

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

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	2-3
Statements of Financial Position	4
Statements of Activities.....	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys and Girls Country of Houston, Inc.
Hockley, Texas

We have audited the accompanying financial statements of Boys and Girls Country of Houston, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Country of Houston, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited the Boys and Girls Country of Houston, Inc. 2012 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 9, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hays & Pearson Company, P.C.

Houston, Texas
August 20, 2014

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012
Cash	\$ 599,826	\$ 688,164
Investments	599,333	1,418,475
Receivables		
Pledges receivable, net	1,036,208	1,232,037
Other receivables	477,405	259,906
Prepaid expenses and other assets	170,668	151,786
Interest in net assets of the Endowment Fund	15,828,315	13,699,592
Property and equipment, net	<u>8,676,244</u>	<u>8,879,100</u>
 TOTAL ASSETS	 <u>\$ 27,387,999</u>	 <u>\$ 26,329,060</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 225,215	\$ 308,800
Accrued salaries and benefits	174,564	135,825
Funds held for residents	29,458	44,840
Deferred compensation	<u>144,338</u>	<u>163,616</u>
 TOTAL LIABILITIES	 <u>573,575</u>	 <u>653,081</u>
 NET ASSETS		
Unrestricted	12,154,841	12,475,396
Temporarily restricted	8,929,206	7,829,350
Permanently restricted	<u>5,730,377</u>	<u>5,371,233</u>
 TOTAL NET ASSETS	 <u>26,814,424</u>	 <u>25,675,979</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 27,387,999</u>	 <u>\$ 26,329,060</u>

See accompanying notes.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARY TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	December 31, 2013 Total	December 31, 2012 Total
OPERATING REVENUES					
Contributions	\$ 1,563,141	\$ 909,133	\$ -	\$ 2,472,274	\$ 3,394,164
Special events	3,052,004	-	-	3,052,004	3,263,590
Direct donor benefit costs	(809,021)	-	-	(809,021)	(589,569)
Reimbursement for care	194,622	-	-	194,622	259,130
Other income	539,348	-	-	539,348	297,746
Total Operating Revenue	4,540,094	909,133	-	5,449,227	6,625,061
NET ASSETS RELEASED FROM RESTRICTIONS					
Capital expenditures	490,883	(490,883)	-	-	-
Expenditures for program purposes	812,284	(812,284)	-	-	-
Expiration of time restrictions	275,688	(275,688)	-	-	-
Total Revenues and Support	6,118,949	(669,722)	-	5,449,227	6,625,061
EXPENSES					
Program services	5,286,205	-	-	5,286,205	5,249,211
Management and general	456,568	-	-	456,568	355,819
Fund raising	696,731	-	-	696,731	534,631
Total Expenses	6,439,504	-	-	6,439,504	6,139,661
CHANGE IN NET ASSETS FROM OPERATIONS	(320,555)	(669,722)	-	(990,277)	485,400
CHANGE IN INTEREST IN ENDOWMENT FUND	-	1,769,578	359,144	2,128,722	1,154,130
CHANGES IN NET ASSETS	(320,555)	1,099,856	359,144	1,138,445	1,639,530
NET ASSETS, BEGINNING OF YEAR	12,475,396	7,829,350	5,371,233	25,675,979	24,036,449
NET ASSETS, END OF YEAR	\$ 12,154,841	\$ 8,929,206	\$ 5,730,377	\$ 26,814,424	\$ 25,675,979

