HIGH PLAINS CHILDREN'S HOME
AND FAMILY SERVICES, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

HIGH PLAINS CHILDREN'S HOME
AND FAMILY SERVICES, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
High Plains Children's Home
and Family Services, Inc.
Amarillo, Texas

Report on Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of High Plains Children's Home and Family Services, Inc. (a not-for-profit organization) (the "Home") as of and for the year ended December 31, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Home as of December 31, 2022, and the changes in net assets and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Home and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Home's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

We have previously audited the Home's December 31, 2021 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Brown, Graham & Company, P.C.

Amarillo, Texas
April 20, 2023

HIGH PLAINS CHILDREN'S HOME AND FAMILY SERVICES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Home	Foundation	Consolidated	Consolidated
Assets:				
Cash and cash equivalents	$ 228,651	$ 8,911	$ 237,562	$ 400,831
Accrued dividends receivable	-	18,829	18,829	17,933
Receivables	248,989	-	248,989	142,217
Prepaid expenses	39,701	650	40,351	37,191
Investments, at fair value	1,492,846	3,875,491	5,368,337	6,928,731
Construction in progress	180,461	-	180,461	160,787
Land, buildings and other property, net of accumulated depreciation	9,461,156	1,980,585	11,441,741	11,984,855
Cash surrender value of life insurance policies	43,408	-	43,408	41,559
Total Assets	$ 11,695,212	$ 5,884,466	$ 17,579,678	$ 19,714,104
Liabilities:				
Accounts payable	$ 143,085	$ 8,803	$ 151,888	$ 177,031
Notes payable	160,000	-	160,000	-
Charitable gift annuities	-	98,676	98,676	104,565
Total Liabilities	303,085	107,479	410,564	281,596
Net Assets:				
Net assets without donor restrictions:				
Undesignated	10,166,717	-	10,166,717	10,654,219
Board designated for capital projects	632,464	-	632,464	632,464
Board designated endowment	-	5,663,095	5,663,095	7,404,460
Net assets with donor restrictions:				
Restricted by purpose or time	592,946	47,892	640,838	675,365
Restricted in perpetuity	-	66,000	66,000	66,000
Total Net Assets	11,392,127	5,776,987	17,169,114	19,432,508
Total Liabilities and Net Assets	$ 11,695,212	$ 5,884,466	$ 17,579,678	$ 19,714,104

The accompanying notes are an integral part of the consolidated financial statements.

HIGH PLAINS CHILDREN'S HOME AND FAMILY SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Home	Foundation	Consolidated	Consolidated
Changes in Net Assets without Donor Restrictions:				
Revenues, gains and other support:				
Contributions received - financial assets	$ 1,026,094	$ -	$ 1,026,094	$ 1,140,791
Contributions received - nonfinancial assets	72,112	-	72,112	99,660
Governmental and family support	938,913	-	938,913	1,170,593
Investment income, net of expenses	50,977	247,188	298,165	111,781
Net realized and unrealized gains (losses) on long-term investments	(3,132)	(510,511)	(513,643)	430,868
Gain (loss) on disposal of assets	8,343	-	8,343	(17,089)
Investment rental income	-	45,350	45,350	45,350
Rents and royalties	55,304	22,051	77,355	58,346
Miscellaneous	23,727	8	23,735	63,284
Total revenues, gains and other support	2,172,338	(195,914)	1,976,424	3,103,584
Net assets released from restrictions:				
Satisfaction of program restrictions	34,464	6,223	40,687	528,423
Total revenues, gains and other support and net assets released from restrictions	2,206,802	(189,691)	2,017,111	3,632,007
Expenses:				
Program Services:				
Residential care	2,127,961	-	2,127,961	2,074,446
Pa & Megan's Place @ High Plains	244,737	-	244,737	227,285
Facilities	420,917	-	420,917	461,465
Emergency shelter	527,588	-	527,588	683,851
After care	986	-	986	735
Support Services:				
Administrative	374,775	-	374,775	355,484
Fund Raising and Development:				
Home development	372,920	-	372,920	348,940
Foundation development	-	176,094	176,094	177,765
Total expenses	4,069,884	176,094	4,245,978	4,329,971
Net transfers between the Home and the Foundation	1,375,580	(1,375,580)	-	-
Change in net assets without donor restrictions	(487,502)	(1,741,365)	(2,228,867)	(697,964)
Changes in Net Assets with Donor Restrictions:				
Contributions	15,200	-	15,200	53,500
Investment income, net of expenses	-	645	645	1,084
Net realized and unrealized gains (losses) on long-term investments	-	(9,685)	(9,685)	3,214
Net assets released from restrictions for satisfaction of program restrictions	(34,464)	(6,223)	(40,687)	(528,423)
Change in net assets with donor restrictions	(19,264)	(15,263)	(34,527)	(470,625)
Change in Net Assets	(506,766)	(1,756,628)	(2,263,394)	(1,168,589)
Net Assets at Beginning of Year	11,898,893	7,533,615	19,432,508	20,601,097
Net Assets at End of Year	$ 11,392,127	$ 5,776,987	$ 17,169,114	$ 19,432,508

The accompanying notes are an integral part of the consolidated financial statements.

