

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2019 AND 2018**

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>8</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>9</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>BUDGET TO ACTUAL SUMMARY COMPARISON</b>	<b>28</b>
<b>BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON</b>	<b>29</b>



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Masonic Home and School of Texas dba: Masonic Children & Family Services of Texas, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***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 of America; 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 Masonic Home and School of Texas dba: Masonic Children & Family Services of Texas as of June 30, 2019 and 2018, and the change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Masonic Home and School of Texas's dba: Masonic Children & Family Services of Texas 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying budget to actual summary comparison and budget to actual expenditures detail comparison for the year ended June 30, 2019 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2019 financial statements as a whole.



**CliftonLarsonAllen LLP**

Dallas, Texas  
December 12, 2019

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,373	\$ 832
Cash - Restricted	8,561	3,236
Accounts Receivable	4,250	5,240
Prepaid Expenses	90,374	81,482
Accrued Interest	206,990	195,660
Notes Receivable	23,511	26,441
Beneficial Interests in Perpetual Trusts	10,537,081	8,263,784
Pooled Investments	93,377,905	91,145,379
Non-pooled Investments	9,042,518	8,440,855
Property and Equipment, Net of Depreciation	55,575	51,833
Total Assets	<b>\$ 113,348,138</b>	<b>\$ 108,214,742</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 857,929	\$ 847,837
Deferred Revenue	23,511	26,441
Total Liabilities	881,440	874,278
<b>NET ASSETS</b>		
Without Donor Restrictions	29,603,050	29,305,294
With Donor Restrictions	82,863,648	78,035,170
Total Net Assets	112,466,698	107,340,464
Total Liabilities and Net Assets	<b>\$ 113,348,138</b>	<b>\$ 108,214,742</b>

See accompanying Notes to Financial Statements.

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Contributions, Bequests, and Memorials	\$ 120,195	\$ -	\$ 120,195
Masonic Widows	169,031	-	169,031
Donations and Grants	-	200,000	200,000
Investment Income, Net	3,210,039	2,499,200	5,709,239
Investment Income from Beneficial Interests	276,991	60,639	337,630
Change in Value of Beneficial Interests	-	2,273,297	2,273,297
Loss on Asset Retirement	(4,051)	-	(4,051)
Fundraising Income	60,449	-	60,449
Rental and Leases	43,125	-	43,125
Miscellaneous Income	7,859	342	8,201
Net Assets Released from Restrictions	205,000	(205,000)	-
Total Support and Revenues	<u>4,088,638</u>	<u>4,828,478</u>	<u>8,917,116</u>
<b>EXPENSES</b>			
Program Expenses:			
Children	2,591,279	-	2,591,279
Widows	603,266	-	603,266
Management and General	429,238	-	429,238
Marketing and Fundraising	167,099	-	167,099
Total Expenses	<u>3,790,882</u>	<u>-</u>	<u>3,790,882</u>
<b>INCREASE IN NET ASSETS</b>	297,756	4,828,478	5,126,234
Net Assets - Beginning of Year	<u>29,305,294</u>	<u>78,035,170</u>	<u>107,340,464</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 29,603,050</u>	<u>\$ 82,863,648</u>	<u>\$ 112,466,698</u>

See accompanying Notes to Financial Statements.

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grand Lodge of Texas Widows and Orphans Fund	\$ 86,574	\$ -	\$ 86,574
Contributions, Bequests, and Memorials	590,187	-	590,187
Masonic Widows	195,651	-	195,651
Donations and Grants	-	210,000	210,000
Investment Income, Net	4,516,550	4,779,460	9,296,010
Investment Income from Beneficial Interests	190,925	83,902	274,827
Change in Value of Beneficial Interests	-	(182,274)	(182,274)
Fundraising Income	88,791	-	88,791
Miscellaneous Income	1	226	227
Net Assets Released from Restrictions	215,000	(215,000)	-
Total Support and Revenues	<u>5,883,679</u>	<u>4,676,314</u>	<u>10,559,993</u>
<b>EXPENSES</b>			
Program Expenses:			
Children	2,570,352	-	2,570,352
Widows	687,828	-	687,828
Management and General	391,307	-	391,307
Marketing and Fundraising	133,017	-	133,017
Total Expenses	<u>3,782,504</u>	<u>-</u>	<u>3,782,504</u>
<b>INCREASE IN NET ASSETS</b>	2,101,175	4,676,314	6,777,489
Net Assets - Beginning of Year	<u>27,204,119</u>	<u>73,358,856</u>	<u>100,562,975</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 29,305,294</u>	<u>\$ 78,035,170</u>	<u>\$ 107,340,464</u>

See accompanying Notes to Financial Statements.

