

**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
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YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Masonic Home and School of Texas
dba: Masonic Children & Family Services of Texas
Keller, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Masonic Home and School of Texas dba: Masonic Children & Family Services of Texas, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Masonic Home and School of Texas dba: Masonic Children & Family Services of Texas, as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Masonic Home and School of Texas dba: Masonic Children & Family Services of Texas, 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 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 Masonic Home and School of Texas dba: Masonic Children & Family Services of Texas 's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Board of Directors
Masonic Home and School of Texas
dba: Masonic Children & Family Services of Texas

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The budget to actual summary information and budget to actual expenditures detail comparison, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Dallas, Texas
December 7, 2022

**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 94,632	\$ 76,294
Cash - Restricted	3,403	6,403
Accounts Receivable	76,108	-
Prepaid Expenses	100,678	8,900
Accrued Interest	466,860	293,212
Beneficial Interests in Perpetual Trusts	9,864,304	14,112,475
Pooled Investments	101,092,004	117,051,974
Nonpooled Investments	11,091,107	8,257,155
Property and Equipment, Net of Depreciation	37,810	46,032
	\$ 122,826,906	\$ 139,852,445
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 424,412	\$ 516,271
NET ASSETS		
Without Donor Restrictions	30,299,764	35,097,522
With Donor Restrictions	92,102,730	104,238,652
Total Net Assets	122,402,494	139,336,174
	\$ 122,826,906	\$ 139,852,445

See accompanying Notes to Financial Statements.

MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions, Bequests, and Memorials	\$ 185,473	\$ -	\$ 185,473
Masonic Widows	113,106	-	113,106
Donations and Grants	-	100,000	100,000
Investment Loss, Net	(1,698,737)	(7,966,202)	(9,664,939)
Investment Income from Beneficial Interests	339,620	78,451	418,071
Change in Value of Beneficial Interests	-	(4,248,171)	(4,248,171)
Fundraising Income	105,766	-	105,766
Rental and Leases	19,000	-	19,000
Special Events	25,289	-	25,289
Miscellaneous Income	10,078	-	10,078
Net Assets Released from Restrictions	100,000	(100,000)	-
Total Support and Revenues	<u>(800,405)</u>	<u>(12,135,922)</u>	<u>(12,936,327)</u>
EXPENSES			
Program Expenses:			
Children	2,529,945	-	2,529,945
Widows	805,167	-	805,167
Management and General	437,984	-	437,984
Marketing and Fundraising	224,257	-	224,257
Total Expenses	<u>3,997,353</u>	<u>-</u>	<u>3,997,353</u>
DECREASE IN NET ASSETS	(4,797,758)	(12,135,922)	(16,933,680)
Net Assets - Beginning of Year	<u>35,097,522</u>	<u>104,238,652</u>	<u>139,336,174</u>
NET ASSETS - END OF YEAR	<u>\$ 30,299,764</u>	<u>\$ 92,102,730</u>	<u>\$ 122,402,494</u>

See accompanying Notes to Financial Statements.

MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions, Bequests, and Memorials	\$ 1,315,709	-	1,315,709
Masonic Widows	165,057	-	165,057
Donations and Grants	-	215,000	215,000
Investment Income, Net	10,339,003	18,080,523	28,419,526
Investment Income from Beneficial Interests	292,021	59,224	351,245
Change in Value of Beneficial Interests	-	(5,287,063)	(5,287,063)
Fundraising Income	72,516	-	72,516
Rental and Leases	34,117	-	34,117
Special Events	8,000	-	8,000
Miscellaneous Income	6,385	-	6,385
Net Assets Released from Restrictions	215,000	(215,000)	-
Total Support and Revenues	<u>12,447,808</u>	<u>12,852,684</u>	<u>25,300,492</u>
EXPENSES			
Program Expenses:			
Children	2,616,330	-	2,616,330
Widows	653,039	-	653,039
Management and General	458,139	-	458,139
Marketing and Fundraising	154,827	-	154,827
Total Expenses	<u>3,882,335</u>	<u>-</u>	<u>3,882,335</u>
INCREASE IN NET ASSETS	8,565,473	12,852,684	21,418,157
Net Assets - Beginning of Year	<u>26,532,049</u>	<u>91,385,968</u>	<u>117,918,017</u>
NET ASSETS - END OF YEAR	<u>\$ 35,097,522</u>	<u>\$ 104,238,652</u>	<u>\$ 139,336,174</u>

See accompanying Notes to Financial Statements.

MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services			Support Services		Total
	Children	Widows	Programs Subtotal	Management and General	Marketing and Fundraising	
Payroll and Related Expenses	\$ 268,094	\$ 47,903	\$ 315,997	\$ 190,993	\$ 99,392	\$ 606,382
Employee Benefits	70,013	12,258	82,271	42,803	26,530	151,604
Total Payroll and Related Benefits	338,107	60,161	398,268	233,796	125,922	757,986
Dental Services	224,388	-	224,388	-	-	224,388
Fantastic Teeth Program	409,688	-	409,688	-	-	409,688
Parent Autism Training	865,733	-	865,733	-	-	865,733
Educational Services	158,777	-	158,777	-	-	158,777
Medical Services and Special Equipment	32,125	-	32,125	-	-	32,125
Special Needs (Food, Clothing, Shelter, Etc.)	106,140	-	106,140	-	-	106,140
Special Therapy	145,982	-	145,982	-	-	145,982
Scholarships Paid	3,000	-	3,000	-	-	3,000
Widows - Other Programs	-	1,731	1,731	-	-	1,731
Texas Masonic Retirement Center	-	709,911	709,911	-	-	709,911
Administrative Travel	1,682	211	1,893	1,753	359	4,005
Marketing Programs	-	-	-	-	65,079	65,079
Board Meetings	-	-	-	5,790	-	5,790
Insurance/Property Liability	52,073	19,881	71,954	16,048	-	88,002
Legal and Professional	-	-	-	88,829	-	88,829
Contract Services	50,750	602	51,352	13,510	-	64,862
Office Supplies	10,746	1,289	12,035	4,349	2,671	19,055
Postage	2,696	280	2,976	2,700	-	5,676
Repairs and Maintenance	3,329	383	3,712	6,566	-	10,278
Telephone Expense	3,351	1,178	4,529	1,536	-	6,065
Bank Charges	-	-	-	9,775	-	9,775
Rent	58,243	6,378	64,621	15,946	-	80,567
Ad Valorem Taxes	-	-	-	6,811	-	6,811
Computer and Network Services	56,034	2,305	58,339	13,141	-	71,480
Utilities	5,398	601	5,999	1,727	-	7,726
Special Events	-	-	-	-	29,796	29,796
Employee Appreciation	1,703	225	1,928	564	-	2,492
Employee Development	-	-	-	-	430	430
Miscellaneous Expense	-	31	31	-	-	31
Total Expenses Before Depreciation	2,529,945	805,167	3,335,112	422,841	224,257	3,982,210
Depreciation	-	-	-	15,143	-	15,143
Total Expenses	\$ 2,529,945	\$ 805,167	\$ 3,335,112	\$ 437,984	\$ 224,257	\$ 3,997,353

See accompanying Notes to Financial Statements.

MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services			Support Services		Total
	Children	Widows	Programs Subtotal	Management and General	Marketing and Fundraising	
Payroll and Related Expenses	\$ 255,239	\$ 46,570	\$ 301,809	\$ 185,127	\$ 95,373	\$ 582,309
Employee Benefits	68,136	11,946	80,082	40,132	25,667	145,881
Total Payroll and Related Benefits	323,375	58,516	381,891	225,259	121,040	728,190
Dental Services	252,640	-	252,640	-	-	252,640
Fantastic Teeth Program	384,461	-	384,461	-	-	384,461
Parent Autism Training	607,410	-	607,410	-	-	607,410
Educational Services	323,652	-	323,652	-	-	323,652
Medical Services and Special Equipment	43,577	-	43,577	-	-	43,577
Special Needs (Food, Clothing, Shelter, Etc.)	306,784	-	306,784	-	-	306,784
Special Therapy	135,361	-	135,361	-	-	135,361
Scholarships Paid	1,600	-	1,600	-	-	1,600
AAA Widows Program	-	67,035	67,035	-	-	67,035
Widows - Other Programs	-	1,138	1,138	-	-	1,138
Texas Masonic Retirement Center	-	494,302	494,302	-	-	494,302
Administrative Travel	1,162	151	1,313	575	-	1,888
Marketing Programs	-	-	-	-	25,449	25,449
Board Meetings	-	-	-	25,006	-	25,006
Insurance/Property Liability	48,356	17,654	66,010	13,816	-	79,826
Legal and Professional	-	-	-	113,877	-	113,877
Contract Services	56,689	412	57,101	13,073	321	70,495
Office Supplies	11,056	1,457	12,513	3,828	390	16,731
Postage	3,199	342	3,541	3,175	-	6,716
Repairs and Maintenance	3,330	371	3,701	2,293	-	5,994
Telephone Expense	3,169	1,135	4,304	1,601	-	5,905
Bank Charges	-	-	-	9,690	-	9,690
Rent	65,705	7,195	72,900	10,651	-	83,551
Ad Valorem Taxes	-	-	-	5,339	-	5,339
Computer and Network Services	33,508	2,174	35,682	11,636	-	47,318
Utilities	6,789	742	7,531	1,917	-	9,448
Special Events	-	-	-	-	7,627	7,627
Employee Appreciation	3,132	415	3,547	1,037	-	4,584
Employee Development	1,375	-	1,375	1,030	-	2,405
Total Expenses Before Depreciation	2,616,330	653,039	3,269,369	443,803	154,827	3,867,999
Depreciation	-	-	-	14,336	-	14,336
Total Expenses	<u>\$ 2,616,330</u>	<u>\$ 653,039</u>	<u>\$ 3,269,369</u>	<u>\$ 458,139</u>	<u>\$ 154,827</u>	<u>\$ 3,882,335</u>

See accompanying Notes to Financial Statements.

MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (16,933,680)	\$ 21,418,157
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	15,143	14,336
Realized Gains on Sales of Investments	(3,574)	(1,696,108)
Unrealized (Gains) Losses on Investments	12,996,602	(24,151,195)
Decrease in Value of Beneficial Interests	4,248,171	5,287,063
Noncash Contributions	-	(1,109,000)
Changes in Assets and Liabilities:		
(Increase) Decrease in Prepaid Expenses	(91,778)	81,180
Increase in Accrued Interest	(173,648)	(46,428)
Increase in Accounts Receivable	(76,108)	-
Decrease in Notes Receivable	-	18,353
Decrease in Accounts Payable and Accrued Liabilities	(91,859)	(185,025)
Decrease in Deferred Revenue	-	(18,353)
Net Cash Used by Operating Activities	(110,731)	(387,020)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(6,921)	(8,840)
Proceeds from Sales of Investments	9,470,821	17,418,255
Purchases of Investments	(9,337,831)	(17,099,448)
Net Cash Provided by Investing Activities	126,069	309,967
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	15,338	(77,053)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	82,697	159,750
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 98,035	\$ 82,697
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Noncash Contributions of Interest in Land	\$ -	\$ 1,109,000

See accompanying Notes to Financial Statements.

MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Masonic Home and School of Texas dba: Masonic Children & Family Services of Texas (the Organization) is a nonprofit organization and is an entity described in Internal Revenue Code (IRC) Section 501(c)(3), which is exempt from federal income taxes on related income under IRC Section 501(a). The Organization provides information, referral, and/or funding support for qualifying Texas children through third-party providers, scholarships for qualifying Texas children, and funding support for qualifying widows of Texas Master Masons who reside at the Texas Masonic Retirement Center in Arlington, Texas. The Organization's corporate offices are located in Keller, Texas.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 958-205, *Not-For-Profit Entities: Presentation of Financial Statements*. Under FASB ASC Topic No. 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Organization considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any losses related to amounts in excess of FDIC and SIPC limits.

As of June 30, 2022 and 2021, the total balance of restricted cash is \$3,403 and \$6,403, respectively. The total balance of unrestricted cash and cash equivalents is \$94,632 and \$76,294 as of June 30, 2022 and 2021, respectively, and the total cash, cash equivalents and restricted cash shown in the statements of cash flows is \$98,035 and \$82,697, respectively.

Investments

The Organization follows the provisions of FASB ASC Topic No. 958-320, *Not-for-Profit Entities: Investments – Debt and Equity Securities*, and FASB ASC Topic No. 958-325, *Not-for-Profit Entities: Investment – Other*, which requires investments with readily determinable fair values to be stated at their fair values with unrealized gains and losses from fluctuations in such fair values included in the statements of activities and changes in net assets of the respective period.

MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Investments (Continued)

The fair values of investments in equity securities and debt securities (including mutual fund shares) with readily determinable fair values are based on the quoted market price of the shares owned at June 30, 2022 and 2021.

FASB ASC Topic No. 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic No. 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

Mutual funds, common stock, and money market investments are valued based on quoted market prices provided by the custodian and are classified within Level 1 of the valuation hierarchy.

Bonds are valued based on their fair value which is determined by discounting the bond's expected cash flows using a discount rate that is consistent with similar instruments and are classified within Level 2 of the valuation hierarchy.

Investments in mineral interests are carried at fair value, as determined by the financial institution administering the investments and are classified within Level 3 of the valuation hierarchy. At June 30, 2022 and 2021, the fair value was determined by using the undiscounted future cash flows for the next five years utilizing the prior 12-month cash flow. The estimates, assumptions, and methodologies used in determining the fair values of the mineral interests may differ significantly from the values that would have been used had a ready market existed and may also differ significantly from the values at which such investments may be sold, and the differences could be material.

**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments (Continued)

Investments in land are carried at fair value, as determined by an independent appraisal at the time the land was donated, and are classified within Level 3 of the valuation hierarchy. At June 30, 2022 and 2021, the fair value was determined by the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale and review of available market data.

During the years ended June 30, 2022 and 2021, the Organization invested in seven and five, respectively, investment partnerships. The Organization uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Split-Interest Agreements

The Organization is the beneficiary of or holds a beneficial interest in various split-interest agreements which consist of perpetual trusts held by a third party.

Under a perpetual trust held by a third party, donors establish and fund a trust administered by an entity other than the Organization. Under the terms of the trust, the Organization has the irrevocable right to receive the income earned on the trust's assets in perpetuity, but in most cases, never receives the assets held in the trust. Under charitable remainder trusts held by a third party, donors establish and fund a trust with specific distributions to be made to beneficiaries over the life of the trust. Under the terms of the trust, the Organization is to receive all or a portion of the assets remaining in the trust when the last income beneficiary passes away. Distributions received by the Organization may be restricted by the donor.

The Organization records its beneficial interest in perpetual trusts and charitable remainder trust held by third parties and are classified within Level 3 of the valuation hierarchy, utilizing the present values of future cash flows to the Organization assuming a risk-free discount rate of 3.14% and 2.06%, based on 30-year U.S. Treasury bond yields, for the years ended June 30, 2022 and 2021, respectively. Future cash flows were based on the average cash flows to the Organization for the prior five years.

Trusts, Legacies, and Bequests

The Organization is the beneficiary under various wills and trust agreements, the total realizable amount of which cannot presently be determined. Such amounts are excluded from the accompanying financial statements until clear title is established and the ultimate realizable amount is reasonably determinable.

**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the various assets using the straight-line method. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is reflected in the accompanying statements of activities and changes in net assets of the respective period. The estimated useful lives are as follows:

Furniture and Fixtures	5 to 10 Years
Automobiles	5 Years
Office Equipment	5 Years

Donated Assets and Services

Donated marketable securities and other noncash donations are recorded at their estimated fair values, as determined by management, at the date of donation.

Donated services are recognized as contributions if the services, (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization pays for most services requiring specialized services. However, a number of individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program functions and various other activities that are not recognized as contributions in the financial statements, because the recognition criteria under U.S. GAAP were not met.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Net Assets (Continued)

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. The fair value of certain funds with donor restrictions fell below the historical corpus of the related investments by approximately \$232,000 and \$381,000 as of June 30, 2022 and 2021, respectively.

Endowment Funds

The Organization follows FASB ASC Topic No. 958-205, *Endowments of Not-for-Profit Entities: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for all Endowment Funds*, for the net asset classification of donor-restricted and board-designated endowment funds.

The Organization has various endowments which provide funding for scholarships, operations, and other programs. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's management has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the Organization classifies the original value of all endowment gifts as net assets with donor restrictions. Accumulated net earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in accordance with any applicable donor designations and in a manner consistent with the standard of prudence prescribed by the UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Organization's primary investment objectives are growth with income and preservation of capital. Management defines risk as the probability of not meeting these objectives. Accordingly, the Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of income to support the donor restrictions in place while seeking to maintain the purchasing power of the endowment assets.

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Endowment Funds (Continued)

Under these policies, as approved by the Organization's board of directors, endowment assets are invested in a manner that is intended to minimize risk and produce results that exceed a composite index comprised of relevant individual indices that reflect the Organization's asset allocations.