HIGH PLAINS CHILDREN'S HOME AND FAMILY SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Home	Foundation	Consolidated	Consolidated
Cash Flows From (Used By) Operating Activities:				
Change in net assets	$ (506,766)	$ (1,756,628)	$ (2,263,394)	$ (1,168,589)
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	581,030	12,574	593,604	568,378
Net realized and unrealized (gains) losses on investments	3,132	520,196	523,328	(434,082)
(Gain) loss on disposal of capital assets	(8,343)	-	(8,343)	17,089
Noncash investment donations received	-	-	-	(108,198)
Noncash donations received for land, buildings, other property, and construction in progress	(20,000)	-	(20,000)	-
(Increase) decrease in operating assets:				
Accrued dividends receivable	-	(896)	(896)	-
Receivables	(107,613)	841	(106,772)	112,547
Prepaid expenses	(3,160)	-	(3,160)	5,091
Increase (decrease) in operating liabilities:				
Accounts payable	(25,157)	14	(25,143)	(47,392)
Net Cash Flows From (Used By) Operating Activities	(86,877)	(1,223,899)	(1,310,776)	(1,055,156)
Cash Flows From (Used By) Investing Activities:				
Purchase of land, buildings and other property	(61,316)	-	(61,316)	(548,720)
Proceeds from sale of investments	-	1,256,223	1,256,223	1,272,258
Proceeds from sale of land, buildings and other property	19,495	-	19,495	3,000
Purchase of investments	(48,143)	(172,863)	(221,006)	(541,321)
Net Cash Flows From (Used By) Investing Activities	(89,964)	1,083,360	993,396	185,217
Cash Flows From (Used By) Financing Activities:				
Proceeds from advances on line of credit	880,000	-	880,000	-
Payments on line of credit	(720,000)	-	(720,000)	-
Payments on charitable gift annuities	-	(5,889)	(5,889)	(5,889)
Net Cash Flows From (Used By) Financing Activities	160,000	(5,889)	154,111	(5,889)
Net Increase (Decrease) in Cash and Cash Equivalents	(16,841)	(146,428)	(163,269)	(875,828)
Cash and Cash Equivalents:				
Beginning of year	245,492	155,339	400,831	1,276,659
End of year	$ 228,651	$ 8,911	$ 237,562	$ 400,831

The accompanying notes are an integral part of the consolidated financial statements.

HIGH PLAINS CHILDREN'S HOME AND FAMILY SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)
(continued)

	2022			2021
	Home	Foundation	Consolidated	Consolidated
Supplemental information:				
Cash paid for interest during the year	$ 3,192	$ 7,448	$ 10,640	$ 7,497
Non-cash donations of goods and services during the year	$ 52,112	$ -	$ 52,112	$ 99,660
Non-cash investments donated during the year	$ -	$ -	$ -	$ 108,198
Non-cash capital assets donated during the year	$ 20,000	$ -	$ 20,000	$ -

The accompanying notes are an integral part of the consolidated financial statements.

HIGH PLAINS CHILDREN'S HOME AND FAMILY SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services				
	Residential Care	Pa & Megan's Place @ High Plains	Facilities	Emergency Shelter	After Care
Salaries and Related Expenses:					
Salaries	$ 822,995	$ 67,482	$ 177,144	$ 317,123	$ -
Payroll taxes	62,803	5,107	13,410	24,210	-
Employee benefits	168,205	12,468	39,357	79,151	-
Total Salaries and Related Expenses	1,054,003	85,057	229,911	420,484	-
Other Functional Expenses:					
Advertising	13,652	-	-	480	-
Automobile expense	41,827	12,056	14,950	19,786	800
Clothing	28,902	-	-	7,377	-
Computer expense	21,211	38	-	6,054	-
Dues, fees and subscriptions	12,074	228	15,248	740	-
Educational	17,431	-	-	1,637	-
Feed, ag supplies and veterinary	32,616	-	-	-	-
Food and household	189,731	-	-	18,889	186
Insurance	141,051	18,075	8,839	11,330	-
Interest	-	-	-	-	-
Maintenance and repairs	69,110	12,461	17,906	8,349	-
Medical	5,796	-	-	1,562	-
Professional fees	19,690	-	-	1,625	-
Property taxes	-	-	-	-	-
Recreation and allowance	49,570	1,164	-	2,712	-
Rent	-	-	-	-	-
Supplies, postage and office expense	5,458	3,137	25	243	-
Telephone and utilities	105,905	24,830	8,713	16,549	-
Training	7,306	-	790	624	-
Travel	1,555	-	-	205	-
Total Expenses Before Depreciation	1,816,888	157,046	296,382	518,646	986
Depreciation	311,073	87,691	124,535	8,942	-
Total Functional Expenses	$ 2,127,961	$ 244,737	$ 420,917	$ 527,588	$ 986

The accompanying notes are an integral part of the consolidated financial statements.

Support Services	Fund Raising & Development			
Administrative	Home Development	Foundation Development	Consolidated 2022	Consolidated 2021
$ 182,709	$ 217,161	$ 107,120	$ 1,891,734	$ 2,015,081
13,319	16,150	8,195	143,194	154,695
41,045	29,778	16,221	386,225	384,540
237,073	263,089	131,536	2,421,153	2,554,316
-	8,710	-	22,842	17,806
12,421	11,800	2,015	115,655	107,914
-	-	-	36,279	41,442
-	27,040	-	54,343	63,179
11,596	40	-	39,926	18,989
-	-	-	19,068	14,993
-	-	-	32,616	22,134
-	-	-	208,806	245,774
23,159	5,518	3,210	211,182	191,459
4,341	-	7,448	11,789	7,497
3,785	-	618	112,229	138,121
-	-	-	7,358	10,439
18,459	-	-	39,774	37,570
344	-	7,929	8,273	7,158
-	-	-	53,446	57,180
-	-	8,640	8,640	8,681
9,524	40,629	190	59,206	58,693
9,725	4,980	1,903	172,605	147,935
878	-	-	9,598	3,083
-	5,795	31	7,586	7,230
331,305	367,601	163,520	3,652,374	3,761,593
43,470	5,319	12,574	593,604	568,378
$ 374,775	$ 372,920	$ 176,094	$ 4,245,978	$ 4,329,971

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

High Plains Children's Home and Family Services, Inc. (the "Home") is a not-for-profit corporation organized under the laws of the State of Texas. The Home's mission is dedicated to providing residential Christian care to children and adults with special needs who are orphaned, neglected, abused, dependent, under privileged or otherwise taken advantage of, while ensuring their physical, emotional, social and spiritual development is nurtured by consistent encouragement instilling within each individual a model of love, safety, purpose, productivity, service to others and trust in God. The Home is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Home receives revenue in the form of contributions from individuals, churches, foundations and various other entities as well as support from governmental agencies and families of residents of the Home.

