



Report of Independent Auditors
and Consolidated Financial Statements

Cal Farley's Boys Ranch and Subsidiary

September 30, 2024 and 2023



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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, 2024 and 2023, 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, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Albuquerque, New Mexico
March 7, 2025

Consolidated Financial Statements

Cal Farley's Boys Ranch and Subsidiary
Consolidated Statements of Financial Position
September 30, 2024 and 2023

	2024	2023
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 4,534,138	\$ 10,735,796
Accrued interest receivable	205,080	183,473
Receivable from Cal Farley's Boys Ranch Foundation	1,949,596	97,677
Other receivables	534,937	612,801
Unconditional promises to give	16,137,291	16,876,646
Prepaid expenses	737,383	640,701
Inventories	675,706	798,949
Investments without donor restrictions	15,893,523	17,185,658
Investments with donor restrictions	30,462,495	29,445,062
Beneficial interest in perpetual trusts	40,410,862	35,293,339
Funds invested with Cal Farley's Boys Ranch Foundation	22,200,000	16,000,000
Right of use assets	335,710	517,227
Property and equipment, net	24,440,959	22,992,600
Total assets	\$ 158,517,680	\$ 151,379,929
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,016,636	\$ 762,356
Payable to Cal Farley's Boys Ranch Foundation	6,218,000	7,332,197
Finance lease liabilities	349,988	528,275
Accrued liabilities	1,504,237	1,614,239
Deferred income	124,979	-
Total liabilities	9,213,840	10,237,067
NET ASSETS		
Without donor restrictions	64,505,249	59,527,816
With donor restrictions	84,798,591	81,615,046
Total net assets	149,303,840	141,142,862
Total liabilities and net assets	\$ 158,517,680	\$ 151,379,929

See accompanying notes.

Cal Farley's Boys Ranch and Subsidiary
Consolidated Statement of Activities
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions of cash	\$ 30,565,418	\$ 1,882,902	\$ 32,448,320
Contributions of investments	251,054	-	251,054
Contributions of food, clothing, and other household items	36,037	-	36,037
Contributions of equipment, animals, and other	74,483	-	74,483
Contributions of property	604,873	-	604,873
Change in value of unconditional promises to give	-	(2,933,831)	(2,933,831)
Change in value of beneficial interest in perpetual trusts	-	5,117,523	5,117,523
Investment return			
Interest, dividends, and other, net	6,096,271	994,879	7,091,150
Realized (loss) gain	(237,722)	195,203	(42,519)
Unrealized gain	1,457,636	678,243	2,135,879
Change in value of mineral interests	(4,765,397)	-	(4,765,397)
Total investment return	<u>2,550,788</u>	<u>1,868,325</u>	<u>4,419,113</u>
Other income	77,579	-	77,579
Net assets released from restrictions - satisfaction of time or purpose restrictions	<u>2,751,374</u>	<u>(2,751,374)</u>	<u>-</u>
Total support and revenue	<u>36,911,606</u>	<u>3,183,545</u>	<u>40,095,151</u>
EXPENSES			
Program services			
Boys ranch operations	27,679,556	-	27,679,556
Community service	<u>2,245,968</u>	<u>-</u>	<u>2,245,968</u>
Total program services	<u>29,925,524</u>	<u>-</u>	<u>29,925,524</u>
Support services			
Fund-raising activities	2,744,828	-	2,744,828
Administrative and general	<u>4,826,152</u>	<u>-</u>	<u>4,826,152</u>
Total support services	<u>7,570,980</u>	<u>-</u>	<u>7,570,980</u>
Total expenses	<u>37,496,504</u>	<u>-</u>	<u>37,496,504</u>
OTHER ACTIVITIES			
Support from Cal Farley's Boys Ranch Foundation	5,580,982	-	5,580,982
Interest expense	<u>(18,651)</u>	<u>-</u>	<u>(18,651)</u>
CHANGE IN NET ASSETS	4,977,433	3,183,545	8,160,978
NET ASSETS, beginning of year	<u>59,527,816</u>	<u>81,615,046</u>	<u>141,142,862</u>
NET ASSETS, end of year	<u>\$ 64,505,249</u>	<u>\$ 84,798,591</u>	<u>\$ 149,303,840</u>

