Report of Independent Auditors
and Consolidated Financial Statements

Cal Farley's Boys Ranch and Subsidiary

September 30, 2023 and 2022

MOSSADAMS

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cal Farley's Boys Ranch and Subsidiary as of September 30, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cal Farley's Boys Ranch and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Cal Farley's Boys Ranch and Subsidiary 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cal Farley's Boys Ranch and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cal Farley's Boys Ranch and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

Albuquerque, New Mexico
March 11, 2024

Consolidated Financial Statements

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

	2023	2022
ASSETS		
ASSETS		
Cash and cash equivalents	$ 10,735,796	$ 5,524,759
Accrued interest receivable	183,473	168,896
Receivable from Cal Farley's Boys Ranch Foundation	97,677	1,475
Other receivables	612,801	757,953
Unconditional promises to give	16,876,646	17,263,898
Prepaid expenses	640,701	1,547,457
Inventories	798,949	765,648
Investments without donor restrictions	17,185,658	17,738,069
Investments with donor restrictions	29,445,062	27,944,017
Beneficial interest in perpetual trusts	35,293,339	34,465,492
Funds invested with Cal Farley's Boys Ranch Foundation	16,000,000	16,000,000
Right of use assets	517,227	-
Property and equipment, net	22,992,600	23,157,641
Total assets	$ 151,379,929	$ 145,335,305
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 762,356	$ 1,056,705
Payable to Cal Farley's Boys Ranch Foundation	7,332,197	2,439,370
Lease liabilities	528,275	-
Accrued liabilities	1,614,239	1,683,228
Total liabilities	10,237,067	5,179,303
NET ASSETS		
Without donor restrictions	59,527,816	60,989,998
With donor restrictions	81,615,046	79,166,004
Total net assets	141,142,862	140,156,002
Total liabilities and net assets	$ 151,379,929	$ 145,335,305

See accompanying notes.

Cal Farley's Boys Ranch and Subsidiary
Consolidated Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions of cash	$ 25,660,263	$ 1,329,425	$ 26,989,688
Contributions of investments	2,113,803	-	2,113,803
Contributions of food, clothing, and other household items	162,952	-	162,952
Contributions of equipment, animals, and other	117,037	-	117,037
Change in value of unconditional promises to give	-	5,617,398	5,617,398
Change in value of beneficial interest in perpetual trusts	-	827,847	827,847
investment return			
Interest, dividends, and other, net	5,570,517	1,009,334	6,579,851
Realized (loss) gain	(446,799)	184,132	(262,667)
Unrealized loss	(72,311)	(95,976)	(168,287)
Change in value of mineral interests	(2,218,235)	-	(2,218,235)
Total investment return	2,833,172	1,097,490	3,930,662
Other income	47,321	-	47,321
Net assets released from restrictions - satisfaction of time or purpose restrictions	6,423,118	(6,423,118)	-
Total support and revenue	37,357,666	2,449,042	39,806,708
EXPENSES			
Program services			
Boys ranch operations	29,879,184	-	29,879,184
Community service	1,812,910	-	1,812,910
Total program services	31,692,094	-	31,692,094
Support services			
Fund-raising activities	6,878,699	-	6,878,699
Administrative and general	4,809,133	-	4,809,133
Total support services	11,687,832	-	11,687,832
Total expenses	43,379,926	-	43,379,926
OTHER ACTIVITIES			
Support from Cal Farley's Boys Ranch Foundation	5,061,773	-	5,061,773
Other losses	(473,873)		(473,873)
Interest expense	(27,822)	-	(27,822)
CHANGE IN NET ASSETS	(1,462,182)	2,449,042	986,860
NET ASSETS, beginning of year	60,989,998	79,166,004	140,156,002
NET ASSETS, end of year	$ 59,527,816	$ 81,615,046	$ 141,142,862

See accompanying notes.

