

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

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

## **C O N T E N T S**

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**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 September 30, 2019, 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 September 30, 2019, 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.



HARPER & PEARSON COMPANY, P.C.

Houston, Texas  
June 25, 2020

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2019**

**ASSETS**

Unrestricted cash	\$	-
Restricted cash		288,910
Total cash		288,910
Marketable securities		64,960
Receivables		
Pledges receivable, net		1,252,660
Other receivables		370,874
Prepaid expenses and other assets		312,683
Assets held for sale		756,075
Interest in net assets of the Endowment Fund		20,733,717
Property and equipment, net		9,376,621
TOTAL ASSETS	\$	33,156,500

**LIABILITIES AND NET ASSETS**

LIABILITIES

Accounts payable and accrued liabilities	\$	318,241
Advance payable, Endowment Fund		1,000,000
Accrued salaries and benefits		197,741
Deferred revenue		1,133,208
Funds held for residents		64,626
TOTAL LIABILITIES		2,713,816

NET ASSETS

Net assets without donor restrictions		9,443,435
Net assets with donor restrictions		20,999,249
TOTAL NET ASSETS		30,442,684
TOTAL LIABILITIES AND NET ASSETS	\$	33,156,500

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Contributions	\$ 1,594,733	\$ 800,391	\$ 2,395,124
Special events	3,169,341	-	3,169,341
Reimbursement for care	133,825	-	133,825
Grants from the Endowment Fund	324,000	426,000	750,000
Other income	175,423	-	175,423
 Total Operating Revenue	 5,397,322	 1,226,391	 6,623,713
 <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Capital expenditures	150,182	(150,182)	-
Expenditures for program purposes	593,130	(593,130)	-
Expiration of time restrictions	60,000	(60,000)	-
 Total Revenues and Support	 6,200,634	 423,079	 6,623,713
 <b>EXPENSES</b>			
Program services	5,389,695	-	5,389,695
Management and general	438,851	-	438,851
Fund raising	593,833	-	593,833
Direct donor benefit costs	408,953	-	408,953
 Total Expenses	 6,831,332	 -	 6,831,332
 <b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	 (630,698)	 423,079	 (207,619)
 <b>CHANGE IN INTEREST IN ENDOWMENT FUND</b>	 -	 1,177,523	 1,177,523
 <b>CHANGE IN NET ASSETS</b>	 (630,698)	 1,600,602	 969,904
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 10,074,133	 19,398,647	 29,472,780
 <b>NET ASSETS, END OF YEAR</b>	 \$ 9,443,435	 \$ 20,999,249	 \$ 30,442,684

See accompanying notes.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program Services		Management and General	Fund Raising	Total
	Residential	College and Career			
Salaries and employee benefits	\$ 2,831,999	\$ 432,522	\$ 258,450	\$ 338,796	\$ 3,861,767
Depreciation	494,226	74,472	47,392	60,932	677,022
Utilities and telephone	216,851	32,676	20,794	26,735	297,056
Maintenance and operation of properties and vehicles	285,554	49,534	15,875	20,411	371,374
Resident activities and education support	140,689	178,346	-	-	319,035
Insurance	175,153	26,393	16,795	21,594	239,935
Food and supplies	87,195	21,267	-	-	108,462
Staff recruiting and training costs	81,742	15,703	4,570	7,763	109,778
Direct mailings and newsletter	547	137	-	55,593	56,277
Office supplies and postage	66,880	10,078	13,551	38,749	129,258
Resident medical and dental care	22,297	985	-	-	23,282
Bad debt expense	-	-	-	15,000	15,000
Ranch operations	22,782	-	-	-	22,782
Professional fees	<u>110,874</u>	<u>10,793</u>	<u>61,424</u>	<u>8,260</u>	<u>191,351</u>
Total Expenses	<u>\$ 4,536,789</u>	<u>\$ 852,906</u>	<u>\$ 438,851</u>	<u>\$ 593,833</u>	6,422,379
Direct donor benefit costs					<u>408,953</u>
Total					<u>\$ 6,831,332</u>

See accompanying notes.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 969,904
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	677,022
Donated property and equipment	(487,094)
Realized and unrealized gain on marketable securities	(317)
Change in interest in net assets of Endowment Fund	(1,177,523)
Change in operating assets and liabilities:	
Pledges receivable, net	53,060
Other receivables	10,167
Prepaid expenses and other assets	(153,477)
Accounts payable and accrued liabilities	(4,066)
Accrued salaries and benefits	123,921
Deferred revenue	79,061
Funds held for residents	<u>27,392</u>
Total adjustments	<u>(851,854)</u>
Net cash provided by operating activities	<u>118,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of marketable securities	(514,573)
Proceeds from sales of marketable securities	500,318
Purchase of property and equipment	<u>(479,822)</u>
Net cash used by investing activities	<u>(494,077)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from contributions restricted for acquisition of property and equipment	<u>491,998</u>
Net cash provided by financing activities	<u>491,998</u>
NET CHANGE IN CASH	115,971
CASH AT BEGINNING OF YEAR	<u>172,939</u>
CASH AT END OF YEAR	<u>\$ 288,910</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cost of property and equipment retired	<u>\$ 956,250</u>
Cost of property and equipment reclassified as held for sale	<u>\$ 2,197,646</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 from families in crisis between the ages of 5 and 18, primarily from the Greater Houston area (Residential Services Program). Boys and Girls Country also provides a residential care and scholarship program for residents aged 18 or older (College & Career Program).

