

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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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, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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:

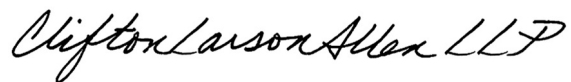
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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

Dallas, Texas
December 14, 2023

**MASONIC HOME AND SCHOOL OF TEXAS
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 745	\$ 94,632
Cash - Restricted	3,372	3,403
Accounts Receivable	13,658	76,108
Prepaid Expenses	175,259	100,678
Accrued Interest	421,850	466,860
Beneficial Interests in Perpetual Trusts	8,656,166	9,864,304
Pooled Investments	110,269,569	101,092,004
Nonpooled Investments	12,942,119	11,091,107
Property and Equipment, Net of Depreciation	25,726	37,810
Right of Use Asset	522,503	-
Total Assets	\$ 133,030,967	\$ 122,826,906
LIABILITIES AND NET ASSETS		
LIABILITIES		
Checks Issued in Excess of Bank Balance	\$ 30,160	\$ -
Accounts Payable and Accrued Liabilities	707,564	424,412
Deferred Revenue	21,250	-
Lease Liability - Operating	528,101	-
Total Liabilities	1,287,075	424,412
NET ASSETS		
Without Donor Restrictions	33,447,441	30,299,764
With Donor Restrictions	98,296,451	92,102,730
Total Net Assets	131,743,892	122,402,494
Total Liabilities and Net Assets	\$ 133,030,967	\$ 122,826,906

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions, Bequests, and Memorials	\$ 217,173	\$ -	\$ 217,173
Masonic Widows	252,224	-	252,224
Donations and Grants	-	200,000	200,000
Investment Income, Net	6,538,325	7,358,734	13,897,059
Investment Income from Beneficial Interests	330,063	63,094	393,157
Change in Value of Beneficial Interests	-	(1,208,138)	(1,208,138)
Fundraising Income	109,426	-	109,426
Rental and Leases	43,862	-	43,862
Special Events	11,091	-	11,091
Net Assets Released from Restrictions	219,969	(219,969)	-
Total Support and Revenues	7,722,133	6,193,721	13,915,854
EXPENSES			
Program Expenses:			
Children	3,020,241	-	3,020,241
Widows	814,572	-	814,572
Management and General	464,515	-	464,515
Marketing and Fundraising	275,128	-	275,128
Total Expenses	4,574,456	-	4,574,456
INCREASE IN NET ASSETS	3,147,677	6,193,721	9,341,398
Net Assets - Beginning of Year	30,299,764	92,102,730	122,402,494
NET ASSETS - END OF YEAR	\$ 33,447,441	\$ 98,296,451	\$ 131,743,892

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	(800,405)	(12,135,922)	(12,936,327)
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	3,997,353	-	3,997,353
DECREASE IN NET ASSETS	(4,797,758)	(12,135,922)	(16,933,680)
Net Assets - Beginning of Year	35,097,522	104,238,652	139,336,174
NET ASSETS - END OF YEAR	\$ 30,299,764	\$ 92,102,730	\$ 122,402,494