Cal Farley's Boys Ranch and Subsidiary
Consolidated Statement of Activities (Continued)
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions of cash	$ 25,229,477	$ 1,694,517	$ 26,923,994
Contributions of investments	159,330	-	159,330
Contributions of food and clothing	43,172	-	43,172
Contributions of equipment, animals, and other	103,642	-	103,642
Change in value of unconditional promises to give	-	(6,126,124)	(6,126,124)
Change in value of beneficial interest in perpetual trusts	-	(6,294,319)	(6,294,319)
investment return			
Interest, dividends, and other, net	6,028,095	913,229	6,941,324
Realized (loss) gain	(887,302)	174,156	(713,146)
Unrealized loss	(3,006,740)	(748,909)	(3,755,649)
Change in value of mineral interests	8,352,960	-	8,352,960
Total investment return	10,487,013	338,476	10,825,489
Other income	93,842	-	93,842
Net assets released from restrictions - satisfaction of time or purpose restrictions	889,957	(889,957)	-
Total support and revenue	37,006,433	(11,277,407)	25,729,026
EXPENSES			
Program services			
Boys ranch	29,613,128	-	29,613,128
Community service	1,233,100	-	1,233,100
Total program services	30,846,228	-	30,846,228
Support services			
Fund-raising activities	6,546,018	-	6,546,018
Administrative and general	4,357,015	-	4,357,015
Total support services	10,903,033	-	10,903,033
Total expenses	41,749,261	-	41,749,261
OTHER ACTIVITIES			
Support from Cal Farley's Boys Ranch Foundation	11,681,402	-	11,681,402
CHANGE IN NET ASSETS	6,938,574	(11,277,407)	(4,338,833)
NET ASSETS, beginning of year	54,051,424	90,443,411	144,494,835
NET ASSETS, end of year	$ 60,989,998	$ 79,166,004	$ 140,156,002

See accompanying notes.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 986,860	$ (4,338,833)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,300,330	3,235,398
Amortization of finance right-of-use assets	241,150	-
Net gain on disposition of property and equipment	(32,376)	(17,716)
Net realized loss on investments	295,044	741,363
Net unrealized loss on investments	168,286	3,755,649
Noncash donations of investments	(2,113,803)	(159,330)
Noncash donations of property and equipment	(36,500)	(60,390)
Donor restricted contributions	(1,329,425)	(1,694,517)
Investment income restricted for investment	(1,009,334)	(913,229)
Unrealized loss on unconditional promises to give	5,617,398	6,392,464
Unrealized (gain) loss on beneficial interest in perpetual trusts	(827,847)	6,294,320
Unrealized loss (gain) on mineral interests	2,218,235	(8,352,960)
Change in		
Accrued interest receivable	(14,577)	(37,931)
Receivables from Cal Farley's Boys Ranch Foundation	(96,202)	(1,300)
Other receivables	145,152	(463,414)
Unconditional promises to give	(5,230,146)	(493,272)
Prepaid expenses	906,756	(335,783)
Inventories	(33,301)	4,027
Funds invested with Cal Farley's Boys Ranch Foundation	-	(6,934,389)
Finance lease right-of-use asset and liability, net	84,918	-
Accounts payable	(294,349)	(125,309)
Payable to Cal Farley's Boys Ranch Foundation	4,892,827	2,439,370
Accrued liabilities	(68,989)	(240,999)
Net cash provided by (used in) operating activities	7,770,107	(1,306,781)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(16,287,908)	(15,745,855)
Proceeds from maturities and sales of investments	14,771,512	15,007,578
Acquisitions of property and equipment	(3,086,800)	(505,660)
Proceeds from sale of property and equipment	20,387	84,136
Net cash used in investing activities	(4,582,809)	(1,159,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment in primarily property and equipment or scholarships	1,105,960	724,987
Investment in donor restricted endowment	223,465	969,530
Payments on finance leases	(315,020)	-
Investment income restricted for investment	1,009,334	913,229
Net cash provided by financing activities	2,023,739	2,607,746
NET INCREASE IN CASH	5,211,037	141,164
CASH AND CASH EQUIVALENTS, beginning of year	5,524,759	5,383,595
CASH AND CASH EQUIVALENTS, end of year	$ 10,735,796	$ 5,524,759

See accompanying notes.