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services			Total 2018
	Children	Widows	Total 2019	
Payroll and Related Expenses	\$ 274,749	\$ 69,441	\$ 344,190	\$ 349,673
Employee Benefits	5,009	2,457	7,466	8,946
Total Payroll and Related Benefits	279,758	71,898	351,656	358,619
Dental Services	318,992	-	318,992	248,870
Fantastic Teeth Program	387,700	-	387,700	352,316
Parent Autism Training	643,530	-	643,530	660,550
Educational Services	204,676	-	204,676	217,968
Medical Services and Special Equipment	105,345	-	105,345	110,051
Special Needs (Food, Clothing, Shelter, Etc.)	105,851	-	105,851	96,496
Special Therapy	316,302	-	316,302	400,009
Scholarships Paid	15,762	-	15,762	4,400
Widows - Other Programs	-	23,415	23,415	24,503
Texas Masonic Retirement Center	-	475,470	475,470	568,196
Administrative Travel	2,732	953	3,685	792
Insurance/Property Liability	42,107	16,543	58,650	58,422
Contract Services	59,404	432	59,836	47,411
Office Supplies	15,149	1,910	17,059	11,176
Postage	2,978	352	3,330	4,463
Repairs and Maintenance	6,268	1,741	8,009	5,634
Telephone Expense	2,644	585	3,229	3,738
Rent	30,004	3,286	33,290	34,417
Computer and Network Services	41,317	5,446	46,763	38,345
Janitorial Services	2,386	261	2,647	2,647
Utilities	5,788	632	6,420	6,385
Employee Appreciation	2,586	342	2,928	2,772
Total Expenses Before Depreciation	2,591,279	603,266	3,194,545	3,258,180
Depreciation	-	-	-	-
Total Expenses	<u>\$ 2,591,279</u>	<u>\$ 603,266</u>	<u>\$ 3,194,545</u>	<u>\$ 3,258,180</u>

See accompanying Notes to Financial Statements.



**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)**

	Support Services			Total 2018
	Management and General	Marketing and Fundraising	Total 2019	
Payroll and Related Expenses	\$ 216,819	\$ 77,287	\$ 294,106	\$ 206,386
Employee Benefits	9,402	-	9,402	11,625
Total Payroll and Related Benefits	226,221	77,287	303,508	218,011
Administrative Travel	1,217	228	1,445	1,027
Marketing Programs	-	63,257	63,257	133,017
Board Meetings	12,509	-	12,509	10,100
Insurance/Property Liability	13,476	-	13,476	13,390
Legal and Professional	87,220	-	87,220	84,517
Contract Services	8,556	24,000	32,556	1,224
Office Supplies	15,573	1,502	17,075	6,960
Postage	2,890	-	2,890	4,038
Repairs and Maintenance	3,925	-	3,925	3,826
Telephone Expense	1,076	-	1,076	1,468
Bank Charges	7,661	-	7,661	7,887
Rent	8,214	-	8,214	8,492
Ad Valorem Taxes	10,171	-	10,171	2,444
Computer and Network Services	13,341	-	13,341	14,567
Utilities	1,585	-	1,585	2,553
Special Events	-	350	350	-
Employee Appreciation	861	-	861	1,377
Employee Development	1,350	475	1,825	-
Total Expenses Before Depreciation	415,846	167,099	582,945	514,898
Depreciation	13,392	-	13,392	9,426
Total Expenses	<u>\$ 429,238</u>	<u>\$ 167,099</u>	<u>\$ 596,337</u>	<u>\$ 524,324</u>

See accompanying Notes to Financial Statements.

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 5,126,234	\$ 6,777,489
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,392	9,426
Loss on Sale of Fixed Assets	4,051	-
Realized Gains on Sales of Investments	(1,488,857)	(2,440,791)
Unrealized Gains on Investments	(1,119,210)	(3,760,186)
(Increase) Decrease in Value of Beneficial Interests	(2,273,297)	182,274
Changes in Assets and Liabilities:		
Decrease in Receivables	990	55,861
Increase in Prepaid Expenses	(8,892)	(29,950)
Increase in Accrued Interest	(11,330)	(51,433)
Decrease in Notes Receivable	2,930	3,830
Increase in Accounts Payable and Accrued Liabilities	10,092	169,806
Decrease in Deferred Revenue	(2,930)	(3,830)
Net Cash Provided by Operating Activities	253,173	912,496
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(21,185)	(40,945)
Proceeds from Sales of Investments	1,524,096	9,056,288
Purchases of Investments	(1,750,218)	(10,003,374)
Change in Restricted Cash	(5,325)	(600)
Net Cash Used by Investing Activities	(252,632)	(988,631)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	541	(76,135)
Cash and Cash Equivalents - Beginning of Year	832	76,967
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,373	\$ 832
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS</b>		
Noncash Transfer of Investments	\$ -	\$ 4,282,851

See accompanying Notes to Financial Statements.