Scope and Description of Reporting Entity

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets, cash flows and functional expenses of the Home and High Plains Children's Home and Family Services Foundation, Inc. (the "Foundation"). The Home is governed by a Board of Directors of not less than three and not more than eight members. The Home's Board appoints the Board of Directors for the Foundation, and is the only member of the Foundation. Inter-organizational transactions have been eliminated in the consolidation. The purpose of the Foundation is to provide support and assistance to the Home, to accept gifts of money, property, and other donations of value, and to manage, control, invest, and reinvest properties and funds, and to contribute income or principal or both therefrom to the furtherance of the work of the Home. The Foundation was also established to act as trustee of any funds or properties committed to it for any purpose or purposes designated by any donor under terms that are acceptable to its Board of Directors. References below to the Home may include the Foundation as well for purposes of disclosure.

Basis of Presentation

The Home prepares its consolidated financial statements on the accrual basis of accounting as applicable to a not-for-profit organization. Net assets, revenues, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Home and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* - Net assets that are not subject to any donor-imposed restrictions.
>
> *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Home or the passage of time or net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Home. Generally, the donors permit the Home to use all or part of the income earned for either general or donor-imposed restricted purposes.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates.

HIGH PLAINS CHILDREN'S HOME AND FAMILY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior Year Comparative Information
The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Home's consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Cash and Cash Equivalents
For purposes of the consolidated statement of cash flows, the Home considers all cash in operating accounts, cash on hand, and highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents include all demand deposits in bank accounts.

Investments
The Home reports investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958-320, *Not-for-Profit Entities-Investments-Debt and Equity Securities*. Under FASB ASC Topic 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at their fair value in the consolidated statement of financial position. Donated investments are reported at their fair value as of the date they were given by the donor. Realized and unrealized gains and losses are included in the consolidated statement of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Receivables
The Home follows the direct write-off method of expensing receivables when considered uncollectible. The effect of using this method (as compared to an allowance method required under GAAP) on the consolidated financial statements is immaterial. There were no bad debts recognized for the year ended December 31, 2022.

Land, Buildings and Other Property
Land, buildings and other property are capitalized at cost or if acquired by gift, at the estimated fair market value at the date of the gift. Assets are generally capitalized if the cost is $5,000 or greater and the estimated useful life of the asset is two or more years. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10 to 39 years
Furniture and fixtures	5 to 10 years
Office equipment	3 to 10 years
Automotive equipment	3 to 5 years
Campus equipment	5 to 10 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Home accounts for contributions in accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities-Revenue Recognition*. Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Home reports contributions in the net assets with donor restrictions category if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the consolidated statement of activities. Donor-restricted contributions are initially reported in the net asset with donor restrictions category if the Home is unable to satisfy the donor restriction in the same financial reporting period. If the Home is able to satisfy the donor restriction in the same reporting period, the contribution is initially reported in the net assets without donor restrictions category.

Unconditional pledges that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are calculated using risk-free yield rates applicable to the years in which the pledges are received, and reduce the pledge amounts in the year the pledge is received. Subsequent amortization of the discounts is recorded as an increase in contribution revenue.

Service revenue, which principally arises from the provision of services to residents of the Home, is generally recognized as the services are provided. Rental revenue, arising from the rental of land and property, is recognized in the period the rent is earned.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Donated Materials, Services, and Long-Lived Assets

Contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation. Donated materials are recorded at their fair value at the date of the gift when there is an objective basis available to measure their value.

Gifts of land, buildings, and other property (long-lived assets) are presented as net assets without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising
Advertising is recorded as an expense in the period incurred. Advertising expense for the year ended December 31, 2022 was $22,842.

Rounding
The amounts on the accompanying consolidated financial statements have been rounded individually; consequently, some columns may not total and some schedules may not agree because of this rounding.

Functional Allocation of Expenses
The costs of providing various programs, support services and fund raising activities have been summarized on a functional basis in the consolidated statement of functional expenses. Costs that are directly related to the Home's specific purposes have been recorded as direct expense and included as program expenses. Other expenses are allocated between program services, support services (administration), and development (fund raising) based upon the amount of employee time involved and other factors.

Federal Income Tax
The Home and the Foundation are not-for-profit organizations that are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Home and the Foundation have been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code. As a result, no provision for current or deferred income tax liability is recognized in the Home's or the Foundation's books and records.

The Home and the Foundation follow the provisions of FASB ASC 740, *Income Taxes*, which requires extensive disclosures about uncertain income tax positions. This standard seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Home and the Foundation evaluate any uncertain tax positions using the provisions of FASB ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amounts of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Home and the Foundation do not believe that they have engaged in any activity that would result in any uncertain tax positions. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying consolidated financial statements. Federal income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Home and the Foundation have no open examinations with the Internal Revenue Service.

The Home's and the Foundation's policy is to record any income tax related penalties and interest incurred as an operating expense. There were no income tax related penalties or interest included in the accompanying consolidated financial statements. The Home and Foundation have historically had no unrelated business income subject to taxation.