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	126,452	-	126,452
Contributions of equipment, animals, and other	117,037	-	117,037
Contributions of property	36,500	-	36,500
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	<u>2,833,172</u>	<u>1,097,490</u>	<u>3,930,662</u>
Other income	47,321	-	47,321
Net assets released from restrictions - satisfaction of time or purpose restrictions	<u>6,423,118</u>	<u>(6,423,118)</u>	<u>-</u>
Total support and revenue	<u>37,357,666</u>	<u>2,449,042</u>	<u>39,806,708</u>
EXPENSES			
Program services			
Boys ranch	29,879,184	-	29,879,184
Community service	<u>1,812,910</u>	<u>-</u>	<u>1,812,910</u>
Total program services	<u>31,692,094</u>	<u>-</u>	<u>31,692,094</u>
Support services			
Fund-raising activities	6,878,699	-	6,878,699
Administrative and general	<u>4,809,133</u>	<u>-</u>	<u>4,809,133</u>
Total support services	<u>11,687,832</u>	<u>-</u>	<u>11,687,832</u>
Total expenses	<u>43,379,926</u>	<u>-</u>	<u>43,379,926</u>
OTHER ACTIVITIES			
Support from Cal Farley's Boys Ranch Foundation	5,061,773	-	5,061,773
Other losses	(473,873)	-	(473,873)
Interest expense	<u>(27,822)</u>	<u>-</u>	<u>(27,822)</u>
CHANGE IN NET ASSETS	(1,462,182)	2,449,042	986,860
NET ASSETS, beginning of year	<u>60,989,998</u>	<u>79,166,004</u>	<u>140,156,002</u>
NET ASSETS, end of year	<u>\$ 59,527,816</u>	<u>\$ 81,615,046</u>	<u>\$ 141,142,862</u>

See accompanying notes.

Cal Farley's Boys Ranch and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,160,978	\$ 986,860
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	3,589,806	3,300,330
Interest paid on finance lease	(18,651)	(27,822)
Amortization of finance right-of-use assets	207,660	241,150
Net gain on disposition of property and equipment	(14,474)	(32,377)
Net realized loss on investments	56,993	295,044
Net unrealized (gain) loss on investments	(2,135,879)	168,287
Noncash donations of investments	(251,054)	(2,113,803)
Noncash donations of property and equipment	(604,873)	(36,500)
Donor restricted contributions	(1,882,902)	(1,329,425)
Investment income restricted for investment	(994,879)	(1,009,334)
Unrealized loss on unconditional promises to give	2,933,831	5,617,398
Unrealized gain on beneficial interest in perpetual trusts	(5,117,523)	(827,847)
Unrealized loss on mineral interests	4,765,397	2,218,235
Change in		
Accrued interest receivable	(21,607)	(14,577)
Receivables from Cal Farley's Boys Ranch Foundation	(1,851,919)	(96,202)
Other receivables	77,864	145,152
Unconditional promises to give	(2,194,476)	(5,230,146)
Prepaid expenses	(96,682)	906,756
Inventories	123,243	(33,301)
Funds invested with Cal Farley's Boys Ranch Foundation	(6,200,000)	-
Accounts payable	254,280	(294,349)
Payable to Cal Farley's Boys Ranch Foundation	(1,114,197)	4,892,827
Accrued liabilities	(110,002)	(68,989)
Deferred income	124,979	-
Net cash (used in) provided by operating activities	<u>(2,314,087)</u>	<u>7,657,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(12,497,019)	(16,287,908)
Proceeds from maturities and sales of investments	10,336,264	14,771,512
Acquisitions of property and equipment	(4,444,818)	(3,086,800)
Proceeds from sale of property and equipment	26,000	20,387
Net cash used in investing activities	<u>(6,579,573)</u>	<u>(4,582,809)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment in primarily property and equipment or scholarships	1,724,230	1,105,960
Investment in donor restricted endowment	158,672	223,465
Payments on finance leases	(185,779)	(202,280)
Investment income restricted for investment	994,879	1,009,334
Net cash provided by financing activities	<u>2,692,002</u>	<u>2,136,479</u>
NET (DECREASE) INCREASE IN CASH	<u>(6,201,658)</u>	<u>5,211,037</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,735,796</u>	<u>5,524,759</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,534,138</u>	<u>\$ 10,735,796</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CASH FLOW INFORMATION		
Right of use assets in exchange for new finance lease liabilities	<u>\$ 33,295</u>	<u>\$ 84,918</u>

See accompanying notes.