See accompanying notes.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARY TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	Management and General	Fund Raising	December 31, 2013 Total	December 31, 2012 Total
Salaries and employee benefits	\$ 3,191,126	\$ 243,847	\$ 278,932	\$ 3,713,905	\$ 3,591,502
Depreciation	698,267	53,055	60,732	812,054	881,822
Utilities and telephone	277,947	21,118	24,174	323,239	325,032
Maintenance and operation of properties and vehicles	293,467	16,492	18,879	328,838	319,464
Activities and education support	314,441	424	485	315,350	315,630
Insurance	186,289	14,154	16,202	216,645	183,771
Food and supplies	154,498	-	-	154,498	125,701
Staff recruiting and training costs	35,628	1,433	30,739	67,800	47,730
Direct mailings and newsletter	-	-	165,471	165,471	162,003
Office supplies and postage	22,579	72,932	30,352	125,863	97,227
Medical and dental care	63,904	-	-	63,904	32,779
Ranch operations	17,619	-	-	17,619	16,182
Professional fees	<u>30,440</u>	<u>33,113</u>	<u>70,765</u>	<u>134,318</u>	<u>40,818</u>
Total Expenses	<u>\$ 5,286,205</u>	<u>\$ 456,568</u>	<u>\$ 696,731</u>	6,439,504	6,139,661
Direct donor benefit costs				<u>809,021</u>	<u>589,569</u>
Total				<u>\$ 7,248,525</u>	<u>\$ 6,729,230</u>

See accompanying notes.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,138,445	\$ 1,639,530
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	812,054	881,822
Contributions restricted for acquisition of property and equipment	(99,685)	(135,480)
Loss on retirement of property and equipment	2,083	17,403
Donated property and equipment	(104,361)	(30,910)
Realized and unrealized (gain) loss on investments	(46,375)	193
Deferred compensation	(19,278)	25,352
Change in interest in net assets of Endowment Fund	(2,128,722)	(1,154,130)
Change in operating assets and liabilities:		
Pledges receivable, net	41,678	(802,959)
Other receivables	(217,499)	169,747
Prepaid expenses and other assets	(18,882)	114,881
Accounts payable and accrued liabilities	(83,585)	182,050
Accrued salaries and benefits	38,739	(21,994)
Funds held for residents	(15,382)	(45,624)
Total adjustments	(1,839,215)	(799,649)
Net cash (used) provided by operating activities	(700,770)	839,881
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,506,080)	(3,419,050)
Proceeds from sales of investments	2,366,690	3,325,275
Net change in money market mutual fund investments	4,907	149,271
Purchase of property and equipment	(506,921)	(565,253)
Contribution to Endowment Fund	-	(1,000,000)
Net cash provided (used) by investing activities	358,596	(1,509,757)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted to acquisition of property and equipment	253,836	793,393
Net cash provided by financing activities	253,836	793,393
NET CHANGE IN CASH	(88,338)	123,517
CASH AT BEGINNING OF YEAR	688,164	564,647
CASH AT END OF YEAR	\$ 599,826	\$ 688,164
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cost of property and equipment retired	\$ 312,485	\$ 136,299

See accompanying notes.

NOTE A BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Boys and Girls Country of Houston, Inc. (Boys and Girls Country), a Texas not-for-profit organization, is a licensed childcare residential facility that provides 24-hour care for children in crisis between the ages of 5 and 18, primarily from the Greater Houston area. Boys and Girls Country also provides a residential care and scholarship program for residents aged 18 or older.

Boys and Girls Country of Houston Endowment Fund, Inc. (the Endowment Fund), a financially related organization, was created in 1986 to seek support for and hold assets on behalf of Boys and Girls Country. The Endowment Fund has a separate board of directors and Boys and Girls Country does not exercise control over the Endowment Fund, therefore consolidated financial statements are not required. The Endowment Fund transfers assets to Boys and Girls Country when authorized by the Endowment Fund Board of Directors.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States (GAAP). Accordingly, such information should be read in conjunction with the Boys and Girls Country's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Management's Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and the allocation of expenses among various functions during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit and Market Risk - Financial instruments that subject Boys and Girls Country to concentrations of credit risk consist principally of cash and investments. Boys and Girls Country places its cash with high credit quality financial institutions. At times, such amounts may exceed insured limits; however, these amounts typically may be redeemed upon demand and, therefore, bear minimal risk. In monitoring this credit risk, Boys and Girls Country periodically evaluates the stability of these financial institutions.

Marketable and nonmarketable investments subject Boys and Girls Country to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Boys and Girls Country's investments. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially impact the amounts reflected in the accompanying financial statements.