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

**Basis of Accounting**

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

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

As of June 30, 2019 and 2018, the total balance of restricted cash is \$8,561 and \$3,236, respectively.

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Investments**

The Organization follows the provisions of FASB ASC Topic No. 958-320, *Not-for-Profit Entities: Investments – Debt and Equity Securities*, and FASB ASC Topic No. 958-325, *Not-for-Profit Entities: Investment – Other*, which requires investments with readily determinable fair values to be stated at their fair values with unrealized gains and losses from fluctuations in such fair values included in the statements of activities and changes in net assets of the respective period. The fair values of investments in equity securities and debt securities (including mutual fund shares) with readily determinable fair values are based on the quoted market price of the shares owned at June 30, 2019 and 2018.

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

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

*Level 2* – Inputs to the valuation methodology include:

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

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

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

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

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

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**Investments (Continued)**

Investments in mineral interests are carried at fair value, as determined by the financial institution administering the investments and are classified within Level 3 of the valuation hierarchy. At June 30, 2019 and 2018, the fair value was determined by using the undiscounted future cash flows for the next five years utilizing the prior 12-month cash flow. The estimates, assumptions, and methodologies used in determining the fair values of the mineral interests may differ significantly from the values that would have been used had a ready market existed and may also differ significantly from the values at which such investments may be sold, and the differences could be material.

At June 30, 2019 and 2018, the Organization did not hold any derivative financial instruments directly; however, it is possible from time to time that such instruments may be held indirectly through mutual fund investments.

**Split-Interest Agreements**

The Organization is the beneficiary of or holds a beneficial interest in various split-interest agreements which consist of perpetual trusts held by a third party and a charitable remainder trust which terminated on July 9, 2017.

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

The Organization records its beneficial interest in perpetual trusts and charitable remainder trust held by third parties, utilizing the present values of future cash flows to the Organization assuming a risk-free discount rate of 2.52% and 2.98%, based on 30-year U.S. Treasury bond yields, for the years ended June 30, 2019 and 2018, respectively. Future cash flows were based on the average cash flows to the Organization for the prior five years.

**Trusts, Legacies, and Bequests**

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

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Property and Equipment**

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

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

**Donated Assets and Services**

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

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

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Net Assets (Continued)**

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions. The fair value of certain funds with donor restrictions fell below the historical corpus of the related investments by approximately \$263,000 and \$203,000 as of June 30, 2019 and 2018, respectively.

**Endowment Funds**

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

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

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

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

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

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Endowment Funds (Continued)**

The Organization's primary investment objectives are growth with income and preservation of capital. Management defines risk as the probability of not meeting these objectives. Accordingly, the Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of income to support the donor restrictions in place while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Organization's board of directors, endowment assets are invested in a manner that is intended to minimize risk and produce results that exceed a composite index comprised of relevant individual indices that reflect the Organization's asset allocations.

**Contributions**

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

**Functional Allocation of Expenses**

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

**Income Taxes**

The Organization is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Code, except for net income derived from unrelated business activities, which is taxable to the Organization. There was no unrelated business income reflected in the accompanying financial statements for the years ended June 30, 2019 and 2018.

FASB ASC Topic No. 740, *Income Taxes*, prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions. Management of the Organization believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements. The Organization files Form 990 in the United States federal jurisdiction. No tax returns are currently under examination by any tax authorities. As of June 30, 2019, the Organization has not incurred any penalties or interest under FASB ASC Topic No. 740.



**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

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

Financial assets at year-end:	
Cash and Cash Equivalents	\$ 1,373
Current Unrestricted Accounts Receivable	4,250
Current Notes Receivable	23,511
Accrued Interest	206,990
Investments, Pooled & Non-Pooled	102,420,423
Distributions from Assets Held under Split-Interest Agreements	<u>356,243</u>
Total financial investments	103,012,790
Less amounts not available for use within one year:	
Investments in non-liquid investments	4,757,185
Investments in perpetual trusts	61,089,823
Investments held for quasi endowments	<u>36,573,415</u>
Total financial assets not available for use within one year	<u>102,420,423</u>
Total financial assets available to meet general expenditures within one year	<u><u>\$ 592,367</u></u>

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

The Organization has periodically received significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It has also received gifts to establish endowments that will exist in perpetuity; the income from such endowments is used to fund programs. In addition, the Organization receives support without donor restrictions; such support has represented approximately 14.9% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

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

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONT.)**

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

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

**NOTE 3 INVESTMENTS**

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

Investment management fees of approximately \$237,000 and \$294,000 for 2019 and 2018, respectively, are netted with investment income in the accompanying statements of activities and changes in net assets.