Cal Farley's Boys Ranch and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services			Support Services			
	Boys Ranch	Community Service	Total	Fund-Raising Activities	Administrative and General	Total	Total Expenses
Salaries	$ 9,397,388	$ 822,797	$ 10,220,185	$ 976,596	$ 2,123,810	$ 3,100,406	$ 13,320,591
Payroll taxes	728,949	62,303	791,252	74,758	153,223	227,981	1,019,233
Employee benefits	1,838,380	158,133	1,996,513	172,217	324,229	496,446	2,492,959
Employment expenses	11,964,717	1,043,233	13,007,950	1,223,571	2,601,262	3,824,833	16,832,783
Agriculture	145,871	-	145,871	-	-	-	145,871
Chapel	12,179	-	12,179	-	-	-	12,179
Client services	-	75,985	75,985	-	-	-	75,985
Community as lab	51,408	-	51,408	-	-	-	51,408
Cosmetology	15,672	-	15,672	-	-	-	15,672
Country Store	(6,362)	-	(6,362)	-	-	-	(6,362)
Day care income	(93,082)	-	(93,082)	-	-	-	(93,082)
Dining hall and food	607,353	-	607,353	-	-	-	607,353
Donor gifts and promotional	22	-	22	27,990	-	27,990	28,012
Dues and subscriptions	51,265	226	51,491	13,040	11,963	25,003	76,494
Fees, interests, and penalties	1,076	-	1,076	958	6,228	7,186	8,262
Fuel and oil	253,737	-	253,737	-	18,361	18,361	272,098
Fundraising event	17,330	-	17,330	92,484	-	92,484	109,814
Gift processing	-	-	-	52,470	-	52,470	52,470
Grocery store	28,007	-	28,007	-	-	-	28,007
Home life	688,204	-	688,204	-	-	-	688,204
Horticulture	43,130	-	43,130	-	-	-	43,130
HR program support	57,424	-	57,424	-	82,381	82,381	139,805
Insurance	1,506,527	-	1,506,527	-	194,935	194,935	1,701,462
Lease and rent expense	-	54,398	54,398	-	-	-	54,398
Legal expense	-	-	-	-	25,791	25,791	25,791
Mailing list	127,818	-	127,818	(36,529)	8,871	(27,658)	100,160
Marketing and advertising	402	2,125	2,527	-	79,561	79,561	82,088
Medical	1,081,194	-	1,081,194	-	-	-	1,081,194
Other expenses	102,088	9,577	111,665	1,427	-	1,427	113,092
Postage	1,250,114	110	1,250,224	1,589,295	90,067	1,679,362	2,929,586
Printed material	3,420,385	-	3,420,385	3,461,698	235,051	3,696,749	7,117,134
Professional development	28,479	-	28,479	9,699	2,618	12,317	40,796
Professional/contract services	179,761	-	179,761	202,364	409,766	612,130	791,891
Program support	47,394	-	47,394	-	-	-	47,394
Repairs and maintenance - building	653,907	31,352	685,259	-	12,079	12,079	697,338
Repairs and maintenance - equipment	147,165	-	147,165	53,513	13,832	67,345	214,510
Repairs and maintenance - other	108,824	-	108,824	-	82,494	82,494	191,318
Repairs and maintenance - software	12,399	-	12,399	163,432	232,849	396,281	408,680
Repairs and maintenance - vehicles	139,898	47,289	187,187	-	17,605	17,605	204,792
Roughrider grill	2,637	-	2,637	-	-	-	2,637
Safety and security	115,641	-	115,641	-	2,477	2,477	118,118
Scholarship program	-	485,650	485,650	-	-	-	485,650
School	2,500,000	-	2,500,000	-	-	-	2,500,000
Small tools and equipment	117,799	1,877	119,676	-	18,832	18,832	138,508
Souvenir shop	(4,459)	-	(4,459)	-	-	-	(4,459)
Supplies	203,706	3,961	207,667	5,398	15,902	21,300	228,967
Training	(21,358)	-	(21,358)	-	-	-	(21,358)
Travel	71,022	-	71,022	17,889	13,589	31,478	102,500
Utilities	877,877	57,127	935,004	-	180,575	180,575	1,115,579
Youth activities	100,519	-	100,519	-	-	-	100,519
Youth allowances	182,058	-	182,058	-	-	-	182,058
Other operating expenses	26,789,748	1,812,910	28,602,658	6,878,699	4,357,089	11,235,788	39,838,446
Depreciation	3,089,436	-	3,089,436	-	210,894	210,894	3,300,330
Amortization	-	-	-	-	241,150	241,150	241,150
Total functional expenses	$ 29,879,184	$ 1,812,910	$ 31,692,094	$ 6,878,699	$ 4,809,133	$ 11,687,832	$ 43,379,926

See accompanying notes.