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, 2023

	Program Services			Support Services		Total
	Children	Widows	Programs Subtotal	Management and General	Marketing and Fundraising	
Payroll and Related Expenses	\$ 281,872	\$ 52,740	\$ 334,612	\$ 186,896	\$ 103,596	\$ 625,104
Employee Benefits	76,772	12,121	88,893	65,255	28,766	182,914
Total Payroll and Related Benefits	358,644	64,861	423,505	252,151	132,362	808,018
Dental Services	195,552	-	195,552	-	-	195,552
Fantastic Teeth Program	455,672	-	455,672	-	-	455,672
Parent Autism Training	873,360	-	873,360	-	-	873,360
Educational Services	233,035	-	233,035	-	-	233,035
Medical Services and Special Equipment	29,941	-	29,941	-	-	29,941
Special Needs (Food, Clothing, Shelter, Etc.)	159,307	-	159,307	-	-	159,307
Special Therapy	97,814	-	97,814	-	-	97,814
Scholarships Paid	375,000	-	375,000	-	-	375,000
Widows - Other Programs	-	48,534	48,534	-	-	48,534
Texas Masonic Retirement Center	-	673,200	673,200	-	-	673,200
Administrative Travel	2,456	414	2,870	1,249	1,666	5,785
Marketing Programs	-	-	-	-	110,521	110,521
Insurance/Property Liability	64,224	13,170	77,394	13,798	4,983	96,175
Legal and Professional	-	-	-	89,465	-	89,465
Contract Services	60,671	2,537	63,208	12,560	221	75,989
Office Supplies	9,088	1,007	10,095	3,908	1,875	15,878
Postage	4,067	494	4,561	3,475	-	8,036
Vehicle Repairs and Maintenance	-	-	-	168	-	168
Telephone Expense	3,156	759	3,915	1,899	573	6,387
Bank Charges	-	-	-	9,938	-	9,938
Rent	45,935	6,128	52,063	26,293	11,248	89,604
Ad Valorem Taxes	-	-	-	9,430	-	9,430
Computer and Network Services	44,521	2,184	46,705	14,049	-	60,754
Utilities	5,340	720	6,060	3,275	-	9,335
Special Events	-	-	-	-	11,679	11,679
Employee Appreciation	1,019	385	1,404	371	-	1,775
Board and Committee Related Expense	-	-	-	7,299	-	7,299
Miscellaneous Expense	1,439	179	1,618	1,533	-	3,151
Total Expenses Before Depreciation	3,020,241	814,572	3,834,813	450,861	275,128	4,560,802
Depreciation	-	-	-	13,654	-	13,654
Total Expenses	<u>\$ 3,020,241</u>	<u>\$ 814,572</u>	<u>\$ 3,834,813</u>	<u>\$ 464,515</u>	<u>\$ 275,128</u>	<u>\$ 4,574,456</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	<u>338,107</u>	<u>60,161</u>	<u>398,268</u>	<u>233,796</u>	<u>125,922</u>	<u>757,986</u>
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
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
Vehicle Repairs and Maintenance	-	-	-	3,031	-	3,031
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	59,363	2,688	62,051	16,676	-	78,727
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
Board and Committee Related Expense	-	-	-	5,653	-	5,653
Miscellaneous Expense	-	31	31	137	-	168
Total Expenses Before Depreciation	<u>2,529,945</u>	<u>805,167</u>	<u>3,335,112</u>	<u>422,841</u>	<u>224,257</u>	<u>3,982,210</u>
Depreciation	-	-	-	15,143	-	15,143
Total Expenses	<u>\$ 2,529,945</u>	<u>\$ 805,167</u>	<u>\$ 3,335,112</u>	<u>\$ 437,984</u>	<u>\$ 224,257</u>	<u>\$ 3,997,353</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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 9,341,398	\$ (16,933,680)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	13,654	15,143
Realized Gains on Sales of Investments	(18,186)	(3,574)
Unrealized (Gains) Losses on Investments	(10,039,762)	12,996,602
Decrease in Value of Beneficial Interests	1,208,138	4,248,171
Noncash Operating Lease Expense	5,598	-
Changes in Assets and Liabilities:		
Increase in Prepaid Expenses	(74,581)	(91,778)
Decrease (Increase) in Accrued Interest	45,010	(173,648)
Decrease (Increase) in Accounts Receivable	62,450	(76,108)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	283,152	(91,859)
Increase in Deferred Revenue	21,250	-
Net Cash Provided (Used) by Operating Activities	848,121	(110,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,570)	(6,921)
Proceeds from Sales of Investments	11,794,180	9,470,821
Purchases of Investments	(12,764,809)	(9,337,831)
Net Cash Provided (Used) by Investing Activities	(972,199)	126,069
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Checks Issued in Excess of Bank Balance	30,160	-
Net Cash Provided by Financing Activities	30,160	-
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(93,918)	15,338
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	98,035	82,697
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 4,117	\$ 98,035
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Right of Use Asset Received Under Operating Agreements Upon Adoption of ASC 842 on July 1, 2022	\$ 522,503	\$ -

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, 2023 AND 2022

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, 2023 and 2022, the total balance of restricted cash is \$3,372 and \$3,403, respectively. The total balance of unrestricted cash and cash equivalents is \$745 and \$94,632 as of June 30, 2023 and 2022, respectively, and the total cash, cash equivalents and restricted cash shown in the statements of cash flows is \$4,117 and \$98,035, 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, 2023 AND 2022

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, 2023 and 2022.