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

**Pooled Investments**

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

	<u>2019</u>	<u>2018</u>
Money Market Accounts	\$ 734,102	\$ 289,749
Equity - Stocks	17,980,638	16,562,082
Equity - Mutual Funds	41,230,037	41,103,860
Fixed Income - U.S. Government and U.S. Government Agency Bonds	2,923,040	3,131,856
Fixed Income - Bond Funds	14,296,029	13,990,074
Fixed Income - Corporate Bonds	2,223,405	2,884,866
Fixed Income - Municipal Bonds	515,744	632,101
Fixed Income - Foreign Bonds	1,434,548	1,340,940
Other - Mutual Funds	12,040,362	11,209,851
Total Pooled Investments	<u>\$ 93,377,905</u>	<u>\$ 91,145,379</u>

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 INVESTMENTS (CONT.)**

**Non-pooled Investments**

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

	<u>2019</u>	<u>2018</u>
Money Market Accounts	\$ 2,784,052	\$ 2,521,326
Equity - Stocks	632,066	691,890
Fixed Income - U.S. Government	843,835	830,362
Mineral Interests	4,782,565	4,397,277
Total Non-pooled Investments	<u>\$ 9,042,518</u>	<u>\$ 8,440,855</u>

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 FAIR VALUE OF INVESTMENTS**

The following table details the Organization's investments at fair value by level, within the fair value hierarchy, at June 30, 2019:

	Level 1	Level 2	Level 3	Total
<b>Pooled Investments</b>				
Money Market Accounts	\$ 734,102	\$ -	\$ -	\$ 734,102
Equity - Stocks:				
Growth	8,816,037	-	-	8,816,037
Dividend/Value	9,164,601	-	-	9,164,601
Equity - Mutual Funds:				
Large Cap	5,494,071	-	-	5,494,071
Small/Mid Cap	4,353,255	-	-	4,353,255
Small Cap	4,049,941	-	-	4,049,941
Mid Cap	10,700,615	-	-	10,700,615
Emerging Market	7,532,192	-	-	7,532,192
International Large Cap	5,818,112	-	-	5,818,112
International Small Cap	3,281,851	-	-	3,281,851
Fixed Income:				
Individual Bonds:				
U.S. Government and U.S. Government Agency Bonds	-	2,923,040	-	2,923,040
Corporate Bonds	-	2,223,405	-	2,223,405
Municipal Bonds	-	515,744	-	515,744
Foreign Bonds	-	1,434,548	-	1,434,548
High Income Bond Fund	14,296,029	-	-	14,296,029
Other - Mutual Funds:				
Natural Resources Fund	7,291,688	-	-	7,291,688
Real Estate Fund	4,748,674	-	-	4,748,674
Total Pooled Investments	<u>86,281,168</u>	<u>7,096,737</u>	<u>-</u>	<u>93,377,905</u>
<b>Non-pooled Investments</b>				
Money Market Accounts	2,784,052	-	-	2,784,052
U.S. Large Cap Stocks	632,066	-	-	632,066
U.S. Government Bonds	-	843,835	-	843,835
Mineral Interests	-	-	4,782,565	4,782,565
Total Non-pooled Investments	<u>3,416,118</u>	<u>843,835</u>	<u>4,782,565</u>	<u>9,042,518</u>
Total Investments at Fair Value	<u>\$ 89,697,286</u>	<u>\$ 7,940,572</u>	<u>\$ 4,782,565</u>	<u>\$ 102,420,423</u>

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)**

The following table details the Organization's investments at fair value by level, within the fair value hierarchy, at June 30, 2018:

	Level 1	Level 2	Level 3	Total
<b>Pooled Investments</b>				
Money Market Accounts	\$ 289,749	\$ -	\$ -	\$ 289,749
Equity - Stocks:				
Growth	7,973,104	-	-	7,973,104
Dividend/Value	8,588,979	-	-	8,588,979
Equity - Mutual Funds:				
Large Cap	8,094,174	-	-	8,094,174
Small/Mid Cap	4,428,240	-	-	4,428,240
Small Cap	3,946,686	-	-	3,946,686
Mid Cap	9,800,671	-	-	9,800,671
Emerging Market	4,455,570	-	-	4,455,570
International Large Cap	6,841,438	-	-	6,841,438
International Small Cap	3,537,082	-	-	3,537,082
Fixed Income:				
Individual Bonds:				
U.S. Government and				
U.S. Government				
Agency Bonds	-	3,131,856	-	3,131,856
Corporate Bonds	-	2,884,866	-	2,884,866
Municipal Bonds	-	632,101	-	632,101
Foreign Bonds	-	1,340,940	-	1,340,940
Floating Rate Bond Fund	1,894,720	-	-	1,894,720
High Income Bond Fund	12,095,352	-	-	12,095,352
Other - Mutual Funds:				-
Natural Resources Fund	7,814,011	-	-	7,814,011
Real Estate Fund	3,395,840	-	-	3,395,840
Total Pooled Investments	83,155,616	7,989,763	-	91,145,379
<b>Non-pooled Investments</b>				
Money Market Accounts	2,521,326	-	-	2,521,326
U.S. Large Cap Stocks	691,890	-	-	691,890
U.S. Government Bonds	-	830,362	-	830,362
Mineral Interests	-	-	4,397,277	4,397,277
Total Non-pooled Investments	3,213,216	830,362	4,397,277	8,440,855
Total Investments at Fair Value	<u>\$ 86,368,832</u>	<u>\$ 8,820,125</u>	<u>\$ 4,397,277</u>	<u>\$ 99,586,234</u>

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)**

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 non-pooled investments for the years ended June 30:

	2019	2018
Balance - Beginning of Year	\$ 4,397,277	\$ 4,059,612
Realized and Unrealized Gains	385,288	337,665
Balance - End of Year	\$ 4,782,565	\$ 4,397,277

**NOTE 5 BENEFICIAL INTERESTS IN PERPETUAL AND CHARITABLE REMAINDER TRUSTS**

The Organization is the beneficiary of several perpetual and charitable remainder trusts. Under terms of the agreements, the Organization is an income beneficiary ranging from 1/6 to 30% of the perpetual trusts and a 100% income and remainder beneficiary of a charitable remainder trust that terminated July 9, 2017. At that time, the charitable remainder trust distributed 100% of its assets to the Organization.

Fair value of the beneficial interests in perpetual trusts is recorded at the present value of a perpetuity of the five-year average of distributions received. Fair value of the beneficial interest in the charitable remainder trust was recorded using the present value of cash flows of the five-year average of distributions received plus the present value of future payments based on the fair market value of the trust at year-end until termination. The discount rate used in all calculations is the 30-year U.S. Treasury Bond rate of 2.52% on June 30, 2019. The present value of estimated future payments is recalculated annually based on the 30-year U.S. Treasury Bond rate as of year-end.

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

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2019	2018
Furniture and Fixtures	\$ 44,905	\$ 51,782
Automobiles	39,567	39,567
Office Equipment	33,700	58,497
Total Property and Equipment	118,172	149,846
Less: Accumulated Depreciation	(62,597)	(98,013)
Property and Equipment, Net	<u>\$ 55,575</u>	<u>\$ 51,833</u>

**NOTE 7 ENDOWMENT NET ASSETS**

Net assets with donor restrictions represent contributions for which donors have imposed restrictions. Certain of the Organization's net assets with donor restrictions are comprised of amounts restricted for use within the scope of the Organization's charitable purpose (see Note 1). Other portions of the restricted amounts were held in cash and investments or beneficial interests in perpetual trusts in the accompanying statements of financial position at June 30, 2019 and 2018.

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

	2019		
	Without Donor Restriction	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 42,499,381	\$ 42,499,381
Accumulated Investment Gains	-	18,384,140	18,384,140
Total	<u>\$ -</u>	<u>\$ 60,883,521</u>	<u>\$ 60,883,521</u>

	2018		
	Without Donor Restriction	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 42,499,381	\$ 42,499,381
Accumulated Investment Gains	-	18,670,795	18,670,795
Total	<u>\$ -</u>	<u>\$ 61,170,176</u>	<u>\$ 61,170,176</u>

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 7 ENDOWMENT NET ASSETS (CONTINUED)**