Contributions

The Organization accounts for contributions in accordance with FASB ASC Topic No. 958-605, *Not-for-Profit Entities: Revenue Recognition*. In accordance with FASB ASC Topic No. 958-605, contributions received are recorded without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets of the respective period as net assets released from restrictions. All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. Certain donor restrictions may require that cash be held in separate accounts.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the IRC, except for net income derived from unrelated business activities, which is taxable to the Organization. There was no unrelated business income reflected in the accompanying financial statements for the years ended June 30, 2022 and 2021.

FASB ASC Topic No. 740, *Income Taxes*, prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions. Management of the Organization believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements. The Organization files Form 990 in the United States federal jurisdiction. No tax returns are currently under examination by any tax authorities. As of June 30, 2022, the Organization has not incurred any penalties or interest under FASB ASC Topic No. 740.

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NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 94,632	\$ 76,294
Accrued Interest	466,860	293,212
Investments, Pooled and Nonpooled	112,183,111	125,309,129
Distributions from Assets Held under Split-Interest Agreements	349,000	295,321
Total Financial Investments	113,169,711	125,973,956
Less Amounts Not Available for Use Within One Year:		
Investments in Nonliquid Investments	5,421,237	3,404,140
Investments in Perpetual Trusts	66,934,705	75,779,507
Total Financial Assets Not Available for Use Within One Year	72,355,942	79,183,647
Total Financial Assets Available to Meet General Expenditures Within One Year	\$ 40,813,769	\$ 46,790,309

The Organization follows Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, which requires the Organization to disclose both qualitative and quantitative information about how the Organization manages its liquid resources.

The Organization has periodically received significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It has also received gifts to establish endowments that will exist in perpetuity; the income from such endowments is used to fund programs. In addition, the Organization receives support without donor restrictions; such support has historically represented between 15-20% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

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NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

NOTE 3 INVESTMENTS

The majority of the Organization's investments were pooled and held by a financial institution as a master custodian, and are managed by outside investment managers. In addition, several of the Organization's designated or restricted funds have investments that are segregated and invested separately.

Investment management fees of approximately \$238,000 and \$178,000 for 2022 and 2021, respectively, are netted with investment income in the accompanying statements of activities and changes in net assets.

In order to track any restrictions on the use of the Organization's investments, a separate investment account is established and all income or loss from the pooled investments is generally allocated to these accounts based on the value of each account to the total of all accounts.

Pooled Investments

The fair value of pooled investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Money Market Accounts	\$ 2,066,893	\$ 1,177,086
Equity - Stocks	28,591,094	33,760,039
Equity - Mutual Funds	33,198,810	44,562,062
Fixed Income - U.S. Government and U.S. Government Agency Bonds	350,535	779,953
Fixed Income - Bond Funds	11,827,178	12,720,711
Fixed Income - Corporate Bonds	2,921,629	3,893,686
Fixed Income - Foreign Bonds	3,356,808	4,097,770
Fixed Income - Short Term Investment Grade	1,992,168	2,158,185
Other - Mutual Funds	9,593,068	10,075,394
Private Equity Funds	7,193,821	3,827,088
Total Pooled Investments	<u>\$ 101,092,004</u>	<u>\$ 117,051,974</u>

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NOTE 3 INVESTMENTS (CONTINUED)

Nonpooled Investments

The fair value of the nonpooled investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Money Market Accounts	\$ 2,607,359	\$ 1,933,778
Equity - Stocks	663,354	514,512
Fixed Income - U.S. Government	879,932	885,500
Mineral Interests	5,421,237	3,404,140
Land	1,519,225	1,519,225
Total Nonpooled Investments	<u>\$ 11,091,107</u>	<u>\$ 8,257,155</u>

NOTE 4 FAIR VALUE OF INVESTMENTS

The following table details the Organization's investments at fair value by level, within the fair value hierarchy, at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets Not Held at Fair Value</u>	<u>Total</u>
Pooled Investments					
Money Market Accounts	\$ 2,066,893	\$ -	\$ -	\$ -	\$ 2,066,893
Equity - Stocks:					
Growth	13,782,695	-	-	-	13,782,695
Dividend/Value	14,808,399	-	-	-	14,808,399
Equity - Mutual Funds:					
Large Cap	2,889,626	-	-	-	2,889,626
Small/Mid Cap	2,281,789	-	-	-	2,281,789
Small Cap	2,702,162	-	-	-	2,702,162
Mid Cap	10,131,465	-	-	-	10,131,465
Inflation Hedge Equity	4,908,880	-	-	-	4,908,880
Emerging Market	2,914,800	-	-	-	2,914,800
International Large Cap	3,705,246	-	-	-	3,705,246
International Small Cap	3,664,842	-	-	-	3,664,842
Fixed Income:					
Individual Bonds:					
U.S. Government Agency Bonds	-	350,535	-	-	350,535
Corporate Bonds	-	2,921,629	-	-	2,921,629
Short-Term Investment Grade	1,992,168	-	-	-	1,992,168
High Income Bond Fund	11,827,178	-	-	-	11,827,178
Global/Foreign Bond Fund	3,356,808	-	-	-	3,356,808
Other - Mutual Funds:					
Natural Resources Fund	7,090,840	-	-	-	7,090,840
Real Estate Fund	2,502,228	-	-	-	2,502,228
Total	<u>90,626,019</u>	<u>3,272,164</u>	<u>-</u>	<u>-</u>	<u>93,898,183</u>
Private Equity Funds	-	-	-	7,193,821	7,193,821
Total Pooled Investments	<u>90,626,019</u>	<u>3,272,164</u>	<u>-</u>	<u>7,193,821</u>	<u>101,092,004</u>
Nonpooled Investments					
Money Market Accounts	2,607,359	-	-	-	2,607,359
U.S. Large Cap Stocks	663,354	-	-	-	663,354
U.S. Government Bonds	-	879,932	-	-	879,932
Mineral Interests	-	-	5,421,237	-	5,421,237
Land	-	-	1,519,225	-	1,519,225
Total Nonpooled Investments	<u>3,270,713</u>	<u>879,932</u>	<u>6,940,462</u>	<u>-</u>	<u>11,091,107</u>
Beneficial Interests in Perpetual Trusts	<u>-</u>	<u>-</u>	<u>9,864,304</u>	<u>-</u>	<u>9,864,304</u>
Total Investments	<u>\$ 93,896,732</u>	<u>\$ 4,152,096</u>	<u>\$ 16,804,766</u>	<u>\$ 7,193,821</u>	<u>\$ 122,047,415</u>