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, 2023 and 2022, 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, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, the Organization invested in ten and seven, 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 3.85% and 3.14%, based on 30-year U.S. Treasury bond yields, for the years ended June 30, 2023 and 2022, 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, 2023 AND 2022

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.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the Statement of Financial Position. Finance leases are included in property and equipment, and other liabilities on the Statement of Financial Position.

ROU assets represent Organization's right to use an underlying asset for the lease term and lease liabilities represent Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

Leases (Continued)

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the Statement of Financial Position. The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

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.

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.

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.

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

Endowment Funds (Continued)

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 fair value of certain funds with donor restrictions fell below the historical corpus of the related investments by approximately \$72,000 and \$232,000 as of June 30, 2023 and 2022, respectively.

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.

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.

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

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, 2023 and 2022.

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, 2023, the Organization has not incurred any penalties or interest under FASB ASC Topic No. 740.

Adoption of Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

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

Adoption of Accounting Pronouncements (Continued)

Leases (Continued)

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organizations' ROU assets.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The standard had an impact on the Statement of Financial Position, the Statement of Activities and the Statement of Cash Flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Organization's accounting for finance leases remained substantially unchanged.

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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:

	2023	2022
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 745	\$ 94,632
Current Unrestricted Accounts Receivable	13,658	76,108
Accrued Interest	421,850	466,860
Investments, Pooled and Nonpooled	123,211,688	112,183,111
Distributions from Assets Held under Split-Interest Agreements	359,000	349,000
Total Financial Investments	124,006,941	113,169,711
Less Amounts Not Available for Use Within One Year:		
Investments in Nonliquid Investments	6,536,594	5,421,237
Investments in Perpetual Trusts	72,851,697	66,934,705
Total Financial Assets Not Available for Use Within One Year	79,388,291	72,355,942
Total Financial Assets Available to Meet General Expenditures Within One Year	\$ 44,618,650	\$ 40,813,769

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 \$286,000 and \$238,000 for 2023 and 2022, 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>2023</u>	<u>2022</u>
Money Market Accounts	\$ 1,693,668	\$ 2,066,893
Equity - Stocks	32,775,244	28,591,094
Equity - Mutual Funds	37,181,686	33,198,810
Fixed Income - U.S. Government and U.S. Government Agency Bonds	285,031	350,535
Fixed Income - Bond Funds	11,537,028	11,827,178
Fixed Income - Corporate Bonds	4,980,009	2,921,629
Fixed Income - Municipal Bonds	200,672	-
Fixed Income - Foreign Bonds	3,095,733	3,356,808
Fixed Income - Short Term Investment Grade	495,097	1,992,168
Other - Mutual Funds	8,441,079	9,593,068
Private Equity Funds	9,584,322	7,193,821
Total Pooled Investments	<u>\$ 110,269,569</u>	<u>\$ 101,092,004</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:

	2023	2022
Money Market Accounts	\$ 4,016,787	\$ 2,607,359
Equity - Stocks	829,375	663,354
Fixed Income - U.S. Government	40,138	879,932
Mineral Interests	6,536,594	5,421,237
Land	1,519,225	1,519,225
Total Nonpooled Investments	<u>\$ 12,942,119</u>	<u>\$ 11,091,107</u>