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

	2019		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 61,170,176	\$ 61,170,176
Investment Return, Net	-	2,491,161	2,491,161
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(1,206,719)	(1,206,719)
Release of Restrictions	-	(1,571,097)	(1,571,097)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 60,883,521</u>	<u>\$ 60,883,521</u>
	2018		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 53,160,604	\$ 53,160,604
Investment Return, Net	-	4,765,953	4,765,953
Contributions	-	4,282,851	4,282,851
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(1,039,232)	(1,039,232)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 61,170,176</u>	<u>\$ 61,170,176</u>

As of June 30, 2019, the Organization had the following donor-restricted endowment net asset composition by fund:

	Original Gift	Accumulated Gains (Losses)	Fund Total
Restricted Endowment Fund	\$ 35,092,866	\$ 17,262,973	\$ 52,355,839
Special Assets	1,266,051	(262,729)	1,003,322
Masonic Scholarship Fund	1,141,473	164,614	1,306,087
Fred A. Land Scholarship Fund	10,547	7,846	18,393
Long Scholarship Fund	250,000	380,313	630,313
Roberts Family Scholarship Fund	12,000	22,483	34,483
Rockabrand Scholarship Fund	57,404	26,507	83,911
Smith Scholarship Fund	25,000	32,023	57,023
Sam & Rose Dear Money Market Fund	103,189	1,803	104,992
Skinner Trust	258,000	85,641	343,641
McClelland Memorial	4,282,851	662,666	4,945,517
Total	<u>\$ 42,499,381</u>	<u>\$ 18,384,140</u>	<u>\$ 60,883,521</u>



**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2019	2018
Subject to Expenditure for Specified Purpose:		
Scholarships	\$ 206,202	\$ 203,116
Subject to the Passage of Time:		
Future Operations	11,236,844	8,398,094
Endowments:		
Subject to NFP Endowment Spending Policy and Appropriation:		
Restricted Endowment Fund	17,262,973	16,361,009
Special Assets	(262,729)	(203,456)
Masonic Scholarship Fund	164,614	130,792
Fred A. Land Scholarship Fund	7,846	7,196
Long Scholarship Fund	380,313	358,039
Roberts Family Scholarship Fund	22,483	21,264
Rockabrand Scholarship Fund	26,507	23,569
Smith Scholarship Fund	32,023	30,007
Sam & Rose Dear Money Market Fund	1,803	1,450
Skinner Trust	85,641	68,743
McClelland Memorial	662,666	326,801
Total	18,384,140	17,125,414
Not Subject to Spending Policy or Appropriation:		
Endowment to be maintained in perpetuity	42,499,381	42,499,381
Beneficial interests in perpetual trusts	10,537,081	8,263,784
Total	53,036,462	50,763,165
Total Net Assets with Donor Restrictions	\$ 82,863,648	\$ 76,489,789

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONT.)**

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

	2019	2018
Expiration of Time Restrictions	\$ 200,000	\$ 210,000
Satisfaction of Purpose Restrictions:		
Scholarships	5,000	5,000
Total	205,000	215,000
Total Net Assets Released from Donor Restrictions	\$ 205,000	\$ 215,000

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

The Organization leases an office facility and various office equipment under noncancelable operating leases. The office facility and equipment leases expire in various years through 2024. Total lease expense approximated \$41,500 and \$43,000 per year during fiscal 2019 and 2018, respectively. Future minimum lease payments consist of the following:

Year Ending June 30,	Amount
2020	\$ 42,572
2021	82,405
2022	84,428
2023	86,452
2024	88,475
Thereafter	491,074
Total Minimum Lease Payments	\$ 875,406

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

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

The Organization sponsors a 401(k) deferred compensation plan in conjunction with The Grand Lodge of Texas, A.F. & A.M. (The Grand Lodge of Texas). Employees are eligible to participate once they have completed 12 months of service and credited with 1,000 hours of service. Employees may choose to contribute a percentage of their gross salaries through a salary reduction arrangement. The maximum amount an employee could annually contribute was \$19,000 and \$18,500 respectively, in 2019 and 2018, plus catch-up contributions up to a maximum of \$6,000 in each year if eligible. The Organization may make a discretionary matching contribution of 50% of the aggregate salary reduction contribution to the extent the aggregate contribution does not exceed 5% of compensation. The Organization may also choose to make a discretionary profit sharing contribution to the plan.

The Organization's expense under the plan totaled approximately \$16,900 and \$20,600 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 11 RELATED PARTY TRANSACTIONS**

Each dues-paying member of The Grand Lodge of Texas pays an annual dues amount to his subordinate lodge, which subsequently paid an amount (the per capita) calculated on the number of members in good standing of that lodge to The Grand Lodge of Texas. Of the per capita paid to The Grand Lodge of Texas, a portion was a dedicated amount to be paid to the Organization, and The Grand Lodge of Texas then paid the dedicated amount to the Organization on behalf of the subordinate lodge. Such dedicated amounts paid by The Grand Lodge of Texas to the Organization totaled approximately \$87,000 for the year ended 2018, and is reported as Grand Lodge of Texas Widows and Orphans Fund in the accompanying statement of activities and changes in net assets. The annual receipt of this dedicated amount was discontinued in 2019.