Cal Farley's Boys Ranch and Subsidiary
Consolidated Statement of Functional Expenses (Continued)
Year Ended September 30, 2022

	Program Services			Support Services			
	Boys Ranch	Community Service	Total	Fund-Raising Activities	Administrative and General	Total	Total Expenses
Salaries	$ 10,269,250	$ 567,356	$ 10,836,606	$ 1,028,355	$ 1,767,479	$ 2,795,834	$ 13,632,440
Payroll taxes	794,322	43,661	837,983	79,672	134,580	214,252	1,052,235
Employee benefits	1,949,025	95,050	2,044,075	160,468	279,822	440,290	2,484,365
Employment expenses	13,012,597	706,067	13,718,664	1,268,495	2,181,881	3,450,376	17,169,040
Agriculture	68,716	-	68,716	-	-	-	68,716
Chapel	14,546	-	14,546	-	-	-	14,546
Client services	-	61,049	61,049	-	-	-	61,049
Community as lab	58,676	-	58,676	-	-	-	58,676
Cosmetology	8,596	-	8,596	-	-	-	8,596
Country Store	30,339	-	30,339	-	-	-	30,339
Day care income	(106,068)	-	(106,068)	-	-	-	(106,068)
Dining hall and food	593,849	-	593,849	-	-	-	593,849
Donor gifts and promotional	29	-	29	39,680	-	39,680	39,709
Dues and subscriptions	46,868	-	46,868	13,948	9,746	23,694	70,562
Fees, interests, and penalties	1,168	-	1,168	-	6,700	6,700	7,868
Fuel and oil	258,276	-	258,276	-	22,113	22,113	280,389
Fundraising event	17,296	-	17,296	59,793	-	59,793	77,089
Gift processing	-	-	-	47,499	-	47,499	47,499
Grocery store	52,384	-	52,384	-	-	-	52,384
Home life	742,331	-	742,331	-	-	-	742,331
Horticulture	34,681	-	34,681	-	-	-	34,681
HR program support	30,046	-	30,046	-	65,794	65,794	95,840
Insurance	1,385,157	-	1,385,157	-	177,975	177,975	1,563,132
Lease and rent expense	165,463	-	165,463	-	43,913	43,913	209,376
Legal expense	-	-	-	-	161,355	161,355	161,355
Mailing list	163,917	-	163,917	28,007	9,268	37,275	201,192
Marketing and advertising	222	1,608	1,830	-	33,076	33,076	34,906
Medical	1,003,483	-	1,003,483	-	14,916	14,916	1,018,399
Other expenses	11,288	-	11,288	-	-	-	11,288
Postage	1,094,608	1,260	1,095,868	1,606,793	89,482	1,696,275	2,792,143
Printed material	2,690,336	-	2,690,336	3,035,341	196,212	3,231,553	5,921,889
Professional development	23,934	-	23,934	12,486	5,518	18,004	41,938
Professional/contract services	215,732	-	215,732	170,621	586,375	756,996	972,728
Program support	13,756	-	13,756	-	-	-	13,756
Repairs and maintenance - building	495,876	14,170	510,046	-	15,101	15,101	525,147
Repairs and maintenance - equipment	91,461	-	91,461	48,569	10,796	59,365	150,826
Repairs and maintenance - other	79,212	-	79,212	-	55,792	55,792	135,004
Repairs and maintenance - software	10,506	-	10,506	165,484	166,468	331,952	342,458
Repairs and maintenance - vehicles	80,187	11,218	91,405	-	7,002	7,002	98,407
Roughrider grill	12,414	-	12,414	-	-	-	12,414
Safety and security	76,433	-	76,433	-	4,201	4,201	80,634
Scholarship program	-	392,107	392,107	-	-	-	392,107
School	2,500,000	-	2,500,000	-	-	-	2,500,000
Small tools and equipment	255,652	1,500	257,152	21,674	51,911	73,585	330,737
Souvenir shop	(10,560)	-	(10,560)	-	-	-	(10,560)
Supplies	203,105	2,003	205,108	4,222	19,695	23,917	229,025
Training	4,597	-	4,597	-	-	-	4,597
Travel	61,754	6	61,760	23,406	5,009	28,415	90,175
Utilities	812,592	42,112	854,704	-	208,722	208,722	1,063,426
Youth activities	55,929	-	55,929	-	-	-	55,929
Youth allowances	224,340	-	224,340	-	-	-	224,340
Other operating expenses	26,585,724	1,233,100	27,818,824	6,546,018	4,149,021	10,695,039	38,513,863
Depreciation	3,027,404	-	3,027,404	-	207,994	207,994	3,235,398
Total functional expenses	$ 29,613,128	$ 1,233,100	$ 30,846,228	$ 6,546,018	$ 4,357,015	$ 10,903,033	$ 41,749,261

See accompanying notes.

Note 1 – Organization

Cal Farley's Boys Ranch (Cal Farley's) is a nonprofit 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 included Boys Ranch, Independent Living Program, Transitional Aftercare, Family Preservation, Family Engagement, Alumni Case Management, and Community Counseling.