Boys and Girls Country of Houston Endowment Fund, Inc. (the Endowment Fund), a financially related organization, was created in 1986 to seek support for and hold assets on behalf of 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 but rather the interest in the net assets of the Endowment Fund are included as a single asset in the accompanying statements of financial position. The Endowment Fund transfers assets to Boys and Girls Country when authorized by the Endowment Fund Board of Directors.

Change in Accounting Year End - During calendar year 2018, Boys and Girls Country changed its annual reporting to a fiscal year ending September 30. The accompanying financial statements report activity for the full twelve month period.

Management's 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 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 marketable securities. 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 securities 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 marketable securities. Due to the level of risk associated with marketable securities and the level of uncertainty related to changes in the value of marketable securities, 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.

Marketable Securities - Marketable securities 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 net assets without donor restrictions 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. Estimated discounts at September 30, 2019 were considered immaterial. An allowance for doubtful accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific donors. At September 30, 2019, pledges from two donors represented 62% of gross pledges receivable.

Other Receivables - Other receivables consist of amounts due primarily from the Endowment Fund and donor contributions and other revenues made through third party credit card processors. Generally, no collateral or other security is required to support other receivables.

Assets Held for Sale - Management has committed to a plan to sell two tracts of land and the related buildings and improvements. Accordingly, the cost and accumulated depreciation of these assets was reclassified to assets held for sale. Efforts to sell the assets have started as of the report date herein and a sale is expected by December 31, 2020.

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.

Expenditures for additions, major renewals, and betterments are capitalized and expenditures for maintenance and repairs are charged to earnings as incurred.

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.

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 net assets with donor restrictions in the statements of activities.

Deferred revenue - Deferred revenue consists primarily of funds and pledges received for attendance at events to be held in the future.

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

- Net assets without donor restrictions include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

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

- Net assets with donor restrictions include contributions restricted by the donor for specific purposes or time periods. When the purpose is accomplished or the time restriction is met, net assets with donor restrictions are released to net assets without donor restrictions. Net assets with donor restrictions also include Boys and Girls Country's interest in net assets with donor restrictions of the Endowment Fund and earnings on the net assets without donor restrictions that were transferred by Boys and Girls Country to the Endowment Fund. (See Note F).

Net assets with donor restrictions also includes contributions received by the Endowment Fund whereby donors have restricted the contribution in perpetuity. The related investment income is available to the Endowment Fund to distribute to Boys and Girls Country to support various activities.

Contributions - Contributions are recognized as revenue when an unconditional commitment is received from the donor. 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 asset or 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 2019, \$487,094 of donated property and equipment and \$5,997 of donated goods and services were recorded as in-kind contributions, assets and program expenses.

Reimbursement for Care - Boys and Girls County requests reimbursements for the care of certain children from Texas Department of Family and Protective Services, Social Security and families. Due to the uncertainty of collection, such reimbursements are recognized as revenue when the funds are received.

Functional Expenses - Certain expenses benefit multiple programs as well as support functions and are allocated to the functional categories as follows:

- Salaries and related benefits are allocated based on job position and time allocations reported by employees.
- Other expenses not directly identifiable to a specific function are allocated based on salary percentages.

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 fiscal 2019.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

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 September 30, 2019, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2016 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.

Concentrations - Approximately 43% of total contributions and special events revenue are derived from a single annual event, the Heritage Awards Dinner.

NOTE B           LIQUIDITY AND AVAILABILITY

Boys and Girls Country manages its cash flows through the use of an annual budget that is created by Management and approved by its Board of Directors. Boys and Girls Country generally relies on proceeds from its fund-raising events, contributions from different constituencies, grants from the Endowment and other sources of revenue to fund its ongoing operations. As described in Note F, each year the Endowment may grant to Boys and Girls Country up to five percent of its net assets (approximately \$1,036,000 at September 30, 2019) based on a request from Boys and Girls Country. Grant funds are drawn by Boys and Girls Country when needed to provide liquidity for operations. From time to time, Boys and Girls Country may supplement cash flow by utilizing cash restricted for the cottage rebuild program received from donors in advance of the cottage rebuild expenditures. Boys and Girls Country seeks to maximize the return on excess funds through investments in marketable securities for its own account. When needed, these marketable securities are liquidated to fund operations.