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NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

The following table details the Organization's investments at fair value by level, within the fair value hierarchy, at June 30, 2021:

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
Pooled Investments					
Money Market Accounts	\$ 1,177,086	\$ -	\$ -	\$ -	\$ 1,177,086
Equity - Stocks:					
Growth	17,582,956	-	-	-	17,582,956
Dividend/Value	16,177,083	-	-	-	16,177,083
Equity - Mutual Funds:					
Large Cap	5,752,783	-	-	-	5,752,783
Small/Mid Cap	3,447,291	-	-	-	3,447,291
Small Cap	2,975,312	-	-	-	2,975,312
Mid Cap	18,016,696	-	-	-	18,016,696
Emerging Market	4,187,836	-	-	-	4,187,836
International Large Cap	4,794,059	-	-	-	4,794,059
International Small Cap	5,388,085	-	-	-	5,388,085
Fixed Income:					
Individual Bonds:					
U.S. Government Agency Bonds	-	779,953	-	-	779,953
Corporate Bonds	-	3,893,686	-	-	3,893,686
Short-Term Investment Grade	2,158,185	-	-	-	2,158,185
High Income Bond Fund	12,720,711	-	-	-	12,720,711
Global/Foreign Bond Fund	4,097,770	-	-	-	4,097,770
Other - Mutual Funds:					
Natural Resources Fund	6,486,584	-	-	-	6,486,584
Real Estate Fund	3,588,810	-	-	-	3,588,810
Total	<u>108,551,247</u>	<u>4,673,639</u>	<u>-</u>	<u>-</u>	<u>113,224,886</u>
Private Equity Funds	-	-	-	3,827,088	3,827,088
Total Pooled Investments	<u>108,551,247</u>	<u>4,673,639</u>	<u>-</u>	<u>3,827,088</u>	<u>117,051,974</u>
Nonpooled Investments					
Money Market Accounts	1,933,778	-	-	-	1,933,778
U.S. Large Cap Stocks	514,512	-	-	-	514,512
U.S. Government Bonds	-	885,500	-	-	885,500
Mineral Interests	-	-	3,404,140	-	3,404,140
Land	-	-	1,519,225	-	1,519,225
Total Nonpooled Investments	<u>2,448,290</u>	<u>885,500</u>	<u>4,923,365</u>	<u>-</u>	<u>8,257,155</u>
Beneficial Interests in Perpetual Trusts					
	<u>-</u>	<u>-</u>	<u>14,112,475</u>	<u>-</u>	<u>14,112,475</u>
Total Investments	<u>\$ 110,999,537</u>	<u>\$ 5,559,139</u>	<u>\$ 19,035,840</u>	<u>\$ 3,827,088</u>	<u>\$ 139,421,604</u>

Purchases, sales, transfers in and transfers out of Level 3 investments consist of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Transfers In	\$ 2,260,049	\$ 1,519,225
Transfers Out	(395,836)	-

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NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

Fair value measurements of investments in certain funds that calculate net asset value per share (or its equivalent) as of June 30, 2022 is as follows:

	Net Asset Value	Unfunded Commitments
HPS Offshore Mezzanine Partners 2019, L.P.	(a) \$ 957,174	\$ 159,086
Golub Capital Partners Int'l 12, L.P.	(b) 964,091	100,000
CBRE US Core Partners, L.P.	(c) 2,533,833	-
HL SFV iCapital Offshore Access Fund, L.P.	(d) 689,797	496,661
Landmark Infrastructure Partners II Offshore, L.P.	(e) 377,678	698,590
HBK Multi-Strategy Fund Offshore	(f) 1,500,000	-
KKR Global Infrastructure IV	(g) 171,248	828,752
The Carlyle Group	(h) -	2,000,000
Total	<u>\$ 7,193,821</u>	<u>\$ 1,454,337</u>

Fair value measurements of investments in certain funds that calculate net asset value per share (or its equivalent) as of June 30, 2021 is as follows:

	Net Asset Value	Unfunded Commitments
HPS Offshore Mezzanine Partners 2019, L.P.	(a) \$ 566,867	\$ 407,559
Golub Capital Partners Int'l 12, L.P.	(b) 661,019	400,000
CBRE US Core Partners, L.P.	(c) 2,000,000	-
HL SFV iCapital Offshore Access Fund, L.P.	(d) 454,266	662,500
Landmark Infrastructure Partners II Offshore, L.P.	(e) 144,936	944,580
Total	<u>\$ 3,827,088</u>	<u>\$ 2,414,639</u>

- (a) Limited Partner investments are locked up for the commitment period with no ability for redemption until the commitment period is terminated.
- (b) Limited Partners may only redeem their interest with the permission of the General Partner.
- (c) Limited Partners may redeem their interest on a quarterly basis with a 60-day notice period.
- (d) No notice period or restriction on redemption frequency.
- (e) Limited Partner investments are locked up until the Partnership is wound up.
- (f) Each investor is permitted to withdraw up to 25% of its capital account balance as of the end of the last day of any calendar quarter.
- (g) The investment period is six years from the date of the initial investment. The fund life is 12 years from the date of the initial investment.
- (h) The fund has a 10-year life, with a one-year extension at the discretion of the GP and thereafter with the consent of the LP advisory committee or a majority in interest of the limited partners.