HIGH PLAINS CHILDREN'S HOME AND FAMILY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties
The Home invests in various types of investment securities. These investments are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Home's consolidated financial statements.

NOTE 2 – RECEIVABLES

The Home's management anticipates collecting all pledges and other receivables within the next twelve months. The following is a summary of receivables at December 31, 2022:

	Home	Foundation	Total
Pledges	$ 70,784	$ -	$ 70,784
Client reimbursements	64,790	-	64,790
Awake Care	113,415	-	113,415
Total receivables	$ 248,989	$ -	$ 248,989

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurement,* defines fair value, establishes a framework hierarchy for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value, and expands disclosures about fair value measurements. Fair value is defined as 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC Topic 820, are 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 the lowest priority to unobservable inputs (level 3 measurements) The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Home has ability to access (examples include equity securities).

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets and 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 either directly or indirectly, including inputs in markets that are not considered to be active; 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 (examples include corporate or municipal bonds).

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Level 3: Inputs to the valuation methodology are unobservable (supported by little or no market activity) and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and hedge funds).

Money market and equivalent funds are principally valued at a 1 to 1 rate: i.e. $1 invested in the fund equals 1 share invested in the fund. This valuation remains consistent from year to year and does not fluctuate.

Most investments classified in Level 2 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Home's interest therein, its classification in Level 2 or 3 is based on the Home's ability to redeem its interest at or near December 31. If the interest can be redeemed in the near term, the investment is classified as Level 2.

The asset's or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2022.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies from December 31, 2021 to the current year.

Level 1 equity and debt securities are principally valued based upon quoted market prices listed on national exchanges or other sources at the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented using the market approach. Precious metals donated to the Home are valued based upon the estimated fair value at the time the donation was received using quoted market prices for identical assets. Due to the vast variety and unique nature of the items in precious metals, the Home has not subsequently adjusted these assets to the current fair value each year as the amount of time required to value these assets is too labor intensive and management does not believe it would have a material impact on the Home's financial statements.

Level 2 equity and debt securities are typically held as common trust funds, and are generally valued using the market approach on the basis of the relative interest of each participating investor (including each participant) in the fair value of the underlying assets of each of the respective common trust funds.

Level 3 equity and debt securities are typically private placement securities, and are generally valued using the market approach on the basis of what other investors are paying for the private placement stock or debt on the last business day of each period presented. The market price is provided by the private placement issuer; however, it is not observable.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Home's assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Fair Value 12/31/22
Home:				
Equity securities - Happy State Bank stock	$ -	$ -	$ 72,746	$ 72,746
Fixed income - CLI Capital	-	-	1,289,976	1,289,976
Precious metals	130,124	-	-	130,124
Total - Home	$ 130,124	$ -	$ 1,362,722	$ 1,492,846
Foundation:				
Money market & equivalents	$ -	$ 45,456	$ -	$ 45,456
Equity securities	2,551,570	-	-	2,551,570
Equity securities - CLI Capital	-	-	1,031,119	1,031,119
Fixed income	205,849	-	-	205,849
Fixed income - CLI Capital	-	-	38,883	38,883
Precious metals	2,614	-	-	2,614
Total - Foundation	$ 2,760,033	$ 45,456	$ 1,070,002	$ 3,875,491

The following table summarizes the changes in the fair value of the Home's and Foundation's Level 3 assets measured on a recurring basis for the year ended December 31, 2022:

	Equity Securities - Private Placement	Debt Securities - Private Placement	Total Level 3 Investments
Home:			
Balance as of December 31, 2021	$ 77,727	$ 1,241,833	$ 1,319,560
Interest reinvested	-	48,143	48,143
Unrealized gains	(4,981)	-	(4,981)
Balance as of December 31, 2022	$ 72,746	$ 1,289,976	$ 1,362,722
Foundation:			
Balance as of December 31, 2021	$ 1,013,186	$ 37,523	$ 1,050,709
Interest reinvested	-	1,360	1,360
Unrealized gains (losses)	17,933	-	17,933
Balance as of December 31, 2022	$ 1,031,119	$ 38,883	$ 1,070,002

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Gains and losses on investments are reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law, in which case they are classified as net assets with donor restrictions. Investment income for the year ended December 31, 2022 is shown below. Investment fees shown below are netted against investment income on the consolidated statement of activities:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Home:			
Interest earned	$ 49,922	$ -	$ 49,922
Dividends received	1,055	-	1,055
Net unrealized losses	(3,132)	-	(3,132)
Total investment income, net	$ 47,845	$ -	$ 47,845

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Foundation:			
Interest earned	$ 1,990	$ 57	$ 2,047
Dividends received	247,717	1,338	249,055
Net realized gains	23,636	(1,324)	22,312
Net unrealized gains (losses)	(534,147)	(8,361)	(542,508)
Investment fees charged	(2,519)	(750)	(3,269)
Total investment income, net	$ (263,323)	$ (9,040)	$ (272,363)

NOTE 4 – REVOLVING LINE OF CREDIT

The Home entered into an unsecured $250,000 revolving line of credit with Amarillo National Bank during the year ended December 31, 2022, with a maturity date of July 10, 2023 and interest payable at a variable rate which is the prime rate set by J.P. Morgan Chase & Co., Inc. New York, which was 7.50% as of December 31, 2022. The following is a summary of the activity on the line of credit for the year ended December 31, 2022:

	Balance 12/31/21	Loan Advances	Loan Repayments	Balance 12/31/22	Interest Paid
Home:					
Line of Credit	$ -	$ 880,000	$ (720,000)	$ 160,000	$ 3,192

NOTE 5 – DONATED ITEMS

Clothing, food, property and miscellaneous goods in the amount of $72,112 were donated to the Home during the year. The fair market value of these items is shown in the consolidated statement of activities as unrestricted contributions received – nonfinancial assets. See Note 20 below for additional detail of the nonfinancial contributions received during the year ended December 31, 2022.