Financial assets available to fund subsequent year operations are as follows at September 30, 2019:

Cash	\$ 288,910
Marketable securities	64,960
Pledges receivable	1,252,660
Other receivables	<u>370,874</u>
	1,977,404
Less Restricted Assets (Note G)	<u>(2,435,724)</u>
Assets Available (Deficit)	<u>\$ (458,320)</u>

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

NOTE C PLEDGES RECEIVABLE, NET

Pledges at September 30, 2019 are receivable as follows:

Receivable in less than one year	\$ 633,863
Receivable in one to five years	<u>654,500</u>
	1,288,363
Allowance for doubtful accounts	<u>(35,703)</u>
	<u>\$ 1,252,660</u>

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.

The fair values of marketable securities are categorized as follows September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest in net assets of the Endowment Fund	\$ -	\$ 20,733,717	\$ -	\$ 20,733,717
Money market mutual fund	<u>64,960</u>	<u>-</u>	<u>-</u>	<u>64,960</u>
	<u>\$ 64,960</u>	<u>\$ 20,733,717</u>	<u>\$ -</u>	<u>\$ 20,798,677</u>

NOTE D FAIR VALUE DISCLOSURES (CONTINUED)

Interest in net assets of the Endowment Fund is reported at the fair value of the net assets of the Endowment Fund as of September 30, 2019 and is based upon the fair value of the underlying assets which consist primarily of actively traded equity securities, corporate bonds and U.S. government securities. The investments of the Endowment Fund also include two limited partnership funds reported by the Endowment Fund using the net asset value per share (NAV) practical expedient. At September 30, 2019, the value of the limited partnerships was \$823,509.

There have been no changes in the techniques used to determine fair value during 2019. 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 technique is 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.

NOTE E PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2019:

Land and improvements	\$ 4,410,930
Buildings and improvements	11,728,637
Furniture and equipment	1,489,644
Transportation equipment	690,781
Livestock	56,250
Construction in progress	<u>650,522</u>
	19,026,764
Less accumulated depreciation	<u>(9,650,143)</u>
	<u>\$ 9,376,621</u>

Since 2015, Boys and Girls Country has entered into a series of agreements with HomeAid Houston and various builders for the construction of replacement cottages under its Cottage Rebuild Program. Each agreement requires the builder to build a cottage for which approximately half of the cost will be paid by Boys and Girls Country and approximately half of the cost will consist of donated materials and services. 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 which is paid prior to completion of the cottage.

In addition, Boys and Girls Country must use each cottage for ten years from the date of completion or reimburse HomeAid Houston ten percent of the value of the donated materials and services for each year that a cottage is not used for the mission of the organization. Boys and Girls Country intends to utilize each cottage for the full term of each agreement, thus unexpired contingent liabilities have not been recorded.

NOTE E            PROPERTY AND EQUIPMENT (CONTINUED)

The status of each agreement and the amount of Boys and Girls Country's contingent liability for each project is as follows:

Joanne Watford Cottage

The cottage was completed on November 30, 2016 and included \$335,000 in donated materials and services. At September 30, 2019, the contingent liability to HomeAid Houston was approximately \$237,000.

Hamill Cottage

This cottage was completed on March 21, 2018 at a total cost of \$978,408, including \$512,000 of donated materials and services. In accordance with its agreement, Boys and Girls Country made a donation to HomeAid Houston of \$25,600. At September 30, 2019, the contingent liability to HomeAid Houston was approximately \$435,000.

Woodforest Cottage

In May 2019, Boys and Girls Country entered into an agreement with HomeAid Houston and Empire Builders for the construction of the Woodforest Cottage. The cost of the Project is estimated at \$900,000. Approximately \$377,000 of the cost consists of anticipated donated materials and services from Empire Builders and others, which are included in construction in progress at September 30, 2019. The balance, approximately \$523,000, will be paid by Boys and Girls Country in the form of progress payments during construction. At the completion of the Project, Boys and Girls Country will be required to make a donation to HomeAid of approximately \$19,000.

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. Earnings on this transfer accrue to the Endowment Fund and are reported as donor restricted for the general support of Boys and Girls Country. No unrestricted transfers were made during fiscal 2019. These unrestricted funds are invested with the other Endowment Fund assets but may upon approval from the Endowment Board of Directors be utilized by Boys and Girls Country to fund its activities. In addition, Boys and Girls Country may request grants from the donor restricted assets of the Endowment Fund to support the specific activities for which they were intended. In fiscal 2019, a grant of \$750,000 was requested and approved.