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NOTE 5 BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Organization is the beneficiary of several perpetual trusts. Under terms of the agreements, the Organization is an income beneficiary ranging from 1/6 to 30% of the perpetual trusts.

Fair value of the beneficial interests in perpetual trusts is recorded at the present value of a perpetuity of the five-year average of distributions received. The discount rate used in all calculations is the 30-year U.S. Treasury Bond rate of 3.14% and 2.06% on June 30, 2022 and June 30, 2021, respectively. The present value of estimated future payments is recalculated annually based on the 30-year U.S. Treasury Bond rate as of year-end.

Under the perpetual trusts, the Organization has recorded the carrying value of its beneficial interest in the assets of the trusts as net assets with donor restrictions. Income earned on the trusts' assets is recorded as investment income without donor restrictions from beneficial interests in the accompanying statements of activities and changes in net assets, unless otherwise restricted by the donor. Subsequent changes in the carrying values of the trusts' assets are reflected as changes in the value of beneficial interests in the net asset with donor restrictions class in the accompanying statements of activities and changes in net assets. The Organization is not the trustee on any of the trusts.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2022	2021
Furniture and Fixtures	\$ 56,288	\$ 53,744
Automobiles	39,567	39,567
Office Equipment	47,142	42,763
Total Property and Equipment	142,997	136,074
Less: Accumulated Depreciation	(105,187)	(90,042)
Property and Equipment, Net	\$ 37,810	\$ 46,032

NOTE 7 ENDOWMENT NET ASSETS

Net assets with donor restrictions represent contributions for which donors have imposed restrictions. Certain of the Organization's net assets with donor restrictions are comprised of amounts restricted for use within the scope of the Organization's charitable purpose (see Note 1). Other portions of the restricted amounts were held in cash and investments or beneficial interests in perpetual trusts in the accompanying statements of financial position at June 30, 2022 and 2021.

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NOTE 7 ENDOWMENT NET ASSETS (CONTINUED)

The compositions of the Organization's endowments by type as of June 30 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 42,499,381	\$ 42,499,381
Accumulated Investment Gains	-	24,210,789	24,210,789
Total	<u>\$ -</u>	<u>\$ 66,710,170</u>	<u>\$ 66,710,170</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 42,499,381	\$ 42,499,381
Accumulated Investment Gains	-	33,445,476	33,445,476
Total	<u>\$ -</u>	<u>\$ 75,944,857</u>	<u>\$ 75,944,857</u>

Changes in endowments by type for the years ended June 30 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 75,944,857	\$ 75,944,857
Investment Return, Net	-	(8,048,521)	(8,048,521)
Appropriation of Endowment Assets Pursuant to Spending Policy	-	(1,186,166)	(1,186,166)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 66,710,170</u>	<u>\$ 66,710,170</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 58,967,399	\$ 58,967,399
Investment Return, Net	-	18,019,305	18,019,305
Appropriation of Endowment Assets Pursuant to Spending Policy	-	(1,041,847)	(1,041,847)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 75,944,857</u>	<u>\$ 75,944,857</u>

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NOTE 7 ENDOWMENT NET ASSETS (CONTINUED)

As of June 30, 2022, the Organization had the following donor-restricted endowment net asset composition by fund:

	<u>Original Gift</u>	<u>Accumulated Gains (Losses)</u>	<u>Fund Total</u>
Restricted Endowment Fund	\$ 35,092,866	\$ 21,457,499	\$ 56,550,365
Special Assets	1,266,051	(231,899)	1,034,152
Masonic Scholarship Fund	1,141,473	330,922	1,472,395
Fred A. Land Scholarship Fund	10,547	10,042	20,589
Long Scholarship Fund	250,000	455,503	705,503
Roberts Family Scholarship Fund	12,000	26,599	38,599
Rockabrand Scholarship Fund	57,404	35,612	93,016
Smith Scholarship Fund	25,000	38,829	63,829
Sam & Rose Dear Money Market Fund	103,189	2,182	105,371
Skinner Trust	258,000	136,960	394,960
McClelland Memorial	4,282,851	1,948,540	6,231,391
Total	<u>\$ 42,499,381</u>	<u>\$ 24,210,789</u>	<u>\$ 66,710,170</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Scholarships	\$ 224,535	\$ 244,877
Subject to the Passage of Time:		
Future Operations	15,238,476	14,346,670
Endowments:		
Subject to NFP Endowment Spending Policy and Appropriation:		
Restricted Endowment Fund	21,457,499	30,021,079
Special Assets	(231,899)	(380,990)
Masonic Scholarship Fund	330,922	505,250
Fred A. Land Scholarship Fund	10,042	12,234
Long Scholarship Fund	455,503	530,559
Roberts Family Scholarship Fund	26,599	30,707
Rockabrand Scholarship Fund	35,612	46,597
Smith Scholarship Fund	38,829	45,623
Sam & Rose Dear Money Market Fund	2,182	2,050
Skinner Trust	136,960	180,070
McClelland Memorial	1,948,540	2,452,297
Total	<u>24,210,789</u>	<u>33,445,476</u>

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2022	2021
Not Subject to Spending Policy or Appropriation:		
Endowment to be maintained in perpetuity	\$ 42,499,381	\$ 42,499,381
Beneficial interests in perpetual trusts	9,864,304	14,112,475
Total	52,363,685	56,611,856
Total Net Assets with Donor Restrictions	\$ 92,102,730	\$ 104,238,652

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2022	2021
Expiration of Time Restrictions	\$ 100,000	\$ 215,000

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Organization leases an office facility and various office equipment under noncancelable operating leases. The office facility and equipment leases expire in various years through 2029. Total lease expense approximated \$80,600 and \$83,600 per year during fiscal 2022 and 2021, respectively. Future minimum lease payments consist of the following:

Year Ending June 30,	Amount
2023	\$ 86,452
2024	88,475
2025	86,374
2026	88,022
2027	89,540
Thereafter	227,138
Total Minimum Lease Payments	\$ 666,001

From time to time, the Organization is involved in various lawsuits and claims arising in the normal course of business. In management's opinion, there are no pending lawsuits or claims that will have a material adverse effect on the Organization's financial position or activities.