NOTE 6 – LAND, BUILDINGS AND OTHER PROPERTY

Activity for the year for the Home and the Foundation for land, buildings, and other property consists of the following:

	Balance 12/31/21	Purchases and Additions	Sales and Disposals	Balance 12/31/22
Home:				
Land	$ 377,062	$ -	$ -	$ 377,062
Buildings & improvements	13,879,875	8,258	-	13,888,133
Furniture & fixtures	815,951	15,651	-	831,602
Office equipment	15,620	-	-	15,620
Automotive equipment	724,191	37,733	(44,134)	717,790
Campus equipment	253,008	-	-	253,008
Total land, buildings, & other property	16,065,707	61,642	(44,134)	16,083,215
Less: Accumulated depreciation	(6,074,011)	(581,030)	32,982	(6,622,059)
Total land, buildings, & other property, net of accumulated depreciation	$ 9,991,696	$ (519,388)	$ (11,152)	$ 9,461,156

	Balance 12/31/21	Purchases and Additions	Sales and Disposals	Balance 12/31/22
Foundation:				
Land	$ 1,952,460	$ -	$ -	$ 1,952,460
Automotive equipment	62,428	-	-	62,428
Buildings & improvements	3,430	-	-	3,430
Total land, buildings, & other property	2,018,318	-	-	2,018,318
Less: Accumulated depreciation	(25,159)	(12,574)	-	(37,733)
Total land, buildings, & other property, net of accumulated depreciation	$ 1,993,159	$ (12,574)	$ -	$ 1,980,585

Activity for the year for the Home for construction in progress consists of the following:

	Balance 12/31/21	Purchases and Additions	Assets Placed In Service	Balance 12/31/22
Home:				
Construction in progress	$ 160,787	$ 23,642	$ (3,968)	$ 180,461

NOTE 6 – LAND, BUILDINGS AND OTHER PROPERTY (continued)

Construction in progress as of December 31, 2022 consisted of various costs incurred on either projects that were ongoing, but not complete as of year-end or for projects in the exploratory stages to determine the feasibility of the project as follows:

Project Description	Construction in Progress as of December 31, 2022	Estimated Total Project Costs	Anticipated Completion Date
Maintenance shop	$ 54,753	$ 750,000	December 2023
Volunteer Village roadway & infrastructure	40,444	1,400,000	Unknown
Shelter expansion	9,974	10,000	December 2023
Tradewinds duplex remodel	51,648	55,000	December 2023
Generator project	23,642	55,000	FYE 2024
	$ 180,461	$ 2,270,000	

NOTE 7 – CHARITABLE REMAINDER TRUST SPLIT INTEREST AGREEMENT

The Home is the beneficiary of a charitable remainder trust (the "Trust") established by a donor with Amarillo National Bank naming the Home as the ultimate beneficiary of the Trust. Under the terms of the Trust agreement, beginning with the passing of the donor's wife, the Home was to receive the income from the Trust for a period of 20 years, with the funds to be used for such needs as determined by the Home's Board of Directors. After a period of 20 years, the Board of Directors was given the option to notify the bank of the intention to terminate the Trust. The Home's Board of Directors voted to terminate the trust, and beginning in July, 2007, the Trust began distributing to the Home 10% of the corpus plus the annual income from the Trust. Each year, an additional 10% of the corpus is to be distributed to the Home until such time as the entire corpus has been distributed. The remaining corpus of the Trust as of December 31, 2022 was $47,892. Distributions received by the Home during 2022 totaled $6,223, including the required 10% corpus distribution.

NOTE 8 – CHARITABLE GIFT ANNUITIES

The Home is the beneficiary of a charitable gift annuity. Charitable gift annuities require an annuity to be paid to the donor or the donor's beneficiary, funded by the donated assets, over a designated period of time or the beneficiary's lifetime, with the remainder becoming a gift to the Home. The liability is recorded based on the terms of the gift, and the difference between the present value of the estimated liability and the fair value of the gift is recognized as revenue at the time of the gift. Sufficient assets are maintained by the Home to meet the annuity requirements stipulated by the annuity agreement and by state law. If the amounts given by the donor are restricted to a specified purpose or include a time restriction, such gifts are recorded as net assets with donor restrictions.

NOTE 8 – CHARITABLE GIFT ANNUITIES (continued)

The Home's current charitable gift annuity did not have any specified purpose or time restrictions placed upon it. Interest paid on the charitable gift annuity amounted to $7,448 for the year ended December 31, 2022. The following is a summary of the changes in the charitable gift annuity payable for the year ended December 31, 2022:

	Balance 12/31/21	Annuities Received	Annuity Principal Payments	Annuity Balances Forfeited	Balance 12/31/22
Foundation:					
G/L Account #02-2180-01	$ 104,565	$ -	$ (5,889)	$ -	$ 98,676

NOTE 9 – RETIREMENT PLAN

Effective January 1, 1995, the Home adopted a 403(b) Tax Sheltered Annuity Plan covering all employees. Employees may elect to contribute a portion of their wages to the plan, of which the Home matches 100% of the contribution up to the first 6% of eligible employees' salaries. Total matching contributions for the year ended December 31, 2022 were $59,022 and are included in employee benefits on the consolidated statement of functional expenses.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS – RESTRICTED AS TO TIME OR PURPOSE

Changes in net assets with donor restrictions as to time or purpose as well as the amounts available as of December 31, 2022 are as follows:

	Balance 12/31/21	Donations Received and Investment Income Allocated to the Restricted Purpose	Donor Restrictions Satisfied	Balance 12/31/22
Home:				
Capital projects:				
Derek Dickson putting green	$ 3,700	$ -	$ -	$ 3,700
Sports complex	2,000	-	-	2,000
Shelter expansion/remodel	37,321	-	-	37,321
50th anniversary capital campaign	544,989	-	(34,464)	510,525
Ag program	4,435	5,200	-	9,635
Higher education	14,765	-	-	14,765
Gazebo updates	5,000	-	-	5,000
Barbeque grills	-	2,500	-	2,500
Cottage activities	-	7,500	-	7,500
Total - Home	$ 612,210	$ 15,200	$ (34,464)	$ 592,946
Foundation:				
Time restrictions:				
C.K. Cloud Trust	$ 63,155	$ (9,040)	$ (6,223)	$ 47,892

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS TO BE HELD IN PERPETUITY

The Foundation has received donations from various donors to be held in perpetuity, with the income from these funds to be used to support the operations of the Home. The cumulative amount of these donations received in previous years is $66,000, which is shown on the accompanying consolidated statement of financial position as net assets with donor restrictions – restricted in perpetuity. These funds are reported within various investments held by the Foundation.

NOTE 12 – BOARD DESIGNATED NET ASSETS

In a previous year, the Home received an unrestricted donation in the amount of $150,000. Although no restrictions were placed on the fund by the donor, the Board decided to designate these funds to be used towards the cost of future capital projects. During the year ended December 31, 2021, the board transferred $500,000 from the Foundation to the Home and designated those funds to be used towards the cost of future capital projects. The total amount of these funds unspent and still designated as of December 31, 2022 is $632,464.

NOTE 13 – ENDOWMENT FUNDS

Effective September 1, 2007, the State of Texas enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the provisions of which apply to endowment funds existing on or established after that date. FASB ASC Subtopic 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*, provides guidance on the net asset classification of donor-restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also requires disclosures about endowment funds, both donor-restricted and board-designated. The sole purpose of the Foundation is to provide financial support and assistance for the Home.

The Board of Directors has accepted its financial responsibility outlined with the UPMIFA, and has adopted and implemented an investment policy statement accordingly. The Foundation is being used by the Board of Directors to meet the requirements of the UPMIFA and to maintain the Home's investments.

The Board of Directors has interpreted the UPMIFA to require that investment funds restricted by donors to be held in perpetuity by the Foundation be maintained to provide total return through appreciation, dividends, and interest income from the endowment fund's assets.

The careful management of the assets of the endowment fund is designed to ensure a return necessary to preserve, and it is hoped, enhance (in real dollar terms), the principal of the funds, and at the same time support the general operations and capital projects surrounding the Home. The management philosophy of the investment policy statement should be disciplined and consistent, taking into consideration all those events and occurrences considered reasonable and probable. Extreme positions and opportunistic styles do not fit the general philosophy and tone of the Foundation and are not acceptable. The overall investment direction is to maximize the return consistent with the risks that the Board of Directors is willing to accept as stated herein. The Board of Directors recognizes that risk (i.e. the potential for variability of asset values), and the potential of loss in purchasing power, (due to inflation), are present to some degree with all types of investment vehicles. Money manager(s) will be required to comply will all applicable laws, rules and regulations. The money manager(s) will be given full discretion in managing the funds within the Foundation's investment policy statement.

NOTE 13 – ENDOWMENT FUNDS (continued)

Within the investment guidelines and constraints of the investment policy statement, the portfolio should be diversified so as to provide reasonable assurance that no single class of investment will have a disproportionate impact on the total portfolio. The Board of Directors may elect to serve as the investment committee, and authorizes the Board President to engage in "investment agency agreements" with any fund manager(s).

The Foundation's endowment consists of both donor-restricted endowment funds as well as board-designated endowment funds. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions. As a result of the Board of Director's interpretation of the UPMIFA, the Foundation classifies as net assets restricted by donors to be held in perpetuity (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment is classified as net assets restricted by donors as to time or purpose until those amounts are appropriate for expenditure by the Home in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with the UPMIFA, the Foundation 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 Home 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 Home
- The investment policies of the Foundation

Return Objectives and Risk Parameters
The investment goal of the total endowment fund is to achieve a 5% average annual real rate of total return, (income and appreciation) over the rate of inflation (as measured by the Consumer Price Index), over a full market cycle, (5 to 7 years). The board has also set an additional goal of outperforming a custom composite market index which best represents the target asset allocation of the Foundation's overall investment structure. The details of this custom market index are defined in the Home's investment policy document. The following guidelines apply to seven main investment asset classes:

- Cash and equivalents – allowable range of a minimum of 5% up to a maximum of 45% of total assets. A quality money market fund may be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal.
- Global equities – allowable range of a minimum of 30% up to a maximum of 50% of total assets. The global equities component will consist of a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The objective is to generate average annual compound returns higher than those of relevant broad market indices such as S&P 500,

NOTE 13 - ENDOWMENT FUNDS (continued)

Return Objectives and Risk Parameters (continued)

the Russell 1000, MSCI EAFE, or MSCI World over full market cycles (7 – 10 years).