**Cal Farley's Boys Ranch and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended September 30, 2024**

	Program Services			Support Services			Total Expenses
	Boys Ranch	Community Service	Total	Fund-Raising Activities	Administrative and General	Total	
Salaries	\$ 9,604,288	\$ 1,182,172	\$ 10,786,460	\$ 1,026,823	\$ 2,337,693	\$ 3,364,516	\$ 14,150,976
Payroll taxes	747,306	90,641	837,947	78,603	165,105	243,708	1,081,655
Employee benefits	1,775,604	206,029	1,981,633	174,162	340,196	514,358	2,495,991
Employment expenses	12,127,198	1,478,842	13,606,040	1,279,588	2,842,994	4,122,582	17,728,622
Agriculture	96,111	-	96,111	-	-	-	96,111
Chapel	13,189	-	13,189	-	-	-	13,189
Client services	-	97,845	97,845	-	-	-	97,845
Community as lab	81,005	-	81,005	-	-	-	81,005
Cosmetology	15,155	-	15,155	-	-	-	15,155
Country Store	27,820	-	27,820	-	-	-	27,820
Day care income	(68,616)	-	(68,616)	-	-	-	(68,616)
Dining hall and food	696,278	-	696,278	-	-	-	696,278
Donor gifts and promotional	20	-	20	31,356	-	31,356	31,376
Dues and subscriptions	57,566	40	57,606	15,019	15,124	30,143	87,749
Fees, interests, and penalties	458	-	458	648	7,164	7,812	8,270
Fuel and oil	224,314	-	224,314	-	29,278	29,278	253,592
Fundraising event	-	-	-	18,078	-	18,078	18,078
Gift processing	-	-	-	61,103	-	61,103	61,103
Grocery store	42,454	-	42,454	-	-	-	42,454
Home life	614,675	-	614,675	-	-	-	614,675
Horticulture	50,095	-	50,095	-	-	-	50,095
HR program support	223,057	-	223,057	-	47,058	47,058	270,115
Insurance	1,735,721	3,975	1,739,696	3,433	215,249	218,682	1,958,378
Lease and rent expense	28,484	90,792	119,276	-	529	529	119,805
Legal expense	-	-	-	-	64,292	64,292	64,292
Mailing list	233,846	-	233,846	(45,450)	5,485	(39,965)	193,881
Marketing and advertising	679	1,737	2,416	-	53,139	53,139	55,555
Medical	1,139,796	-	1,139,796	-	-	-	1,139,796
Other expenses	16,060	13,590	29,650	1,504	2,635	4,139	33,789
Postage	155,909	369	156,278	540,373	3,202	543,575	699,853
Printed material	264,438	-	264,438	173,696	5,417	179,113	443,551
Professional development	21,541	3,746	25,287	6,175	4,673	10,848	36,135
Professional/contract services	168,259	-	168,259	349,523	525,613	875,136	1,043,395
Program support	32,491	-	32,491	-	-	-	32,491
Repairs and maintenance - building	747,193	65,704	812,897	-	23,177	23,177	836,074
Repairs and maintenance - equipment	226,590	-	226,590	56,833	17,118	73,951	300,541
Repairs and maintenance - other	68,267	-	68,267	-	86,085	86,085	154,352
Repairs and maintenance - software	32,056	-	32,056	210,685	231,505	442,190	474,246
Repairs and maintenance - vehicles	124,912	24,387	149,299	-	11,751	11,751	161,050
Roughrider grill	(105)	-	(105)	-	-	-	(105)
Safety and security	135,167	-	135,167	-	4,989	4,989	140,156
Scholarship program	-	365,929	365,929	-	-	-	365,929
School	3,501,000	-	3,501,000	-	-	-	3,501,000
Small tools and equipment	138,048	25,739	163,787	11,470	97,947	109,417	273,204
Souvenir shop	5,071	-	5,071	-	-	-	5,071
Supplies	197,454	4,258	201,712	9,575	17,290	26,865	228,577
Training	1,490	-	1,490	-	-	-	1,490
Travel	67,376	722	68,098	21,219	7,244	28,463	96,561
Utilities	658,512	68,293	726,805	-	234,967	234,967	961,772
Youth activities	94,250	-	94,250	-	-	-	94,250
Youth allowances	159,033	-	159,033	-	-	-	159,033
Other operating expenses	24,154,317	2,245,968	26,400,285	2,744,828	4,553,925	7,298,753	33,699,038
Depreciation	3,356,615	-	3,356,615	-	233,191	233,191	3,589,806
Amortization	168,624	-	168,624	-	39,036	39,036	207,660
Total functional expenses	\$ 27,679,556	\$ 2,245,968	\$ 29,925,524	\$ 2,744,828	\$ 4,826,152	\$ 7,570,980	\$ 37,496,504

See accompanying notes.