Tascosa Enterprises, LLC (Tascosa) formerly named Tascosa Films, LLC, is a Texas LLC Corporation that is a wholly owned subsidiary of Cal Farley's. Tascosa provides the infrastructure to initiate for profit initiatives that can provide an additional revenue stream for Cal Farley's, but can also be involved in business ventures, such as retail sales, food sales, art sales, agriculture sales, and solar and wind production, that can provide our youth with vocational experience that can assist them with their transition into adulthood. Tascosa had no activity for the years ending September 30, 2023 and 2022.

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

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

Note 2 – Summary of Significant Accounting Policies

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

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

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

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

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

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

Cal Farley's writes off receivables when they become uncollectible. However, Cal Farley's has had minimal losses on accounts receivable in prior years, and, therefore, no allowance was deemed necessary as of September 30, 2023 and 2022.

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

An allowance for uncollectible accounts is estimated by management based on its historical loss analysis and is adjusted for those specific unconditional promises to give for which collection is uncertain. Such amounts will be written-off if and when they are deemed uncollectible. Amounts totaling approximately $470,00 were written off as of September 30, 2023 and are included in other losses in the consolidated statement of activities. No allowance was deemed necessary as of September 30, 2023 and 2022.

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

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

Funds invested with Cal Farley's Boys Ranch Foundation – These assets consist of investment assets held at the Foundation that have been board-designated for a contingency reserve and can be used for future capital improvements and program expansion as needed and approved by the Board of Directors.

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

Impairment of long-lived assets – Cal Farley's reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. As of September 30, 2023 and 2022, there was no impairment of long-lived assets.

Leases – For the year ended September 30, 2022, Cal Farley's followed Financial Accounting Standard Board (FASB) ASC 840, *Leases*. Under that guidance, Cal Farley's classified leases as either operating or capital. Capital leases resulted in the recognition of the assets and liabilities, whereas operating leases did not.

At October 1, 2022, Cal Farley's adopted FASB ASC 842, *Leases*. Cal Farley's implemented this standard utilizing the modified retrospective transition approach and electing to not adjust comparative periods. As a result, the consolidated financial statements for the year ended September 30, 2022, were not changed related to this implementation.

The following lease accounting policies were followed for the year ended September 30, 2023: At lease inception, Cal Farley's determines whether an arrangement is or contains a lease. Amounts recognized as right-of-use (ROU) assets related to operating and finance leases and the related lease liabilities are included on the accompanying consolidated statements of financial position. ROU assets represent Cal Farley's right to use leased assets over the term of the lease. Lease liabilities represent Cal Farley's contractual obligation to make lease payments arising from the lease.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. Cal Farley’s uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs, plus any repayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of renewal rates, and the presence of factors that would cause a significant economic penalty to Cal Farley’s if the option were not exercised. Lease expenses are recognized on a straight-line basis over the lease term. The Organization has elected not to recognize an ROU asset and obligation for leases with an initial term of 12 months or less. The expense associated with short-term leases is included in rent expense in the consolidated statements of operations.

For finance leases, upon lease commencement, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. Cal Farley’s uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, Cal Farley’s uses its incremental borrowing rate to determine the present value of the lease payments.

Income taxes – Cal Farley's is exempt from federal income taxes on related income under Section 501 (a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in IRC Section 501(c)(3). Further, Cal Farley's has been classified as an organization that is not a private foundation under the IRC Section 509(a), and, as such, contributions to Cal Farley's qualify for deduction as charitable contributions.

However, income generated from activities unrelated to Cal Farley's exempt purpose is subject to tax under IRC Section 511. Tascosa is a wholly owned subsidiary of Cal Farley's and, therefore, considered a disregarded entity for federal income tax purposes. FASB provides guidance for how uncertain tax positions should be recognized, measured, disclosed, and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Cal Farley's tax return to determine whether the tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions.

Revenue recognition

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

Recent accounting pronouncements – FASB Accounting Standards Update (ASU) 2016-02 and 2020-05 – *Leases:* Changes the way lessees will recognize leases as they will recognize most leases on-balance-sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current GAAP. ASU 2016-02 is effective for annual periods beginning after December 15, 2020, and interim periods in fiscal years beginning after December 15, 2021. The ASU mandates a modified retrospective transition method for all entities. Management has adopted this standard as reflected in the consolidated statement of activities and notes to the consolidated financial statements. There was no impact to the change in net assets from the implementation of the standard.

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.

Reclassifications – Certain 2022 amounts have been reclassified to conform with the 2023 presentation. There was no impact to the 2022 assets, liabilities or net assets.