The total investment return from investments and mineral and royalty income for the years ended June 30 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment Income, Net:			
Interest and Dividends Income on Investments, Net	896,365	1,613,841	2,510,206
Mineral and Royalty Income, Net	1,276,666	52,239	1,328,905
Realized Gain (Loss) on Investments	37,952	(19,766)	18,186
Unrealized Gain on Investments	4,327,342	5,712,420	10,039,762
Total Investment Income, Net	<u>6,538,325</u>	<u>7,358,734</u>	<u>13,897,059</u>
Investment Income from Beneficial Interests	330,063	63,094	393,157
Change in Value of Beneficial Interests	-	(1,208,138)	(1,208,138)
Total	<u>\$ 6,868,388</u>	<u>\$ 6,213,690</u>	<u>\$ 13,082,078</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment Income, Net:			
Interest and Dividends Income on Investments, Net	751,404	1,373,350	2,124,754
Mineral and Royalty Income, Net	1,143,104	60,231	1,203,335
Realized Gain (Loss) on Investments	125,272	(121,698)	3,574
Unrealized Gain on Investments	(3,718,517)	(9,278,085)	(12,996,602)
Total Investment Income, Net	<u>(1,698,737)</u>	<u>(7,966,202)</u>	<u>(9,664,939)</u>
Investment Income from Beneficial Interests	339,620	78,451	418,071
Change in Value of Beneficial Interests	-	(4,248,171)	(4,248,171)
Total	<u>\$ (1,359,117)</u>	<u>\$ (12,135,922)</u>	<u>\$ (13,495,039)</u>

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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, 2023:

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
Pooled Investments					
Money Market Accounts	\$ 1,693,668	\$ -	\$ -	\$ -	\$ 1,693,668
Equity - Stocks:					
Growth	17,561,309	-	-	-	17,561,309
Dividend/Value	15,213,935	-	-	-	15,213,935
Equity - Mutual Funds:					
Large Cap	3,308,219	-	-	-	3,308,219
Small/Mid Cap	2,683,820	-	-	-	2,683,820
Small Cap	3,020,604	-	-	-	3,020,604
Mid Cap	11,699,572	-	-	-	11,699,572
Inflation Hedge Equity	5,258,040	-	-	-	5,258,040
Emerging Market	3,057,298	-	-	-	3,057,298
International Large Cap	4,233,806	-	-	-	4,233,806
International Small Cap	3,920,327	-	-	-	3,920,327
Fixed Income:					
Individual Bonds:					
U.S. Government Agency Bonds		285,031	-	-	285,031
Corporate Bonds		4,980,009	-	-	4,980,009
Municipal Bonds		200,672	-	-	200,672
Short-Term Investment Grade	495,097	-	-	-	495,097
High Income Bond Fund	11,537,028	-	-	-	11,537,028
Global/Foreign Bond Fund	3,095,733	-	-	-	3,095,733
Other - Mutual Funds:					
Natural Resources Fund	7,851,426	-	-	-	7,851,426
Real Estate Fund	589,653	-	-	-	589,653
Total	95,219,535	5,465,712	-	-	100,685,247
Private Equity Funds	-	-	-	9,584,322	9,584,322
Total Pooled Investments	95,219,535	5,465,712	-	9,584,322	110,269,569
Nonpooled Investments					
Money Market Accounts	4,016,787	-	-	-	4,016,787
U.S. Large Cap Stocks	829,375	-	-	-	829,375
U.S. Government Bonds	-	40,138	-	-	40,138
Mineral Interests	-	-	6,536,594	-	6,536,594
Land	-	-	1,519,225	-	1,519,225
Total Nonpooled Investments	4,846,162	40,138	8,055,819	-	12,942,119
Beneficial Interests in Perpetual Trusts	-	-	8,656,166	-	8,656,166
Total Investments	\$ 100,065,697	\$ 5,505,850	\$ 16,711,985	\$ 9,584,322	\$ 131,867,854

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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, 2022:

	Level 1	Level 2	Level 3	Assets Not Held at Fair Value	Total
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>

Purchases, sales, transfers in and transfers out of Assets Not Held at Fair Value investments consist of the following for the years ended June 30:

	2023	2022
Transfers In	\$ 2,671,369	\$ 2,260,049
Transfers Out	(232,234)	(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, 2023 is as follows:

		Net Asset Value	Unfunded Commitments
HPS Offshore Mezzanine Partners 2019, L.P.	(a)	\$ 903,852	\$ 255,262
Golub Capital Partners Int'l 12, L.P.	(b)	966,037	100,000
CBRE US Core Partners, L.P.	(c)	2,541,897	-
HL SFV iCapital Offshore Access Fund, L.P.	(d)	833,641	425,180
Landmark Infrastructure Partners II Offshore, L.P.	(e)	145,652	798,211
HBK Multi-Strategy Fund Offshore	(f)	1,589,167	-
KKR Global Infrastructure IV	(g)	562,596	434,327
The Carlyle Group	(h)	-	2,000,000
Landmark Equity Partners XVII Offshore	(i)	400,348	1,599,652
HL SFVI iCapital Access Fd	(j)	105,000	1,895,000
Canyon Balanced HedgeFocus Fd Ltd	(k)	1,536,132	-
Total		<u>\$ 9,584,322</u>	<u>\$ 7,507,632</u>

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>\$ 4,283,089</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.