Investments - Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss is included in other income in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

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

Receivables - Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Generally, no collateral or other security is required to support other receivables. An allowance for doubtful accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific donors or creditors. At December 31, 2013 and 2012, contributions from one donor represented 58% and 65% of pledges receivable, respectively. During 2012, contributions from one donor represented 15% of total contributions and special events revenues.

Property and Equipment - Property and equipment is recorded at cost if purchased or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 5 to 30 years for buildings and improvements and 3 to 8 years for furniture and equipment and transportation equipment.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities. Expenditures for maintenance and repairs are charged to earnings as incurred.

Interest in Net Assets of the Endowment Fund - Interest in net assets of the Endowment Fund is recorded at the fair value of the underlying assets of the Endowment Fund as reported in the audited financial statements of the Endowment Fund. As further discussed in Note G, changes in the value of the Endowment Fund from year to year are recorded as an increase or decrease in temporarily or permanently restricted net assets in the statements of activities.

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

- Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- Temporarily restricted net assets include contributions restricted by the donor for specific purposes or time periods. When the purpose is accomplished or the time restriction is met, temporarily restricted net assets are released to unrestricted net assets. Temporarily restricted net assets also include Boys and Girls Country's interest in the net assets of the Endowment Fund excluding the funds that are permanently restricted and the unrestricted funds that were transferred by Boys and Girls Country to the Endowment Fund.
- Permanently restricted net assets represent the interest in the permanently restricted net assets of the Endowment Fund. The Endowment Fund's permanently restricted net assets are contributions that donors have restricted in perpetuity. The related investment income is available to the Endowment Fund to distribute to Boys and Girls Country to support various activities.

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

Contributions - Contributions are recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit the use of the donated assets are recorded as restricted support. Conditional contributions are included in revenue when the conditions are substantially met. Boys and Girls Country recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

In-Kind Contributions - Donated assets, materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services which would typically need to be purchased, if not provided by donation, are recognized either when services received create or enhance nonfinancial assets or are provided by individuals possessing specialized skills. In 2013, \$104,361 of donated property and equipment, \$110,620 of donated goods, and \$2,200 of other donated items were recorded as in-kind contributions, assets and program expenses. In 2012, \$37,248 of donated property and equipment, \$114,461 of donated goods, and \$10,606 of other donated items were recorded as in-kind contributions, assets and program expenses.

Reimbursement for Care - Reimbursement for care is recognized as revenue when received.

Functional Expenses - Functional expenses which are not specifically related to a program are charged to programs based on management's estimates.

Income Taxes - Boys and Girls Country is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, Boys and Girls Country is subject to taxes on unrelated business income. No unrelated business income was generated in 2013 and 2012.

Boys and Girls Country believes that all significant tax positions utilized by Boys and Girls Country will more likely than not be sustained upon examination. As of December 31, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2010 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statement of activities.

Implementation of New Accounting Pronouncement - The Financial Accounting Standards Board amended the statement of cash flows reporting requirements relating to the presentation of contributions of financial instruments which are immediately converted to cash. Previously such items were reported on the statement of cash flows as a reduction of cash from operating activities and as proceeds from financing activities. Boys and Girls Country implemented the provisions of the amendment effective January 1, 2012 and thus reduced contributions of marketable investments and proceeds from sale of marketable investments on the statement of cash flows for the year ended December 31, 2012 by \$79,360.

Subsequent Events - Management has evaluated subsequent events through August 20, 2014, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment to or disclosure in the financial statements at December 31, 2013.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE B PLEDGES RECEIVABLE

Pledges receivable at December 31, 2013 and 2012 are receivable as follows:

	2013	2012
Receivable in less than one year	\$ 657,849	\$ 674,824
Receivable in one to five years	404,000	606,000
	1,061,849	1,280,824
Allowance for doubtful accounts	(25,641)	(48,787)
	\$ 1,036,208	\$ 1,232,037