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

	Program Services			Support Services			Total Expenses
	Boys Ranch	Community Service	Total	Fund-Raising Activities	Administrative and General	Total	
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

Notes to Consolidated Financial Statements

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 year ending September 30, 2024 and 2023.

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.

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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 credit losses.

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, 2024 and 2023.

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 credit losses is estimated by management based on its historical loss analysis and is adjusted for those specific unconditional promises to give for which collection is uncertain. Such amounts will be written-off if and when they are deemed uncollectible. No allowance was deemed necessary as of September 30, 2024 and 2023.

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.

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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 to 40 years on buildings and improvements and 3 to 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, 2024 and 2023, there was no impairment of long-lived assets.

Leases – 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.

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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.

Deferred Income – Deferred income represents advance ticket sales and sponsorship revenue for promotional activities associated with the rodeo, which will be recognized as revenue upon completion of the event.

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

Adoption of new accounting standard – As of October 1, 2023, Cal Farley's adopted FASB Accounting Standards Update (ASU) 2016-03, *Financial Instruments – Credit Losses* (ASC 326). The guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Organizations will now use forward-looking information to better inform their credit loss estimates. Cal Farley's evaluated and determined the impact of adopting this guidance on Cal Farley's consolidated financial statements is immaterial.

Reclassifications – Certain 2023 amounts have been reclassified to conform with the 2024 presentation. There was no impact to the 2023 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:

	2024	2023
Less than one year	\$ 2,212,058	\$ 5,000
One to five years	83,801	77,097
More than five years	13,841,432	16,794,549
Total	\$ 16,137,291	\$ 16,876,646

As of September 30, 2024 and 2023, 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 4.8% and 5%, the Internal Revenue Service (IRS) discount rate at September 30, 2024 and 2023, 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, 2024 and 2023.

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.

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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, 2024 and 2023, are approximately \$248,000 and \$308,000, 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, 2024 and 2023, 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.

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

Assets measured at fair value on a recurring basis at September 30, 2024, as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Money market funds and other short-term investments	\$ 11,332,240	\$ -	\$ -	\$ 11,332,240
U.S. government securities	5,129,412	9,158,840	-	14,288,252
Taxable municipal securities	-	579,677	-	579,677
Marketable equity securities	244,556	-	-	244,556
Mutual funds	1,309,544	-	-	1,309,544
Corporate bonds and notes	-	7,803,530	-	7,803,530
Notes receivable	-	-	17,384	17,384
Cash value life insurance policies	-	1,674,939	-	1,674,939
Real estate, mineral interests, and other	-	-	9,105,896	9,105,896
	<u>\$ 18,015,752</u>	<u>\$ 19,216,986</u>	<u>\$ 9,123,280</u>	46,356,018
Total assets in the fair value hierarchy				46,356,018
Investments measured at NAV (practical expedient)				<u>40,410,862</u>
Investments at fair value				<u>\$ 86,766,880</u>

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

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
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	13,682,995
	<u>\$ 15,527,131</u>	<u>\$ 17,401,073</u>	<u>\$ 13,702,516</u>	46,630,720
Total assets in the fair value hierarchy				46,630,720
Investments measured at NAV (practical expedient)				<u>35,293,339</u>
Investments at fair value				<u>\$ 81,924,059</u>

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

Cal Farley's has certain assets measure at fair value on a recurring basis, which included Level 3 assets. The following table presents the fair value of Level 3 assets as of September 30:

Description	Fair Value 2024	Fair Value 2023	Valuation Technique
Notes Receivable	\$ 17,384	\$ 19,521	Income Approach
Stocks & Bond Held in Office	25,793	24,796	Income Approach
Mineral Interests	8,561,680	13,327,078	Income Approach
Surface Real Estate	279,707	289,734	Market Approach
Limited Partnership Inv	10,000	10,000	Income Approach
Coin and Jewelry	31,387	31,387	Market Approach
Investment in Tascosa Enterprises, LLC	197,329	-	Cost Approach
	<u>\$ 9,123,280</u>	<u>\$ 13,702,516</u>	