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NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

- (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.
- (i) The fund has a 10-year life with no right of redemption.
- (j) The fund has up to 15-year term after final capital call. No right of redemption.
- (k) Redemption limit is 25% per quarter.

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 3.85% and 3.14% on June 30, 2023 and June 30, 2022, 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:

	2023	2022
Furniture and Fixtures	\$ 56,288	\$ 56,288
Automobiles	39,567	39,567
Office Equipment	48,711	47,142
Total Property and Equipment	144,566	142,997
Less: Accumulated Depreciation	(118,840)	(105,187)
Property and Equipment, Net	\$ 25,726	\$ 37,810

MASONIC HOME AND SCHOOL OF TEXAS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022.

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

	2023		
	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	-	30,122,867	30,122,867
Total	<u>\$ -</u>	<u>\$ 72,622,248</u>	<u>\$ 72,622,248</u>
	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>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 66,710,170	\$ 66,710,170
Investment Return, Net	-	7,372,884	7,372,884
Appropriation of Endowment Assets Pursuant to Spending Policy	-	(1,460,806)	(1,460,806)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 72,622,248</u>	<u>\$ 72,622,248</u>
	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>

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NOTE 7 ENDOWMENT NET ASSETS (CONTINUED)

As of June 30, 2023, 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	\$ 26,293,942	\$ 61,386,808
Special Assets	1,266,051	(72,051)	1,194,000
Masonic Scholarship Fund	1,141,473	478,382	1,619,855
Fred A. Land Scholarship Fund	10,547	11,990	22,537
Long Scholarship Fund	250,000	522,245	772,245
Roberts Family Scholarship Fund	12,000	30,251	42,251
Rockabrand Scholarship Fund	57,404	40,030	97,434
Smith Scholarship Fund	25,000	44,869	69,869
Sam & Rose Dear Money Market Fund	103,189	3,823	107,012
Skinner Trust	258,000	177,573	435,573
McClelland Memorial	4,282,851	2,591,813	6,874,664
Total	<u>\$ 42,499,381</u>	<u>\$ 30,122,867</u>	<u>\$ 72,622,248</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>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Scholarships	\$ 229,449	\$ 224,535
Subject to the Passage of Time:		
Future Operations	16,788,588	15,303,721
Endowments:		
Subject to NFP Endowment Spending Policy and Appropriation:		
Restricted Endowment Fund	26,293,942	21,457,499
Special Assets	(72,051)	(231,899)
Masonic Scholarship Fund	478,382	330,922
Fred A. Land Scholarship Fund	11,990	10,042
Long Scholarship Fund	522,245	455,503
Roberts Family Scholarship Fund	30,251	26,599
Rockabrand Scholarship Fund	40,030	35,612
Smith Scholarship Fund	44,869	38,829
Sam & Rose Dear Money Market Fund	3,823	2,182
Skinner Trust	177,573	136,960
McClelland Memorial	2,591,813	1,948,540
Total	<u>30,122,867</u>	<u>24,210,789</u>

**MASONIC HOME AND SCHOOL OF TEXAS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	<u>2023</u>	<u>2022</u>
Not Subject to Spending Policy or Appropriation:		
Endowment to be maintained in perpetuity	\$ 42,499,381	\$ 42,499,381
Beneficial interests in perpetual trusts	<u>8,656,166</u>	<u>9,864,304</u>
Total	<u>51,155,547</u>	<u>52,363,685</u>
Total Net Assets with Donor Restrictions	<u>\$ 98,296,451</u>	<u>\$ 92,102,730</u>

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:

	<u>2023</u>	<u>2022</u>
Expiration of Time Restrictions	<u>\$ 219,969</u>	<u>\$ 100,000</u>

NOTE 9 COMMITMENTS AND CONTINGENCIES

Operating Lease Agreements – ASC 842

The Organization leases space in Keller Texas for administrative purposes under noncancellable operating lease agreement for 127-month beginning on June 1, 2019. Masonic also leases equipment under a noncancelable operating lease agreement ending in August 2024.