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JUNE 30, 2022 AND 2021

NOTE 10 CASH OR DEFERRED ARRANGEMENT (401(K) PLAN)

The Organization sponsors a 401(k) deferred compensation plan in conjunction with The Grand Lodge of Texas, A.F. & A.M. (The Grand Lodge of Texas). Employees are eligible to participate once they have completed 12 months of service and credited with 1,000 hours of service. Employees may choose to contribute a percentage of their gross salaries through a salary reduction arrangement. The maximum amount an employee could annually contribute was \$20,500 and \$19,500 respectively, in 2022 and 2021, plus catch-up contributions up to a maximum of \$6,000 in each year if eligible. The Organization may make a discretionary matching contribution of 50% of the aggregate salary reduction contribution to the extent the aggregate contribution does not exceed 5% of compensation. The Organization may also choose to make a discretionary profit sharing contribution to the plan.

The Organization's expense under the plan totaled approximately \$24,900 and \$24,100 for the years ended June 30, 2022 and 2021, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

Certain widows of Texas Masons reside at the Texas Masonic Retirement Center (TMRC) in Arlington, Texas. These widows are admitted into TMRC through the Organization's application process. Expenses of \$716,411 and \$494,302 for the years ended June 30, 2022 and 2021, respectively, were paid to TMRC on behalf of the widows. Any overpayment or underpayment of funds is remitted to the Organization or submitted to TMRC after the TMRC annual audit is completed. At June 30, 2022 and 2021, the Organization had a payable to TMRC of \$-0-.

Square and Compasses Holding (Square and Compasses), a 501(c)(3) Texas nonprofit corporation, holds the proceeds from the sale of the Masonic Home and School of Texas childcare campus and retains the rights to the mineral interests from the former campus. Square and Compasses was organized to distribute a portion of its income, at least annually, to the Organization and/or the Texas Masonic Charities Foundation. The Organization was awarded \$100,000 and \$215,000 in the years ended June 30, 2022 and 2021, respectively. Both grants were to be used for the dental and autism programs.

At June 30, 2022 and 2021, the Organization had \$695 and \$246, respectively, due to employees.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 COLLABORATIVE ARRANGEMENTS

On July 1, 2008, the Organization established a formal collaborative arrangement (the Agreement) with Presbyterian Children's Homes and Services (PCHAS). PCHAS is a 501(c)(3) nonprofit organization operating child and family programs in Texas and Louisiana. PCHAS provides crisis intervention and family preservation services such as in-home family assessments, parent and life-skills training and support, and family and individual counseling.

The purpose of the Agreement is to assist Texas families in addressing issues before a crisis results in out-of-home placement of children. Under the Agreement, PCHAS agreed to establish a Child and Family Program in the state of Texas (the Program), operate and oversee the Program, and employ a Texas-licensed social worker with a Master's degree in social work, or its equivalent, as a Child and Family Specialist for the Program. The Organization provides office space and reimbursement to PCHAS for up to 50% of the Program costs capped at \$50,000 per year for the years ended June 30, 2022 and 2021.

The Organization's portion of expenses related to the Agreement totaled approximately \$46,000 and \$48,000 for the years ended June 30, 2022 and 2021, respectively, and is included in "Program Expenses: Children" in the accompanying statements of activities and changes in net assets.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

Investments consist primarily of marketable corporate stocks, mutual funds, corporate bonds, government securities, real estate investment trusts, money market funds, and mineral interests. The fair values of all these investments are subject to fluctuations due to different market environments and any resulting change could be material. Most of these investments are subject to market risks customarily associated with such debt and equity securities.

There were no significant concentrations of accounts receivable or contributions as of or for the years ended June 30, 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 FUNCTIONAL ALLOCATION METHODOLOGY

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, marketing programs, admin travel, office supplies, postage, insurance, contract services, utilities, rent, computer network services and others. Rent and electric are allocated by square footage of departments and legal, audit and tax expenses are considered as administrative expenses. In booking invoices, unless a specific department is identifiable on the invoice, the expense is allocated primarily by the cost driver. The cost driver has been evaluated and determined by account or vendor in the budgeting process and the invoice booked consistent with the way it was planned in the budget. The three main types of drivers would be Full Time Equivalents by department, percentage of square footage allocated by department or by general usage of the item by the department.

NOTE 15 NEW ACCOUNTING PRONOUNCEMENT

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statements of financial position for all lease arrangements with terms longer than 12 months. This new standard will be effective for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting the new guidance will have on the financial statements.

NOTE 16 SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through December 7, 2022, the date the financial statements were available for issuance.