Note 3 – Unconditional Promises to Give

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

	2023	2022
Less than one year	$ 5,000	$ 507,404
One to five years	77,097	5,586,069
More than five years	16,794,549	11,170,425
Total	$ 16,876,646	$ 17,263,898

As of September 30, 2023 and 2022, amounts presented above for split interest agreements were recorded at fair value using the Organization's beneficial interest of the related assets. Multi-year pledges were recorded at fair value using the present value of an annuity and the present value factor interest rate used was 5% and 3.6%, the IRS discount rate at September 30, 2023 and 2022, respectively. Cal Farley's has determined all amounts to be collectible.

Note 4 – Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

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

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

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

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

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

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

Real estate and mineral interests are valued by using significant unobservable inputs, including, if available, discounted cash flow analysis, comparable analysis, or third-party appraisals (Level 3). The value of mineral interests reflects value of actual producing wells utilizing a third-party valuation that is a standardized valuation method that takes the prior 12 months' revenue multiplied by a factor of four. Management reviews and evaluates the values provided by all third parties and agrees with the valuation methods and assumptions used in determining the fair value of the above investments.

Investments measured at NAV are assets measured at net asset value per share practical expedient and consist of the Organization's beneficial interest in perpetual trusts (see Note 5).

The investment expenses are netted against investment income. The investment expenses for the years ended September 30, 2023 and 2022, are approximately $308,000 and $278,000, respectively.

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

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

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

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

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

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

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds and other short-term investments	$ 9,794,505	$ -	$ -	$ 9,794,505
U.S. government securities	4,343,195	8,566,882	-	12,910,077
Taxable municipal securities	-	515,298	-	515,298
Marketable equity securities	194,288	-	-	194,288
Mutual funds	1,195,143	-	-	1,195,143
Corporate bonds and notes	-	6,678,657	-	6,678,657
Notes receivable	-	-	19,521	19,521
Cash value life insurance policies	-	1,640,236	-	1,640,236
Real estate, mineral interests, and other	-	-	13,682,995	13,683,008
Total assets in the fair value hierarchy	$ 15,527,131	$ 17,401,073	$ 13,702,516	46,630,720
Investments measured at NAV (practical expedient)				35,293,339
Investments at fair value				$ 81,924,059

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

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

For Level 3 assets measured at fair value on a recurring basis as of September 30, 2023 and 2022, purchases were $240,000 and $850,000, and payments/sales were $0 and $1,704,388, respectively.

The following schedule summarizes investments not including beneficial interest in perpetual trusts classified according to any donor restrictions at September 30, 2023 and 2022:

	2023	2022
Investments without donor restrictions	$ 17,185,658	$ 17,738,069
Investments with donor restrictions	29,445,062	27,944,017
Total investments	$ 46,630,720	$ 45,682,086

Note 5 – Beneficial Interest in Perpetual Trusts

Cal Farley's receives charitable trusts from donors. Some of these trusts are considered perpetual trusts because Cal Farley's will never receive the trust assets, but they have an irrevocable right to receive all or a portion of the income earned from the trust assets in perpetuity; therefore, there is not timing of liquidation of the trust assets. Cal Farley's has recorded the asset and has recognized contribution revenue with donor restrictions at the fair market value of Cal Farley's beneficial interest in the trust assets. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as change in value of beneficial interest in perpetual trusts in net assets with donor restrictions. Distributed income received from these trusts is recorded in investment income in the net assets without donor restrictions. Change in value of the perpetual trust was $827,847 and $(6,294,319) for the years ended September 30, 2023 and 2022, respectively.

Note 6 – Property and Equipment

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

	2023	2022
Land	$ 4,447,841	$ 4,447,841
Buildings	69,666,464	69,572,733
Furniture and fixtures	6,947,438	6,342,167
Roads and grounds	6,840,752	5,342,759
Utility lines and equipment	3,964,561	3,964,561
Land improvements	601,641	601,641
Sewage complex	3,518,401	3,518,401
Transportation and hauling	5,624,542	5,520,470
Farm and ranch machinery	2,186,488	1,966,948
Construction in progress	70,270	31,858
	103,868,398	101,309,379
Less: accumulated depreciation	(80,875,798)	(78,151,738)
Total property and equipment, net	$ 22,992,600	$ 23,157,641

Depreciation expense for the years ended September 30, 2023 and 2022, was $3,300,330 and $3,235,398, respectively.