The following tables provide quantitative information concerning the Organization's lease for the year ended June 30, 2023:

Operating Lease Costs	\$ 92,050
<u>Other Information:</u>	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 86,452
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	\$ 598,216
Weighted Average Remaining Lease Term:	
Operating Leases	6.5 years
Weighted Average Discount Rate:	
Operating Leases	2.92%

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NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Lease Agreements – ASC 842 (Continued)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 88,475
2025	86,374
2026	88,022
2027	89,540
2028	90,552
Thereafter	<u>136,586</u>
Total Lease Payments	579,549
Less: Imputed Interest	<u>(51,448)</u>
Present Value of Lease Liabilities	<u><u>\$ 528,101</u></u>

Total lease expense approximated \$89,600 for the year ended June 30, 2023.

Operating Lease Agreements – ASC 840

Masonic leases space in Keller Texas for administrative purposes under the terms of a 127-month operating lease beginning on June 1, 2019. Masonic also leases equipment under a noncancelable operating lease ending in August 2024. Future minimum rental payments due under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 86,452
2024	88,475
2025	86,374
2026	88,022
2027	89,540
Thereafter	<u>227,138</u>
Total	<u><u>\$ 666,001</u></u>

Total lease expense approximated \$80,600 for the year ended June 30, 2022.

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 \$22,500 and \$20,500 respectively, in 2023 and 2022, plus catch-up contributions up to a maximum of \$7,000 and \$6,000, respectively, 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.

**MASONIC HOME AND SCHOOL OF TEXAS
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JUNE 30, 2023 AND 2022**

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

The Organization may also choose to make a discretionary profit sharing contribution to the plan.

The Organization's expense under the plan totaled approximately \$25,000 for the both the years ended June 30, 2023 and 2022, 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 \$680,000 and \$716,411 for the years ended June 30, 2023 and 2022, 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, 2023, the Organization had a payable to TMRC of \$54,888. At June 30, 2022 no balance due to TMRC.

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 \$200,000 and \$100,000 in the years ended June 30, 2023 and 2022, respectively. Both grants were to be used for the dental and autism programs.

At June 30, 2023 and 2022, the Organization had \$432 and \$695, respectively, due to employees.

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, 2023 and 2022.

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JUNE 30, 2023 AND 2022

NOTE 12 COLLABORATIVE ARRANGEMENTS (CONTINUED)

The Organization's portion of expenses related to the Agreement totaled approximately \$55,000 and \$46,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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 SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through December 14, 2023, 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, 2023**

	<u>Unaudited Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and Other Receipts			
Bequests, Estates, and Donations	\$ 292,700	\$ 417,173	\$ 124,473
Income from Beneficial Interests	349,000	393,157	44,157
Scholarship Interest and Dividends	2,736,533	3,771,664	1,035,131
Investment Income (Net of Fees)	48,036	67,448	19,412
Income from Widow's Property	20,000	151,308	131,308
Widows Income	179,322	100,916	(78,406)
Fundraising Income	172,393	120,517	(51,876)
Miscellaneous Income	12,000	-	(12,000)
Total Revenues and Other Receipts	<u>3,809,984</u>	<u>5,022,183</u>	<u>1,212,199</u>
Expenditures and Disbursements			
Administration and General Operating	427,482	450,861	(23,379)
Marketing/Development/Fundraising	250,910	275,128	(24,218)
Children and Family Services Programs	2,689,656	2,645,241	44,415
Scholarships	375,000	375,000	-
Widows/Texas Masonic Retirement Center Program	829,859	814,572	15,287
Furniture and Equipment	12,500	-	12,500
Total Expenditures and Disbursements	<u>4,585,408</u>	<u>4,560,802</u>	<u>24,606</u>
Excess Revenues Over Expenditures before Reconciling Items	<u>\$ (775,424)</u>	461,381	<u>\$ 1,236,805</u>
Reconciling Items to the Financial Statements			
Nonbudgeted Depreciation Expense		(13,654)	
Rental and Leases		43,862	
Unrealized Losses on Investments		10,039,762	
Realized Gains on Investments		18,186	
Change in Value of Beneficial Interests		<u>(1,208,139)</u>	
Total		<u>8,880,017</u>	
Total Revenues Over Expenditures		<u>\$ 9,341,398</u>	