**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
BUDGET TO ACTUAL SUMMARY COMPARISON
YEAR ENDED JUNE 30, 2022**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
Revenues and Other Receipts			
Bequests, Estates, and Donations	\$ 380,380	\$ 285,473	\$ (94,907)
Income from Beneficial Interests	295,321	418,071	122,750
Scholarship Interest and Dividends	139,526	46,691	(92,835)
Investment Income (Net of Fees)	2,581,730	3,281,398	699,668
Income from Widow's Property	20,000	5,876	(14,124)
Widows Income	192,048	107,230	(84,818)
Fundraising Income	120,879	131,055	10,176
Miscellaneous Income	2,400	10,078	7,678
Total Revenues and Other Receipts	<u>3,732,284</u>	<u>4,285,872</u>	<u>553,588</u>
Expenditures and Disbursements			
Administration and General Operating	429,157	422,841	6,316
Marketing/Development/Fundraising	191,248	224,257	(33,009)
Children and Family Services Programs	2,509,851	2,526,945	(17,094)
Scholarships	10,000	3,000	7,000
Widows/Texas Masonic Retirement Center Program	579,528	805,167	(225,639)
Furniture and Equipment	12,500	6,921	5,579
Total Expenditures and Disbursements	<u>3,732,284</u>	<u>3,989,131</u>	<u>(256,847)</u>
Excess Revenues Over Expenditures before Reconciling Items	<u>\$ -</u>	296,741	<u>\$ 296,741</u>
Reconciling Items to the Financial Statements			
Nonbudgeted Depreciation Expense		(15,143)	
Furniture and Equipment Capitalized		6,921	
Rental and Leases		19,000	
Unrealized Losses on Investments		(12,996,602)	
Realized Gains on Investments		3,574	
Change in Value of Beneficial Interests		(4,248,171)	
Total		<u>(17,230,421)</u>	
Total Revenues Over Expenditures		<u>\$ (16,933,680)</u>	

**MASONIC HOME AND SCHOOL OF TEXAS
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BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON
YEAR ENDED JUNE 30, 2022**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
Administration and General Operating Expenses			
Payroll and Related Expenses	\$ 213,526	\$ 180,316	\$ 33,210
Employee Benefits	8,134	53,480	(45,346)
Contract Services	13,757	13,510	247
General and Furnishings	1,607	638	969
Board and Committee Related Expense	13,000	5,653	7,347
Bank Fees and Interest Expense	8,800	9,775	(975)
Property Tax	9,400	6,811	2,589
Attorneys	69,000	58,877	10,123
Auditors	27,025	29,952	(2,927)
Vehicle Repairs and Maintenance	1,000	3,031	(2,031)
Office Supplies	3,339	3,711	(372)
Technology and Equipment Maintenance	25,444	16,676	8,768
Telephone	2,451	1,536	915
Insurance	8,142	16,048	(7,906)
Other Expenses	1,414	701	713
Employee Licenses and Development	1,350	-	1,350
Postage	3,263	2,700	563
Rent	15,700	15,946	(246)
Utilities and Security	1,905	1,727	178
Travel and Mileage	900	1,753	(853)
Total Administration and General Operating Expenses	429,157	422,841	6,316
Marketing/Development/Fundraising			
Marketing/Development/Fundraising	191,248	224,257	(33,009)

**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON (CONTINUED)
YEAR ENDED JUNE 30, 2022**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
Children and Family Services Programs			
Children and Family Program Services	\$ 899,584	\$ 667,412	\$ 232,172
Fantastic Teeth Program	354,898	409,688	(54,790)
Parent Autism Training	692,230	865,733	(173,503)
MHS Scholarships	10,000	3,000	7,000
Payroll and Related Expenses	319,064	259,421	59,643
Employee Benefits	8,417	78,686	(70,269)
Contract Services	60,688	50,750	9,938
General and Furnishings	3,750	799	2,951
Office Supplies	9,775	9,531	244
Technology and Equipment Maintenance	37,600	59,363	(21,763)
Telephone	4,860	3,351	1,509
Insurance	58,364	52,073	6,291
Other Expenses	3,003	2,119	884
Employee Licenses and Development	1,350	-	1,350
Postage	3,263	2,696	567
Rent	45,959	58,243	(12,284)
Utilities and Security	4,545	5,398	(853)
Travel and Mileage	2,500	1,682	818
Total Children and Family Services Programs	2,519,850	2,529,945	(10,095)
Widows Program/Texas Masonic Retirement Center			
Texas Masonic Retirement Center	441,049	709,611	(268,562)
Widows Allowance	9,120	6,800	2,320
Special Occasion	1,500	1,731	(231)
AAA Widows Program	50,000	(6,500)	56,500
Payroll and Related Expenses	55,486	46,366	9,120
Employee Benefits	2,126	13,795	(11,669)
Contract Services	329	602	(273)
General and Furnishings	1,071	-	1,071
Office Supplies	1,214	1,234	(20)
Technology and Equipment Maintenance	2,152	2,688	(536)
Telephone	951	1,178	(227)
Insurance	6,807	19,881	(13,074)
Other Expenses	514	311	203
Postage	435	280	155
Rent	5,709	6,378	(669)
Utilities and Security	613	601	12
Travel and Mileage	450	211	239
Total Widows Program/Texas Masonic Retirement Center	579,526	805,167	(225,641)

**MASONIC HOME AND SCHOOL OF TEXAS
 DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
 BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON (CONTINUED)
 YEAR ENDED JUNE 30, 2022**

	<u>Unaudited Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Furniture and Equipment			
General and Furnishings	\$ 6,000	6,921	\$ (921)
Equipment - Office	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Total Furniture and Equipment	12,500	6,921	5,579
Total Expenditures and Other Cash			
Disbursements before Nonbudgeted Items	<u>\$ 3,732,281</u>	3,989,131	<u>\$ (256,850)</u>
Reconciling Items to the Financial Statements			
Nonbudgeted Depreciation Expense		15,143	
Furniture and Equipment Capitalized		<u>(6,921)</u>	
Total Expenditures and Other Disbursements		<u>\$ 3,997,353</u>	