2014, \$67,676 of donated property and equipment and \$120,836 of donated goods were recorded as in-kind contributions, assets and program expenses.

Reimbursement for Care - Reimbursement for care is recognized as revenue when received.

Functional Expenses - Functional expenses which are not specifically related to a program are charged to programs based on management's estimates.

Income Taxes - Boys and Girls Country is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, Boys and Girls Country is subject to taxes on unrelated business income. No unrelated business income was generated in 2015 and 2014.

Boys and Girls Country believes that all significant tax positions utilized by Boys and Girls Country will more likely than not be sustained upon examination. As of December 31, 2015, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2012 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statement of activities.

Subsequent Events - Management has evaluated subsequent events through June 28, 2016, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment to or disclosure in the financial statements at December 31, 2015.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE B PLEDGES RECEIVABLE, NET

Pledges at December 31, 2015 and 2014 are receivable as follows:

	2015	2014
Receivable in less than one year	\$ 412,310	\$ 1,018,394
Receivable in one to five years	1,300,000	1,800,000
	1,712,310	2,818,394
Allowance for doubtful accounts	(18,581)	(40,941)
	\$ 1,693,729	\$ 2,777,453

NOTE C PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2015	2014
Land and Improvements	\$ 4,644,346	\$ 4,469,917
Buildings and Improvements	11,518,783	11,499,739
Furniture and Equipment	1,471,757	1,439,755
Transportation Equipment	688,929	691,554
Livestock	52,550	52,550
Construction In Progress	137,908	158,441
	18,514,273	18,311,956
Less accumulated depreciation	(10,671,586)	(10,015,853)
	\$ 7,842,687	\$ 8,296,103

During 2015, Boys and Girls Country entered into an agreement with HomeAid Houston (HomeAid) and Partners in Building, LP (PIB) for the construction of a new cottage on the Robinson Campus, designated as the Joanne Watford Cottage. The cost of the project is estimated at \$840,000. HomeAid and PIB will attempt to secure \$290,000 of the cost through donated materials and services. The remaining costs will be paid by Boys and Girls Country in the form of progress payments to PIB during construction. In connection with the project, Boys and Girls Country is required to make a donation to HomeAid of five percent of the estimated value of the donated materials and services, approximately \$14,500.

Under the terms of the agreement, Boys and Girls Country must use the cottage as a part of its mission for at least ten years. Should Boys and Girls Country cease using the cottage in its mission or sell the property on which it is located during the ten year period following construction, Boys and Girls Country must reimburse HomeAid for ten percent of the value of the donated materials and services (estimated at \$29,000) for each year the cottage is not used.

NOTE D FAIR VALUE DISCLOSURES

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

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

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

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

Following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used during 2015 and 2014.

Interest in net assets of the Endowment Fund is reported at the fair value of the net assets of the Endowment Fund as of December 31, 2015 and 2014 and is based upon the fair value of the underlying assets which consist primarily of actively traded equity securities and corporate bonds. Level 1 and 2 fair value inputs were used to determine the fair value of the underlying assets.

Certificates of deposit generally mature within 1 year from financial statement date and are valued based on prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate current values.

Equities and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Boys and Girls Country believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE D FAIR VALUE DISCLOSURES (CONTINUED)

The fair values of investments are categorized as follows at December 31, 2015 and 2014:

	2015			Total
	Level 1	Level 2	Level 3	
Interest in net assets of the				
Endowment Fund	\$ -	\$ 15,989,990	\$ -	\$ 15,989,990
Money market account	354,887	-	-	354,887
	<u>\$ 354,887</u>	<u>\$ 15,989,990</u>	<u>\$ -</u>	<u>\$ 16,344,877</u>
	2014			Total
	Level 1	Level 2	Level 3	
Interest in net assets of the				
Endowment Fund	\$ -	\$ 17,246,334	\$ -	\$ 17,246,334
Certificates of deposit	-	226,016	-	226,016
Money market account	387,621	-	-	387,621
Equity mutual funds	23,888	-	-	23,888
Equities	5,067	-	-	5,067
	<u>\$ 416,576</u>	<u>\$ 17,472,350</u>	<u>\$ -</u>	<u>\$ 17,888,926</u>

NOTE E RETIREMENT PLANS

Boys and Girls Country contributes an amount equal to 3% of each employee's annual salary to a defined-contribution retirement plan for employees who have met the eligibility requirement of one year of service. Boys and Girls Country contributed \$71,423 and \$69,304 to the plan in 2015 and 2014, respectively.