**MASONIC HOME AND SCHOOL OF TEXAS
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BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON
YEAR ENDED JUNE 30, 2023**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
Administration and General Operating Expenses			
Payroll and Related Expenses	\$ 185,681	\$186,896	\$ (1,215)
Employee Benefits	44,922	65,255	(20,333)
Contract Services	13,757	12,560	1,197
General and Furnishings	1,179	-	1,179
Board and Committee Related Expense	13,000	7,299	5,701
Bank Fees and Interest Expense	8,800	9,938	(1,138)
Property Tax	5,000	9,430	(4,430)
Attorneys	69,000	50,125	18,875
Auditors	30,105	39,340	(9,235)
Vehicle Repairs and Maintenance	1,000	168	832
Office Supplies	4,231	3,908	323
Technology and Equipment Maintenance	13,773	14,049	(276)
Telephone	2,466	1,899	567
Insurance	8,483	13,798	(5,315)
Other Expenses	1,179	2,940	(1,761)
Employee Licenses and Development	1,350	-	1,350
Postage	3,698	3,475	223
Rent	15,932	26,293	(10,361)
Utilities and Security	2,376	2,239	137
Travel and Mileage	1,550	1,249	301
Total Administration and General Operating Expenses	427,482	450,861	(23,379)
Marketing/Development/Fundraising			
Marketing/Development/Fundraising	250,910	275,128	(24,218)
Children and Family Services Programs			
Children and Family Program Services	750,000	715,649	34,351
Fantastic Teeth Program	384,648	455,672	(71,024)
Parent Autism Training	952,674	873,360	79,314
MHS Scholarships	375,000	375,000	-
Payroll and Related Expenses	336,295	281,872	54,423
Employee Benefits	8,609	76,772	(68,163)
Contract Services	60,688	60,671	17
General and Furnishings	2,750	-	2,750
Office Supplies	11,050	9,088	1,962
Technology and Equipment Maintenance	43,082	44,521	(1,439)
Telephone	4,785	3,156	1,629
Insurance	72,607	64,224	8,383
Other Expenses	2,814	2,458	356
Employee Licenses and Development	1,350	-	1,350
Postage	3,698	4,067	(369)
Rent	46,638	45,935	703
Utilities and Security	5,669	5,340	329
Travel and Mileage	2,300	2,456	(156)
Total Children and Family Services Programs	3,064,657	3,020,241	44,416

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BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
Widows Program/Texas Masonic Retirement Center			
Texas Masonic Retirement Center	\$ 688,146	\$ 673,200	\$ 14,946
Widows Allowance	8,160	6,800	1,360
Special Occasion	1,800	1,386	414
AAA Widows Program	50,000	40,348	9,652
Payroll and Related Expenses	57,934	52,740	5,194
Employee Benefits	2,149	12,121	(9,972)
Contract Services	329	2,537	(2,208)
General and Furnishings	786	-	786
Office Supplies	1,207	1,007	200
Technology and Equipment Maintenance	2,152	2,184	(32)
Telephone	921	759	162
Insurance	8,403	13,170	(4,767)
Other Expenses	429	564	(135)
Postage	435	494	(59)
Rent	5,793	6,128	(335)
Utilities and Security	765	720	45
Travel and Mileage	450	414	36
Total Widows Program/Texas Masonic Retirement Center	829,859	814,572	15,287
Furniture and Equipment			
General and Furnishings	6,000	-	6,000
Equipment - Office	6,500	-	6,500
Total Furniture and Equipment	12,500	-	12,500
Total Expenditures and Other Cash Disbursements before Nonbudgeted Items	\$ 4,585,408	4,560,802	\$ 24,606
Reconciling Items to the Financial Statements			
Nonbudgeted Depreciation Expense		13,654	
Furniture and Equipment Capitalized		-	
Total Expenditures and Other Disbursements		\$ 4,574,456	