Note 7 – Net Assets

For the years ending September 30, 2023 and 2022, net assets consist of the following:

	2023	2022
Net assets without donor restrictions		
Undesignated	$ 20,535,216	$ 21,832,357
Net investment in property and equipment	22,992,600	23,157,641
Designated - board reserve	16,000,000	16,000,000
Total net assets without donor restrictions	$ 59,527,816	$ 60,989,998
Net assets with donor restrictions		
Subject to expenditure for specified purpose		
Operations and program support	$ 208,192	$ 154,292
Scholarships	1,456,680	1,730,158
Capital projects	5,155,186	4,269,297
Special medical needs	185,051	188,539
	7,005,109	6,342,286
Subject to the passage of time		
Contributions receivable	16,876,646	16,756,494
	16,876,646	16,756,494
Subject to Cal Farley's spending policy and appropriation		
Endowment funds restricted in perpetuity	17,749,268	17,525,803
Endowment funds accumulated gains	4,690,684	4,075,929
	22,439,952	21,601,732
Subject to restriction in perpetuity		
Perpetual trusts held by others	35,293,339	34,465,492
Total net assets with donor restrictions	81,615,046	79,166,004
Total	$ 141,142,862	$ 140,156,002

Note 8 – Contributed Nonfinancial Assets

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

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

The Organization received investments that were converted to cash of $2,113,803 and $159,330 for September 30, 2023 and 2022, respectively. The Organization also received $162,952 and $43,172 of donated clothing and food that was used for our youth. $117,037 and $103,642 of other items such as animals, vehicles, equipment, gift cards, and supplies for rodeo were also received as of September 30, 2023 and 2022, respectively.

Note 9 – Leases

The Organization leases certain facilities and equipment under certain noncancelable operating lease agreements. The Organization expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. These leases have been evaluated and are accounted for under ASC 840 for the year ended September 30, 2022, and under ASC 842 for the year ended September 30, 2023.

Pre-adoption of ASC 842 for the year ended September 30, 2022 – For the year ended September 30, 2022, the Organization accounted for its leases under ASC 840. For the year ending September 30, 2022, the lease expense was $209,376.

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

Years Ending September 30,	
2023	$ 189,547
2024	151,298
2025	95,216
2026	41,677
2027	18,685
Total minimum future lease payments	$ 496,423

Post-adoption of ASC 842 for the year ended September 30, 2023 – For the year ended September 30, 2023, the Organization accounted for its leases under ASC 842.

Amounts recognized as ROU assets related to finance leases and the related lease liabilities are included on the accompanying consolidated balance sheet. At September 30, 2023, ROU assets and lease liabilities related to finance leases were as follows:

Finance lease ROU assets		
Initial asset recognized	$	758,377
Accumulated amortization		(241,150)
Total	$	517,227
Finance lease liability		
Current portion of finance lease liability	$	194,467
Long-term portion of finance lease liability		333,808
Total	$	528,275

The Organization recognized the following rent expense associated with its leases for the year ended September 30, 2023:

Finance lease expense		
Amortization of ROU assets	$	241,150
Interest expense		27,822
Total	$	268,972

During the year ended September 30, 2023, the Organization had the following cash and non-cash activities associated with leases:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$	26,027
Financing cash flows from finance leases	$	316,816

The future payments due under the finance leases at September 30, 2023, is as follows:

		Finance
2024	$	211,802
2025		164,390
2026		99,744
2027		75,413
2028		11,520
Total undiscounted cash flows		562,869
Less present value discount		(34,594)
Total lease liabilities	$	528,275

At September 30, 2023, the weighted-average remaining lease term is 3.16 years for finance leases. For leases that included an implicit rate, the implicit rate was used. For leases that do not have an implicit rate, the Organization utilized its incremental borrowing rate as the discount rate. The weighted-average discount rate is 4.18% for finance leases.

Note 10 – Endowments

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

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

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

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

- The duration and preservation of the fund
- The purposes of Cal Farley's and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Cal Farley's
- The investment policies of Cal Farley's

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

	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	$ -	$ 17,749,268	$ 17,749,268
Restricted by purpose or time	-	4,690,684	4,690,684
Total	$ -	$ 22,439,952	$ 22,439,952

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	$ -	$ 21,601,732	$ 21,601,732
Investment return	-	969,668	969,668
Net depreciation (realized and unrealized)	-	88,155	88,155
Total investment gain	-	1,057,823	1,057,823
Contributions	-	223,465	223,465
Appropriation of endowment assets for expenditure	-	(443,068)	(443,068)
Endowment net assets, September 30, 2023	$ -	$ 22,439,952	$ 22,439,952

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

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

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

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

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the fund. Due to changes in the market values, there were three funds with deficiencies as of September 30, 2023 and 2022, in the amount of $(80,233) and $(15,780). The original gift value for these funds is $1,041,971 and $1,245,168 as of September 30, 2023 and 2022, respecitively.