Certain widows of Texas Masons reside at the Texas Masonic Retirement Center (TMRC) in Arlington, Texas. These widows are admitted into TMRC through the Organization's application process. Expenses of approximately \$469,000 and \$563,000 for the years ended June 30, 2019 and 2018, respectively, were paid to TMRC on behalf of the widows. Any overpayment or underpayment of funds is remitted to the Organization or submitted to TMRC after the TMRC annual audit is completed. At June 30, 2019 and 2018, the Organization had a payable to TMRC approximating \$36,000 and \$43,000, respectively, which is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

Square and Compasses Holding (Square and Compasses), a 501(c)(3) Texas nonprofit corporation, holds the proceeds from the sale of the Masonic Home and School of Texas childcare campus and retains the rights to the mineral interests from the former campus. Square and Compasses was organized to distribute a portion of its income, at least annually, to the Organization and/or the Texas Masonic Charities Foundation. The Organization was awarded \$200,000 and \$210,000 in the years ended June 30, 2019 and 2018, respectively. Both grants were to be used for the dental and autism programs.

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 12 COLLABORATIVE ARRANGEMENTS**

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

The purpose of the Agreement is to assist Texas families in addressing issues before a crisis results in out-of-home placement of children. Under the Agreement, PCHAS agreed to establish a Child and Family Program in the Dallas/Fort Worth, Texas metropolitan area (the Program), operate and oversee the Program, and employ a Texas-licensed social worker with a Master's degree in social work, or its equivalent, as a Child and Family Specialist for the Program. The Organization provides office space and reimbursement to PCHAS for up to 50% of the Program costs capped at \$48,000 and \$46,000, respectively, per year for the years ended June 30, 2019 and 2018.

The Organization's portion of expenses related to the Agreement totaled approximately \$48,000 and \$46,000 for the years ended June 30, 2019 and 2018, respectively, and is included in "Program Expenses: Children" in the accompanying statements of activities and changes in net assets.

**NOTE 13 CONCENTRATIONS OF CREDIT RISK**

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

There were no significant concentrations of accounts receivable or contributions as of or for the years ended June 30, 2019 and 2018.

**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 14 FUNCTIONAL ALLOCATION METHODOLOGY**

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

**NOTE 15 SUBSEQUENT EVENTS**

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through December 12, 2019, the date the financial statements were available for issuance.

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
BUDGET TO ACTUAL SUMMARY COMPARISON  
YEAR ENDED JUNE 30, 2019**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues and Other Receipts</b>			
Bequests, Estates, and Donations	\$ 525,000	\$ 320,195	\$ (204,805)
Income from Beneficial Interests	330,449	337,630	7,181
Scholarship Interest and Dividends	47,205	49,924	2,719
Investment Income (Net of Fees)	2,528,718	3,051,248	522,530
Income from Widow's Property	30,000	-	(30,000)
Widows Income	151,364	169,031	17,667
Fundraising Income	139,911	60,449	(79,462)
Miscellaneous Income	2,401	8,201	5,800
Total Revenues and Other Receipts	<u>3,755,048</u>	<u>3,996,678</u>	<u>241,630</u>
<b>Expenditures and Disbursements</b>			
Administration and General Operating	400,707	415,846	(15,139)
Marketing/Development/Fundraising	227,842	167,099	60,743
Children and Family Services Program	2,375,715	2,575,517	(199,802)
Scholarships	10,000	15,762	(5,762)
Widows/Texas Masonic Retirement Center Program	728,284	603,266	125,018
Furniture and Equipment	12,500	-	12,500
Total Expenditures	<u>3,755,048</u>	<u>3,777,490</u>	<u>(22,442)</u>
Excess Revenues Over Expenditures before Reconciling Items	<u>\$ -</u>	219,188	<u>\$ 219,188</u>
<b>Reconciling Items to the Financial Statements</b>			
Nonbudgeted Depreciation Expense		(13,392)	
Rental and Leases		43,125	
Loss on Asset Retirement		(4,051)	
Unrealized Gains on Investments		1,119,210	
Realized Gains on Investments		1,488,857	
Change in Value of Beneficial Interests		<u>2,273,297</u>	
Total		<u>4,907,046</u>	
Total Revenues Over Expenditures		<u>\$ 5,126,234</u>	