The transactions and balances of the net assets of the Endowment Fund are reflected as net assets with donor restrictions in the accompanying financial statements.

In September 2011, Boys and Girls Country entered into a Service Agreement with the Endowment Fund whereby the Endowment Fund reimburses Boys and Girls Country for payroll and other costs benefiting the Endowment Fund. During fiscal 2019, Boys and Girls Country charged the Endowment Fund \$42,031 for fund-raising services and included this amount in other income. At September 30, 2019, other receivables include unremitted grants of \$340,000 and unreimbursed salaries and other expenses of \$13,218.

**BOYS AND GIRLS COUNTRY OF HOUSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

NOTE F THE ENDOWMENT FUND (CONTINUED)

In May 2017, the Endowment Fund Board approved a working capital loan to Boys and Girls Country up to one million dollars (\$1,000,000) to cover construction payments for the Cottage Rebuild Project and other needs. Outstanding advances amounting to \$1,000,000 at September 30, 2019 are non-interest bearing and will be repaid in the future when Cottage Rebuild Project pledge payments are received or through reductions of future Endowment grants awarded to Boys and Girls Country.

NOTE G NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include contributions restricted by the donor for specific purposes or time periods and are comprised of the following at September 30, 2019:

Purpose Restricted:

Residential Services Program	\$ 203,910
College & Career Program	150,523
Facilities:	
Cottage Rebuild	2,435,724
Other	19,734
Endowment Support	<u>10,691,225</u>
Total Purpose Restricted	<u>13,501,116</u>

Time Restricted:

Next Year	50,000
In Perpetuity	<u>7,448,133</u>
	<u>7,498,133</u>
Total Net Assets with Donor Restrictions	<u>\$ 20,999,249</u>

The Endowment Fund holds assets received from donors restricted to be held in perpetuity, the earnings from which are to be used for the purposes indicated below:

General support of Boys and Girls Country	\$ 4,075,646
Scholarships	1,642,071
Children's Table Funds	593,394
Facilities Maintenance Fund	1,000,000
Teaching parent support	125,000
Other	<u>12,022</u>
	<u>\$ 7,448,133</u>

NOTE G            NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Assets restricted for the long-term purposes of the cottage rebuild program at September 30, 2019 include:

Restricted cash	\$	288,910
Pledges receivable		772,176
Endowment receivable		340,000
Cottage construction in progress		549,694
Restricted asset deficit		<u>484,944</u>
	<b>\$</b>	<b><u>2,435,724</u></b>

NOTE H            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 Plan's eligibility requirements. Boys and Girls Country contributed \$66,918 to the plan in 2019.

NOTE I            SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2020, the date the financial statements were available to be issued.

The Covid-19 pandemic occurring after September 30, 2019 has impacted business operations world-wide resulting in, among other things, declines in contributions and in the fair values of investment securities. This in turn, impacts the interest in the net assets of the Endowment fund. The extent of the impact of COVID-19 will depend on the duration and spread of the outbreak and the impact on donors, employees and vendors, all of which are uncertain and cannot be predicted. While the situation is expected to be temporary, the extent to which COVID-19 may impact the financial condition or results of operations of Boys and Girls Country is uncertain.

In March 2020, the Endowment Fund authorized a \$300,000 unrestricted grant, an emergency grant of \$900,000 and a one time increase in the limit for annual grants to 10% of total net assets of the Endowment Fund. \$250,000 has been received on these grants from the Endowment Fund subsequent to September 30, 2019.

In April 2020, Boys and Girls Country obtained a \$770,100 loan from the United States Small Business Administration under the Paycheck Protection Program. The term of the loan is two years. The interest rate is 1.0% per annum. Under the terms of the loan, principal and interest payments will be deferred for six months from the date of the note. Beginning with the seventh month payments of \$43,331 will be required for the remainder of the loan's term. Notwithstanding the above, the note is subject to partial or full forgiveness provisions based on the payroll and utility costs incurred for the eight-week period following the date of the loan. Boys and Girls Country's management expects to qualify for forgiveness of most, if not all, of the loan's principal.



NOTE I           SUBSEQUENT EVENTS (CONTINUED)

In May 2020, Boys and Girls Country entered into a line of credit agreement with a bank which provides for borrowings up to \$300,000 through November 15, 2021. Interest at 3.25% is due monthly. Loans made under the Agreement must be paid in full and "rested" for 30 days annually beginning February 28, 2021. The Agreement is guaranteed by the Endowment Fund.

In June 2020, Boys and Girls Country entered into a conditional agreement to sell for \$2.35 million approximately 47 acres of its real property classified as assets held for sale. The sale is subject to a 100-day Feasibility Period provision that permits the buyer to terminate the agreement without penalty.

No other subsequent events occurred which require adjustment to or disclosure in the financial statements at September 30, 2019.