Return objectives and risk parameters – Cal Farley's has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historical dollar value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. Cal Farley's currently expects its endowment funds to produce a total investment rate of return over the long term which exceeds the rate of inflation as measured by the Consumer Price Index (CPI) by at least 5%. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term, rate-of-return objectives, Cal Farley's relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Cal Farley's targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Cal Farley uses a five-year rolling rate-of-return average to allocate earnings to each endowment yearly unless the endowment is invested in specific securities specified by the donors, then the actual rate of return for the year is used.

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

Note 11 – 401(k) Plan

Substantially all employees of Cal Farley's are eligible to participate in a plan qualified under Section 401(k) of the IRC. Eligible participants may generally make contributions up to the lesser of the amount allowed under ERISA or 100% of their compensation. The employer matched an amount equal to 100% of the employees' contribution, not exceeding 5% of the employees' compensation. Cal Farley's made matching contributions of approximately $582,000 and $575,000 for the years ended September 30, 2023 and 2022, respectively.

Note 12 – Self-Insurance Plan

Cal Farley's is self-insured for employee medical claims up to $300,000 per employee. Monthly premiums are paid into a trust from which claims are paid by the administrator of the trust. Total amounts charged to expense by Cal Farley's during the years ended September 30, 2023 and 2022, was approximately $1,846,000 and $1,772,000, respectively.

A liability has been accrued in the amount of $213,000 and $214,000 as September 30, 2023 and 2022 for medical insurance claims incurred but not paid for all current employees. This amount is recorded in accrued liabilities on the consolidated statements of financial position.

Note 13 – Compensated Absences

Employees of the Organization are entitled to paid time off depending on job classification, length of service, and other factors. Cal Farley's accrues for unused paid time off and at September 30, 2023 and 2022. Cal Farley's recognized approximately $774,000 and $803,000 as an accrual for paid time off. This amount is recorded in accrued liabilities in the consolidated statements of financial position.

Note 14 – Related-Party Transactions

During the years ended September 30, 2023 and 2022, Cal Farley's received $5,061,773 and $11,681,402, respectively, in support from the Foundation. At September 30, 2023 and 2022, Cal Farley's had a receivable from the Foundation of $97,677 and $1,475, respectively. Cal Farley's had payables due to the Foundation of $7,332,197 and $2,439,370 at September 30, 2023 and 2022. The Foundation holds investment assets 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.

Board-approved funding and uses and investment earnings are applied to this reserve through the fiscal year. As of September 30, 2023 and 2022, $16,000,000, was outstanding and available for approved use.

Note 15 – Liquidity and Funds Available

The following table reflects Cal Farley'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, perpetual trusts held by others, endowments, and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve. These board designations could be drawn upon if the Board of Directors approves that action.

	2023	2022
Financial assets		
Cash and cash equivalents	$ 10,735,796	$ 5,524,759
Accrued interest receivable	183,473	168,896
Other receivables	710,478	759,428
Unconditional promises to give	16,876,646	17,263,898
Investments without donor restrictions	17,185,658	17,738,069
Investments with donor restrictions	29,445,062	27,944,017
Beneficial interest in perpetual trusts	35,293,339	34,465,492
Funds invested with the Foundation	16,000,000	16,000,000
Total financial assets	126,430,452	119,864,559
Less those unavailable for general expenditure within one year, due to perpetual trusts held by others not convertible to cash within next 12 months	(35,293,339)	(34,465,492)
Contribution and accounts receivable collectible beyond one year	(16,871,646)	(16,756,494)
Endowments and accumulated earnings subject to appropriation beyond one year	(22,439,952)	(21,601,732)
Board-designated reserves for future contingencies	(16,000,000)	(16,000,000)
Mineral interests - not available for sale	(13,327,078)	(15,545,312)
Investments with donor restrictions not expected to be used within one year	(7,005,110)	(6,342,285)
Financial assets available to meet cash needs for general expenditures within one year	$ 15,493,327	$ 9,153,244

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

Note 16 – Subsequent Events

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

Cal Farley's has evaluated subsequent events through March 11, 2024, which is the date the consolidated financial statements were available to be issued.

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