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON  
YEAR ENDED JUNE 30, 2019**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
<b>Administration and General Operating Expenses</b>			
Payroll and Related Expenses	\$ 211,895	\$ 216,819	\$ (4,924)
Employee Benefits	8,191	9,402	(1,211)
Contract Services	900	8,556	(7,656)
General and Furnishings	333	63	270
Board and Committee Related Expense	12,000	12,509	(509)
Bank Fees and Interest Expense	8,000	7,661	339
Property Tax	4,000	10,171	(6,171)
Attorneys	75,000	61,560	13,440
Auditors	27,000	25,660	1,340
Vehicle Repairs and Maintenance	2,000	73	1,927
Office Supplies	3,269	4,762	(1,493)
Technology and Equipment Maintenance	12,286	16,540	(4,254)
Telephone	1,092	1,076	16
Insurance	13,325	13,476	(151)
Other Expenses	1,865	11,609	(9,744)
Employee Licenses and Development	1,250	1,350	(100)
Postage	4,275	2,890	1,385
Rent	9,291	8,214	1,077
Utilities and Security	2,215	1,585	630
Janitorial Contract Services/Supplies	772	653	119
Travel and Mileage	1,750	1,217	533
Total Administration and General Operating Expenses	400,709	415,846	(15,137)
<b>Marketing/Development/Fundraising</b>			
Marketing/Development/Fundraising	227,842	167,099	60,743

**MASONIC HOME AND SCHOOL OF TEXAS  
DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS  
BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
<b>Children and Family Services Programs</b>			
Children and Family Program Services	\$ 813,977	\$ 1,051,166	\$ (237,189)
Fantastic Teeth Program	364,043	387,700	(23,657)
Parent Autism Training	692,230	643,530	48,700
MHS Scholarships	10,000	15,762	(5,762)
Payroll and Related Expenses	301,722	274,749	26,973
Employee Benefits	6,763	5,009	1,754
Contract Services	56,000	59,404	(3,404)
General and Furnishings	333	191	142
Office Supplies	8,519	14,237	(5,718)
Technology and Equipment Maintenance	30,298	47,585	(17,287)
Telephone	2,692	2,644	48
Insurance	42,147	42,107	40
Other Expenses	2,025	3,307	(1,282)
Employee Licenses and Development	3,750	-	3,750
Postage	4,275	2,978	1,297
Rent	33,935	30,004	3,931
Utilities and Security	8,087	5,788	2,299
Janitorial Contract Services/Supplies	2,819	2,386	433
Travel and Mileage	2,100	2,732	(632)
Total Children and Family Services Programs	2,385,715	2,591,279	(205,564)
<b>Widows Program/Texas Masonic Retirement Center</b>			
Texas Masonic Retirement Center	526,420	468,820	57,600
Widows Allowance	8,160	6,650	1,510
Special Occasion	2,000	1,348	652
Other Widows Program Expenses	100,000	21,994	78,006
Payroll and Related Expenses	58,116	69,441	(11,325)
Employee Benefits	1,387	2,457	(1,070)
Contract Services	250	432	(182)
General and Furnishings	333	25	308
Office Supplies	3,212	1,885	1,327
Technology and Equipment Maintenance	4,016	7,187	(3,171)
Telephone	1,117	585	532
Insurance	16,527	16,543	(16)
Other Expenses	711	415	296
Postage	450	352	98
Rent	3,716	3,286	430
Utilities and Security	884	632	252
Janitorial Contract Services/Supplies	309	261	48
Travel and Mileage	675	953	(278)
Total Widows Program/Texas Masonic Retirement Center	728,283	603,266	125,017



**MASONIC HOME AND SCHOOL OF TEXAS**  
**DBA: MASONIC CHILDREN & FAMILY SERVICES OF TEXAS**  
**BUDGET TO ACTUAL EXPENDITURES DETAIL COMPARISON (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
<b>Furniture and Equipment</b>			
General and Furnishings	\$ 6,000	-	\$ 6,000
Equipment - Office	6,500	-	6,500
Total Furniture and Equipment	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total Expenditures and Other Cash			
Disbursements before Nonbudgeted Items	<u>\$ 3,755,049</u>	3,777,490	<u>\$ (22,441)</u>
<b>Reconciling Items to the Financial Statements</b>			
Nonbudgeted Depreciation Expense		<u>13,392</u>	
Total Expenditures and Other Disbursements		<u>\$ 3,790,882</u>	