NOTE C PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2013	2012
Land and Improvements	\$ 4,589,291	\$ 4,375,857
Buildings and Improvements	11,384,086	11,448,247
Furniture and Equipment	1,328,900	1,210,642
Transportation Equipment	675,348	670,007
Livestock	52,550	52,550
Construction In Progress	25,924	-
	18,056,099	17,757,303
Less accumulated depreciation	(9,379,855)	(8,878,203)
	\$ 8,676,244	\$ 8,879,100

NOTE D INVESTMENT RETURN

Investment return, which is a component of other income, is summarized as follows:

	2013	2012
Interest and dividend income	\$ 1,603	\$ 21,841
Net realized and unrealized gain (loss) on investments	10,496	(30,586)
Total investment gain (loss)	\$ 12,099	\$ (8,745)

Realized and unrealized gain (loss) on investments per the statements of cash flows includes gains allocated to deferred compensation. (See Note F)

NOTE E FAIR VALUE DISCLOSURES

GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical financial instruments in active markets that Boys and Girls Country has the ability to access.

Level 2 – Other significant observable inputs (including quoted prices in active or inactive markets for similar financial instruments), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE E FAIR VALUE DISCLOSURES (CONTINUED)

Following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used during 2013 and 2012.

Interest in net assets of the Endowment Fund is reported at the fair value of the net assets of the Endowment Fund as of December 31, 2013 and 2012 and is based upon the fair value of the underlying assets which consist primarily of actively traded equity securities and corporate bonds. Level 1 and 2 fair value inputs were used to determine the fair value of the underlying assets.

Certificates of deposit generally mature within 1 year from financial statement date and are valued based on prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate current values.

Mutual funds are valued at reported net asset value of shares held at year end.

Partnership interests are valued based on the equity interest reported by the partnership, which management believes approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Boys and Girls Country believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of investments are categorized as follows at December 31, 2013 and 2012:

	2013			Total
	Level 1	Level 2	Level 3	
Interest in net assets of the				
Endowment Fund	\$ -	\$ 15,828,315	\$ -	\$ 15,828,315
Certificates of deposit	-	350,869	-	350,869
Money market mutual funds	100,908	-	-	100,908
Equity mutual funds	81,443	-	-	81,443
Equities	6,053	-	-	6,053
Partnership interests	-	-	60,060	60,060
	<u>\$ 188,404</u>	<u>\$ 16,179,184</u>	<u>\$ 60,060</u>	<u>\$ 16,427,648</u>

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE E FAIR VALUE DISCLOSURES (CONTINUED)

	2012			
	Level 1	Level 2	Level 3	Total
Interest in net assets of the				
Endowment Fund	\$ -	\$ 13,699,592	\$ -	\$ 13,699,592
Certificates of deposit	-	942,512	-	942,512
Money market mutual funds	105,816	-	-	105,816
Equity mutual funds	182,913	-	-	182,913
Corporate Notes	-	86,879	-	86,879
Equities	43,921	-	-	43,921
Partnership interests	-	-	56,434	56,434
	<u>\$ 332,650</u>	<u>\$ 14,728,983</u>	<u>\$ 56,434</u>	<u>\$ 15,118,067</u>

The changes in the Level 3 partnership interests during 2013 and 2012 result from the allocation of partnership profit or loss.

NOTE F RETIREMENT PLANS

Boys and Girls Country contributes an amount equal to 3% of each employee's annual salary to a defined-contribution retirement plan for employees who have met the eligibility requirement of one year of service. Boys and Girls Country contributed \$71,199 and \$66,874 to the plan in 2013 and 2012, respectively.

Effective January 1, 2001, Boys and Girls Country's compensation committee established the Key Employee Security Option Plan (the Plan) to provide a vehicle for the payment of compensation to participating key executives. The Plan is intended to be a nonqualified stock option plan within the meaning of §83 of the Internal Revenue Code. In 2002, Boys and Girls Country entered into an option agreement with an employee and purchased certain securities with an initial value of \$80,000 to fund the agreement. Under the terms of the agreement, all options became fully vested and exercisable as of January 1, 2004 and will expire on December 31, 2015. The employee may exercise the options at a price of 25% of the initial value. A deferred compensation obligation has been accrued based on the value of the securities held net of the exercise price of the vested option. At December 31, 2013 and 2012, the related securities have a market value of approximately \$157,000 and \$183,000, respectively, and are included with investments in the accompanying statements of financial position. During 2013 and 2012, the employee exercised a portion of the option and received distributions of \$66,285 and \$5,041, respectively.