Effective January 1, 2001, Boys and Girls Country's compensation committee established the Key Employee Security Option Plan (the Plan) to provide a vehicle for the payment of compensation to participating key executives. The Plan is intended to be a nonqualified stock option plan within the meaning of §83 of the Internal Revenue Code. In 2002, Boys and Girls Country entered into an option agreement with an employee and purchased certain securities with an initial value of \$80,000 to fund the agreement. Under the terms of the agreement, the option became fully vested and exercisable as of January 1, 2004 and expired on December 31, 2015. The employee exercised the option at a price of 25 percent of the initial value. A deferred compensation obligation was accrued based on the value of the securities held net of the exercise price of the vested option. During 2015, the remaining option was exercised, the related securities were liquidated and the employee received a distribution of \$75,297. At December 31, 2014, the related securities had a market value of approximately \$83,000 and were included with investments in the accompanying statements of financial position. During 2014, the employee exercised a portion of the option and received distributions of \$73,987.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE F THE ENDOWMENT FUND

In prior years, Boys and Girls Country had transferred a total of \$2,594,360 unrestricted, excess funds to the Endowment Fund to invest. No unrestricted transfers were made during 2015 or 2014. These unrestricted funds are invested with the other Endowment Fund assets but may be utilized by Boys and Girls Country if required to fund its activities. In addition, Boys and Girls Country may request grants from the temporarily-restricted assets of the Endowment Fund to support the specific activities for which they were intended. In 2015, grants amounting to \$800,000 were requested, approved and included in other income in the financial statements. \$300,000 was transferred during 2015 and the remaining balance is included in other receivables. In 2014, no grants were received.

The transactions and balances of the permanently restricted net assets of the Endowment Fund are reflected as permanently restricted in the accompanying financial statements. The remaining interest in the Endowment Fund is reported as temporarily restricted.

In September 2011, Boys and Girls Country entered into a Service Agreement with the Endowment Fund whereby Boys and Girls Country provides fund raising and other services to the Endowment Fund. The Endowment Fund reimburses Boys and Girls Country for payroll and other costs associated with these fund raising activities. For the years 2015 and 2014, \$113,855 and \$123,059, respectively, were charged to the Endowment Fund under this arrangement and are included as a reduction of salaries and other expenses. At December 31, 2015 and 2014, \$12,850 and \$12,700, respectively, of unreimbursed salaries and other expenses are included in other receivables.

NOTE G UNRESTRICTED NET ASSETS

Unrestricted net assets are as follows at December 31:

	2015	2014
Interest in net assets of the Endowment Fund	\$ 2,594,360	\$ 2,594,360
Invested in property and equipment	7,842,687	8,296,103
Undesignated	(63,941)	649,417
	\$ 10,373,106	\$ 11,539,880

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE H TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2015	2014
Interest in net assets of the Endowment Fund:		
General support of Boys and Girls Country	\$ 6,673,390	\$ 7,634,856
Scholarships	414,082	574,674
Children's Table Funds	171,275	265,161
Facilities Maintenance Fund	1,859	145,080
Teaching parent support	1,607	14,326
	7,262,213	8,634,097
Capital campaign for the acquisition of property	-	205,912
Cottage rebuild program	2,573,778	2,145,782
Use in future periods	325,976	433,700
Other	390,850	421,657
	\$ 10,552,817	\$ 11,841,148

NOTE I PERMANENTLY RESTRICTED NET ASSETS

All permanently restricted net assets are held by the Endowment Fund. The earnings on the following balances are temporarily restricted to be used for the purposes indicated below:

	2015	2014
General support of Boys and Girls Country	\$ 3,158,243	\$ 3,113,339
Scholarships	1,299,742	1,241,636
Children's Table Funds	538,410	525,880
Facilities Maintenance Fund	1,000,000	1,000,000
Teaching parent support	125,000	125,000
Other	12,022	12,022
	\$ 6,133,417	\$ 6,017,877

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE J REIMBURSEMENT FOR CARE

Reimbursement for care of the children includes funds from the following sources at December 31:

	<u>2015</u>	<u>2014</u>
Texas Department of Family and Protective Services	\$ 48,328	\$ 56,813
Family Payments	34,835	36,315
Social Security Payments	<u>31,926</u>	<u>33,154</u>
	<u>\$ 115,089</u>	<u>\$ 126,282</u>