- Fixed income – allowable range of a minimum of 30% up to a maximum of 70% of total assets. Bond investments will consist solely of taxable fixed income securities that have an investment grade rating (Baa or higher), and that possess a liquid secondary market.
- Hedge funds - allowable range up to 35% of total assets. The hedge fund component will consist of investments commonly characterized as "absolute return" strategies and long/short "equity/hedge" strategies. Over time, these funds should generate returns comparable to long-term equity markets but with somewhat lower volatility than equity markets. No more than 5% of the total portfolio should be invested with any single hedge fund.
- Private equities – allowable range up to 20% of total assets. The private equities component should encompass diverse strategies including: buyout, growth, venture capital, and control-oriented distressed. They typically are illiquid having 4 to 6 year investment periods. Given their illiquidity, they are expected to generate higher returns than public market strategies. In general terms, they should generate returns of at least 5 percentage points above long-term equity markets. No more than 3% of the entire portfolio should be committed to a single private equity fund, and no more than 8% of the entire portfolio should be committed to a single private equity firm measured at the time of the most recent commitment.
- Real asset – allowable range up to 90% of total assets. Foundation owned income producing or appreciating property whose net return on investment, allowing for property taxes, insurance, maintenance and management personnel costs, will meet or exceed the existing performance measurement standard for the fixed income portion of the portfolio. This category may also include energy, timber, precious metals, and other commodities. Investment in real assets seek to deliver long-term results that are a premium to public equity market returns and to also protect long-term purchasing power. No more than 3% of the entire portfolio should be committed to a single real asset fund, and no more than 8% of the entire portfolio should be committed to a single real asset firm measured at the time of the most recent commitment.
- Hybrid – allowable range up to 10% of total assets. The hybrid investment component will include investments that share characteristics with several classes but are not an asset class per se. Examples include credit-oriented funds, concentrated public/private strategies, or highly opportunistic managers. No more than 6% of the entire portfolio should be committed to a single hybrid manager.

Strategies Employed for Achieving Objectives

The Foundation relies on a variety of strategies to satisfy its long-term rate-of-return objectives. The Foundation's investment policy addresses a variety of issues, including:

- Performance measurement checklist
- Monthly, quarterly, and annual review requirements by the Board of Directors or its designee
- Investment guidelines
- Selection of investment money manager(s)
- Control procedures
- Spending/Distribution policy

NOTE 13 - ENDOWMENT FUNDS (continued)

Spending/Distribution Policy
The proceeds of any withdrawals or transfers to the Home, whether interest earnings or corpus, may be utilized for daily operations, capital projects, securing challenge grants from other foundations, and/or debt retirement, and may be withdrawn or transferred as needed towards the successful operation of the Home, upon request, by any two of the following individuals: The Executive Director, Director of Operations, Controller, and/or the Home's Board President.

The following shows the composition of net assets by endowment type at December 31, 2022:

	Without Donor Restrictions	Restricted by Purpose or Time	Restricted in Perpetuity	Total
Foundation:				
Donor-restricted endowment funds	$ -	$ 47,892	$ 66,000	$ 113,892
Board-designated endowment funds	5,663,095	-	-	5,663,095
	$ 5,663,095	$ 47,892	$ 66,000	$ 5,776,987

A reconciliation of the beginning and ending balance of the Home's endowment in total and by net asset class is as follows:

	Without Donor Restrictions	Restricted by Purpose or Time	Restricted in Perpetuity	Total
Foundation:				
Endowment assets, beginning of year	$ 7,404,460	$ 63,155	$ 66,000	$ 7,533,615
Investment return:				
Investment income, net	247,188	645	-	247,833
Net realized and unrealized gains and losses	(510,511)	(9,685)	-	(520,196)
Total investment return	(263,323)	(9,040)	-	(272,363)
Other Foundation activities:				
Investment rental income	45,350	-	-	45,350
Royalty income	22,051	-	-	22,051
Other income	8	-	-	8
Foundation development expenses	(176,094)	-	-	(176,094)
Total other Foundation activities	(108,685)	-	-	(108,685)
Board designated transfers	(1,375,580)	-	-	(1,375,580)
Satisfaction of donor restrictions	6,223	(6,223)	-	-
Endowment assets, end of year	$ 5,663,095	$ 47,892	$ 66,000	$ 5,776,987

NOTE 14 – CONCENTRATIONS OF CREDIT RISK

At December 31, 2022, the Home had various bank accounts at Amarillo National Bank. The combined amount of bank deposits for all bank accounts as of December 31, 2022 was $236,041, which was $13,959 less than the maximum amount of $250,000 of coverage provided from the Federal Deposit Insurance Corporation.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Home has been active in recent years with various projects pertaining to new construction or repairs and renovations to existing campus facilities as a part of a long-range plan. In a previous year the Home began its 50th anniversary capital campaign to raise additional funds for these projects. During 2022, the Home continued with ongoing projects pertaining to construction of new facilities and remodeling of existing facilities. See further details related to construction projects in Note 6.

NOTE 16 – LEASES

The Home leases a copier and a postage meter under operating leases. Total rent expense for the year ended December 31, 2022 for these leases was $4,673, which is included in supplies, postage, and office expense on the consolidated statement of functional expenses. The Foundation also leased office space under a twelve-month operating lease in the Firstbank Southwest Tower in downtown Amarillo. Total lease expense for the year ended December 31, 2022 was $8,640, which is included as rent on the consolidated statement of functional expenses. The lease agreement covers the period from May 1, 2022 through April 30, 2023 at a rate of $680 per month for the office space. The lease agreement on the office space has currently not been renewed as of the date the financial statements were available to be issued. The Home also pays $40 per month for parking. Future minimum payments under these leases are as follows:

Fiscal year ending	Copier & Postage Meter	Office Lease & Parking Space	Total Future Minimum Payments
December 31, 2023	$ 4,515	$ 2,880	$ 7,395
December 31, 2024	3,724	-	3,724
December 31, 2025	2,142	-	2,142
December 31, 2026	1,607	-	1,607
	$ 11,988	$ 2,880	$ 14,868

NOTE 17 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02 *Leases* (Topic 842), which supersedes the lease requirements in *Leases* (Topic 840). The objective of the ASU is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The FASB is issuing this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