NOTE G THE ENDOWMENT FUND

In prior years, Boys and Girls Country had transferred a total of \$2,594,360 unrestricted, excess funds to the Endowment Fund to invest. No unrestricted transfers were made during 2013 or 2012. These unrestricted funds are invested with the other Endowment Fund assets but may be utilized by Boys and Girls Country if required to fund its activities. In addition, Boys and Girls Country may request grants from the temporarily-restricted assets of the Endowment Fund to support the specific activities for which they were intended. In 2013 and 2012, grants were requested and approved for \$365,000 and \$170,000, respectively, and are included in other receivables and other income in the financial statements.

The transactions and balances of the permanently restricted net assets of the Endowment Fund are reflected as permanently restricted in the accompanying financial statements. The remaining interest in the Endowment Fund is reported as temporarily restricted.

In December 2012, Boys and Girls Country made a grant of \$1,000,000 to the Endowment Fund from the funds raised in Capital Campaign III. The purpose of the grant was to establish a fund, the income from which would be used to fund future grants to Boys and Girls Country to pay for the operating expenses of the facilities constructed using the funds raised by the Campaign. This amount is included in permanently restricted net assets.

In September 2011, Boys and Girls Country entered into a Service Agreement with the Endowment Fund whereby Boys and Girls Country provides fund raising and other services to the Endowment Fund. The Endowment Fund reimburses Boys and Girls Country for payroll and other costs associated with these fund raising activities. For the years 2013 and 2012, \$127,561 and \$119,958, respectively, were charged to the Endowment Fund under this arrangement and are included as a reduction of salaries and other expenses. At December 31, 2013 and 2012, \$13,340 and \$12,309, respectively, of unreimbursed salaries and other expenses are included in other receivables.

NOTE H UNRESTRICTED NET ASSETS

Unrestricted net assets are as follows at December 31:

	2013	2012
Interest in net assets of the Endowment Fund	\$ 2,594,360	\$ 2,594,360
Invested in property and equipment	8,676,244	8,879,100
Undesignated	884,237	1,001,936
	\$ 12,154,841	\$ 12,475,396

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE I TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2013	2012
Interest in net assets of the Endowment Fund:		
General support of Boys and Girls Country	\$ 6,776,587	\$ 5,322,156
Scholarships	447,563	257,101
Children's Table Funds	213,708	151,208
Facilities Maintenance Fund	61,556	-
Teaching parent support	4,164	3,535
	7,503,578	5,734,000
Capital campaign for the acquisition of property	474,552	897,292
Use in future periods	617,919	875,688
Other	333,157	322,370
	\$ 8,929,206	\$ 7,829,350

NOTE J PERMANENTLY RESTRICTED NET ASSETS

All permanently restricted net assets are held by the Endowment Fund. The earnings on the following balances are temporarily restricted to be used for the purposes indicated below:

	2013	2012
General support of Boys and Girls Country	\$ 3,048,646	\$ 3,024,362
Scholarships	1,145,421	837,289
Children's Table Funds	399,288	372,560
Facilities Maintenance Fund	1,000,000	1,000,000
Teaching parent support	125,000	125,000
Other	12,022	12,022
	\$ 5,730,377	\$ 5,371,233

BOYS AND GIRLS COUNTRY OF HOUSTON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE K REIMBURSEMENT FOR CARE

Reimbursement for care of the children includes funds from the following sources at December 31:

	<u>2013</u>	<u>2012</u>
Texas Department of Family and Protective Services	\$ 76,423	\$ 100,702
Family Payments	48,486	45,011
Social Security Payments	38,313	36,701
Texas Department of Agriculture (National School Breakfast and Lunch Program)	<u>31,400</u>	<u>76,716</u>
	<u>\$ 194,622</u>	<u>\$ 259,130</u>