The below represents the reconciliation of Level 3 Assets of September 30:

Description	2024 Amount
Balance, October 1, 2023	\$ 13,702,516
Purchases	430,000
Sales	(263,029)
Total Losses Included in Earnings	<u>(4,746,207)</u>
Balance, September 30, 2024	<u>\$ 9,123,280</u>

Description	2024 Amount
Balance, October 1, 2023	\$ 13,702,516
Purchases	430,000
Sales	(263,029)
Total Losses Included in Earnings	<u>(4,746,207)</u>
Balance, September 30, 2024	<u>\$ 9,123,280</u>

The following schedule summarizes investments not including beneficial interest in perpetual trusts classified according to any donor restrictions at September 30, 2024 and 2023:

	2024	2023
Investments without donor restrictions	\$ 15,893,523	\$ 17,185,658
Investments with donor restrictions	<u>30,462,495</u>	<u>29,445,062</u>
Total investments	<u>\$ 46,356,018</u>	<u>\$ 46,630,720</u>

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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 \$5,117,523 and \$827,847 for the years ended September 30, 2024 and 2023, respectively.

Note 6 – Property and Equipment

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

	2024	2023
Land	\$ 4,447,841	\$ 4,447,841
Buildings	72,346,756	69,666,464
Furniture and fixtures	7,170,097	6,947,438
Roads and grounds	6,940,752	6,840,752
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	6,010,804	5,624,542
Farm and ranch machinery	2,341,126	2,186,488
Construction in progress	1,306,016	70,270
	108,647,995	103,868,398
Less accumulated depreciation	(84,207,036)	(80,875,798)
Total property and equipment, net	\$ 24,440,959	\$ 22,992,600

Depreciation expense for the years ended September 30, 2024 and 2023, was \$3,589,806 and \$3,300,330 respectively.

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

Note 7 – Net Assets

For the years ending September 30, 2024 and 2023, net assets consist of the following:

	2024	2023
Net assets without donor restrictions		
Undesignated	\$ 17,864,290	\$ 20,535,216
Net investment in property and equipment	24,440,959	22,992,600
Designated - board reserve	22,200,000	16,000,000
Total net assets without donor restrictions	\$ 64,505,249	\$ 59,527,816
Net assets with donor restrictions		
Subject to expenditure for specified purpose		
Operations and program support	\$ 156,483	\$ 208,192
Scholarships	1,778,528	1,456,680
Capital projects	4,359,943	5,155,186
Special medical needs	160,774	185,051
	6,455,728	7,005,109
Subject to the passage of time		
Contributions receivable	13,925,233	16,876,646
	13,925,233	16,876,646
Subject to Cal Farley's spending policy and appropriation		
Endowment funds restricted in perpetuity	17,907,940	17,749,268
Endowment funds accumulated gains	6,098,828	4,690,684
	24,006,768	22,439,952
Subject to restriction in perpetuity		
Perpetual trusts held by others	40,410,862	35,293,339
Total net assets with donor restrictions	84,798,591	81,615,046
Total	\$ 149,303,840	\$ 141,142,862

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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 \$251,054 and \$2,113,803 for September 30, 2024 and 2023, respectively. The Organization also received \$36,037 and \$162,952 of donated clothing and food that was used for our youth and \$604,873 and \$0 of property, \$74,483 and \$117,037 of other items such as animals, vehicles, equipment, gift cards, and supplies for rodeo were also received as of September 30, 2024 and 2023, 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.

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, ROU assets and lease liabilities related to finance leases were as follows:

	2024	2023
Finance lease ROU assets		
Initial asset recognized	\$ 543,370	\$ 758,377
Accumulated amortization	(207,660)	(241,150)
Total	\$ 335,710	\$ 517,227
Finance lease liability		
Current portion of finance lease liability	\$ 157,353	\$ 194,467
Long-term portion of finance lease liability	192,635	333,808
Total	\$ 349,988	\$ 528,275

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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

	2024	2023
Finance lease expense		
Amortization of ROU assets	\$ 207,660	\$ 241,150
Interest expense	18,651	27,822
Total	\$ 226,311	\$ 268,972

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

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 19,249	\$ 26,027
Financing cash flows from finance leases	\$ 202,570	\$ 316,816
Weighted-average remaining lease term (in years)		
Finance leases	2.58	3.16
Weighted-average discount rate		
Finance leases	4.200%	4.188%

The future payments due under the finance leases at September 30, 2024, is as follows:

	Finance
2025	\$ 169,875
2026	109,325
2027	79,336
2028	10,292
Total undiscounted cash flows	368,828
Less present value discount	(18,840)
Total lease liabilities	\$ 349,988

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 Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

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, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	\$ -	\$ 17,907,940	\$ 17,907,940
Restricted by purpose or time	-	6,098,828	6,098,828
Total	\$ -	\$ 24,006,768	\$ 24,006,768

Cal Farley's Boys Ranch and Subsidiary

Notes to Consolidated Financial Statements

Changes in endowment net assets for the year ended September 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2023	\$ -	\$ 22,439,952	\$ 22,439,952
Investment return		945,729	945,729
Net appreciation (realized and unrealized)	-	873,446	873,446
Total investment gain	-	1,819,175	1,819,175
Contributions	-	158,672	158,672
Appropriation of endowment assets for expenditure	-	(411,031)	(411,031)
Endowment net assets, September 30, 2024	\$ -	\$ 24,006,768	\$ 24,006,768

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

Cal Farley's Boys Ranch and Subsidiary Notes to Consolidated Financial Statements

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2022	\$ -	\$ 21,601,732	\$ 21,601,732
Investment return	-	969,668	969,668
Net appreciation (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	<u>\$ -</u>	<u>\$ 22,439,952</u>	<u>\$ 22,439,952</u>

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, in the amount of \$(80,233). The original gift value for these funds is \$1,041,971 as of September 30, 2024. There were no funds with deficiencies as of September 30, 2024.

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.

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Notes to Consolidated Financial Statements

Spending policy and how the investment objectives relate to spending policy – Cal Farley's has a policy which allows for appropriating expenditures each year up to 5%, or the percentage specified by donor, of its endowment fund's average fair value over the prior five fiscal years. In establishing this policy, Cal Farley's considered the long-term expected return on its endowment. Cal Farley's policy is to not spend from underwater endowments unless directed otherwise by the donor. There were no spending of underwater endowments during September 30, 2024 and 2023.

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 \$602,000 and \$582,000 for the years ended September 30, 2024 and 2023, 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, 2024 and 2023, was approximately \$1,805,000 and \$1,846,000, respectively.

A liability has been accrued in the amount of \$265,000 and \$213,000 as September 30, 2024 and 2023 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, 2024 and 2023, Cal Farley's recognized approximately \$755,000 and \$774,000, respectively, 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, 2024 and 2023, Cal Farley's received \$5,580,982 and \$5,061,773, respectively, in support from the Foundation. At September 30, 2024 and 2023, Cal Farley's had a receivable from the Foundation of \$1,949,596 and \$97,677, respectively. Cal Farley's had payables due to the Foundation of \$6,218,000 and \$7,332,197 at September 30, 2024 and 2023. 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.

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Board-approved funding and uses and investment earnings are applied to this reserve through the fiscal year. As of September 30, 2024 and 2023, \$22,200,000 and \$16,000,000, respectively, 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, 2024 and 2023, 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.

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 4,534,138	\$ 10,735,796
Accrued interest receivable	205,080	183,473
Other receivables	2,484,533	710,478
Unconditional promises to give	16,137,291	16,876,646
Investments without donor restrictions	15,893,523	17,185,658
Investments with donor restrictions	30,462,495	29,445,062
Beneficial interest in perpetual trusts	40,410,862	35,293,339
Funds invested with the Foundation	22,200,000	16,000,000
Total financial assets	132,327,922	126,430,452
Less those unavailable for general expenditure within one year, due to		
perpetual trusts held by others not convertible		
to cash within next 12 months	(40,410,862)	(35,293,339)
Contribution and accounts receivable collectible beyond		
one year	(13,925,233)	(16,871,646)
Endowments and accumulated earnings subject		
to appropriation beyond one year	(24,006,768)	(22,439,952)
Board-designated reserves for future contingencies	(22,200,000)	(16,000,000)
Mineral interests - not available for sale	(8,561,680)	(13,327,078)
Investments with donor restrictions not expected to be used		
within one year	(6,455,727)	(7,005,110)
Financial assets available to meet cash needs for general		
expenditures within one year	\$ 16,767,652	\$ 15,493,327

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.

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Notes to Consolidated Financial Statements

Note 16 – Subsequent Events

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

Cal Farley's has evaluated subsequent events through March 7, 2025, which is the date the consolidated financial statements were available to be issued.