NOTE 17 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued)

In June 2020, the FASB issued ASU 2020-05. The objective of the ASU was to defer the effective date of ASU 2016-02 for one year to fiscal years beginning after December 15, 2021. One aspect of implementation of any statement issued by FASB is that the provision of the statement need not be applied to immaterial items. Management of the Home evaluated all lease agreements currently in place and made the determination that at the present time, the implementation of ASU 2016-02 *Leases* (Topic 842) would not have a material impact on the Home's financial statements; consequently, ASU 2016-02 *Leases* (Topic 842) was not implemented for the Home's fiscal year ending December 31, 2022. Management will continue to assess the impact that this accounting standard may have on the Home's financial statements in the future, and if determined to be material, the provisions of the statement will be implemented at that time.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributed nonfinancial assets to be presented in a separate line item in the statement of activities and the amount of the contribution must be disaggregated by type in the footnotes. The Home has adopted ASU 2020-07 prospectively beginning with the December 31, 2022 financial statements. See Note 20 below for a breakdown of the contributed nonfinancial assets received by the Home for the year ended December 31, 2022.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 20, 2023, the date on which the consolidated financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to the financial statements or disclosure in the notes to the financial statements other than the following:

As discussed in Note 4 above, the Home has an unsecured $250,000 revolving line of credit with Amarillo National Bank that matures on July 10, 2023. The outstanding balance on the line of credit was $160,000 as of December 31, 2022. Subsequent to year end, the Home has taken another $90,000 of advances on the line of credit, has made no principal payments through the date the consolidated financial statements were available to be issued, and has paid $3,755 of interest payments on the line of credit. The outstanding balance on the line of credit as April 20, 2023, which is the date these financial statements were available to be issued, was $250,000.

NOTE 19 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Home's primary sources of support are contributions, income from investments, and governmental and family support. Much of the support received each year by the Home is free from contractual or donor restrictions, unless the Home makes specific appeals to donors for capital contributions and similar projects.

Donor-restricted support has historically funded capital expenditures such as infrastructure and cottage construction and improvements to existing facilities. Donor support can also vary substantially from year to year as the Home receives bequests on an irregular basis from the estates of individuals naming the Home as a beneficiary.

NOTE 19 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The Home has a policy to manage its liquidity and reserves essentially following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

As discussed in Note 4 above, the Home entered into an unsecured $250,000 revolving line of credit with Amarillo National Bank during the year ended December 31, 2022, with a maturity date of July 10, 2023 and interest payable at a variable rate which is the prime rate set by J.P. Morgan Chase & Co., Inc. New York, which was 7.50% as of December 31, 2022.

The table below reflects the Home's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-designated endowment fund, as the Home's spending and distribution policy for the Foundation stipulates the proceeds of any withdrawals or transfers to the Home, whether interest earnings or corpus, may be utilized for daily operations, capital projects, securing challenge grants from other foundations, and/or debt retirement, and may be withdrawn or transferred as needed towards the successful operation of the Home, upon request, by any two of the following individuals: The Executive Director, Director of Operations, Controller, and/or the Home's Board President.

	2022			2021
	Home	Foundation	Consolidated	Consolidated
Cash and cash equivalents	$ 228,651	$ 8,911	$ 237,562	$ 400,831
Accrued dividends receivable	-	18,829	18,829	17,933
Receivables	248,989	-	248,989	142,217
Investments, at fair value	1,492,846	3,875,491	5,368,337	6,928,731
Total financial assets	1,970,486	3,903,231	5,873,717	7,489,712
Contractual obligation:				
The outstanding balance on the line of credit is due on July 10, 2023	(250,000)	-	(250,000)	-
Contractual or donor-imposted restrictions:				
Cash and investments restricted as to time or purpose	(592,946)	(47,892)	(640,838)	(675,365)
Investments to be held in perpetuity	-	(66,000)	(66,000)	(66,000)
Charitable gift annuity obligations to be paid out during the year ended December 31, 2023	-	(5,889)	(5,889)	(5,889)
Financial assets available to meet cash needs for expenditures within one year not restricted by contractual obligation or donor restrictions	$ 1,127,540	$ 3,783,450	$ 4,910,990	$ 6,742,458

NOTE 20 – CONTRIBUTED SERVICES AND MATERIALS

Contributed services reflect the important impact volunteers have in delivering the Home's mission. Contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services, which would be typically purchased if not provided by donation.

Contributed materials are recorded at their fair value at the date of the gift. Gifts of long-lived assets are recorded as net assets without donor restricted support. Depreciation on donated long-lived assets is recognized ratably over the useful life of the asset. For gifts that are not long-lived assets, they are recognized as net assets without donor restricted support, as the items are typically used in the same period as received. The Home does not sell in-kind contributions.

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included the following items:

Item	Program	Fair Value Technique	FYE 2022
Clothing and household items	Residential Care	Estimated based upon US wholesale prices for identical or similar products	$ 35,393
Food	Residential Care	Estimated based upon US wholesale prices for identical or similar products	11,931
Agriculture supplies, including livestock	Residential Care	Estimated based upon US wholesale prices for identical or similar products	688
Medical supplies	Residential Care	Estimated based upon US wholesale prices for identical or similar products	60
Technology equipment	Residential Care	Estimated based upon US wholesale prices for identical or similar products	1,100
Automotive repairs	Residential Care	Estimated based upon US wholesale prices for identical or similar products	2,940
Automobiles	Residential Care	Estimated based upon similar vehicle values using Kelly Blue Book and National Automobile Dealers Association values	20,000
Total estimated value of nonfinancial assets received during the year ended December 31, 2022			$ 72,112