# Buckner International and Subsidiaries

Consolidated Financial Report
December 31, 2019

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**Independent Auditor's Report**

To the Board of Trustees
Buckner International and Subsidiaries

We have audited the accompanying consolidated financial statements of Buckner International and Subsidiaries (collectively, Buckner), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buckner International and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Trustees
Buckner International and Subsidiaries

**Emphasis of Matter**

As discussed in Note 2, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, (Topic 842) – *Leases*. The update (and subsequent update 2018-11) requires all lessees record right-of-use assets and lease liabilities. Buckner has chosen the "modified" approach, where this change is effective January 1, 2019. The effect of this adoption is the cumulative-effect adjustment to the opening balance of net assets of $73,574. Our opinion is not modified with respect to this matter.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
May 11, 2020

# Buckner International and Subsidiaries

## Consolidated Statements of Financial Position

## December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| **ASSETS** | | |
| Cash and cash equivalents | $ 25,890,560 | $ 20,825,579 |
| Investments | 393,298,112 | 345,780,739 |
| Assets whose use is limited | 43,832,553 | 22,578,992 |
| Receivables, net | 6,587,190 | 4,441,378 |
| Pledges and bequests receivable, net | 1,099,653 | 4,756,654 |
| Inventories and supplies | 230,079 | 227,911 |
| Notes receivable | 7,702,200 | 7,702,200 |
| Prepaid expenses | 569,532 | 134,618 |
| Other assets | 5,028,223 | 314,406 |
| Revenue bond proceeds held by trustee | 29,109,842 | 92,156,644 |
| Real estate held for investment | 1,810,971 | 1,993,340 |
| Property and equipment, net | 406,633,521 | 358,768,607 |
| **TOTAL ASSETS** | $ 921,792,436 | $ 859,681,068 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts payable | $ 3,754,589 | $ 10,203,130 |
| Retainage payable | 4,505,823 | 11,208,520 |
| Accrued liabilities | 8,275,709 | 5,543,832 |
| Lines of credit | 1,100,000 | 1,100,000 |
| Revenue bonds payable, net | 335,721,554 | 382,872,741 |
| Notes payable | 20,556,360 | 18,001,382 |
| Resident deposits | 2,345,590 | 2,313,742 |
| Refundable fees | 92,244,209 | 26,490,904 |
| Deferred revenue from advance fees | 14,190,988 | 1,642,060 |
| Annuity and life income fund liability | 4,845,984 | 4,500,469 |
| Other | 6,305,458 | 2,929,113 |
| Total liabilities | 493,846,264 | 466,805,893 |
| **NET ASSETS** | | |
| Without Restrictions | 284,385,463 | 264,516,926 |
| With Restrictions | 143,560,709 | 128,358,249 |
| Total net assets | 427,946,172 | 392,875,175 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 921,792,436 | $ 859,681,068 |

The Notes to Consolidated Financial Statements
are an integral part of these statements.

# Buckner International and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2019 and 2018

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Without Restrictions | With Restrictions | Total | Without Restrictions | With Restrictions | Total |
| **REVENUES** | | | | | | |
| Client support and related income | $ 80,435,943 | $ - | $ 80,435,943 | $ 79,321,346 | $ - | $ 79,321,346 |
| Investment income | 28,162,744 | 1,000,194 | 29,162,938 | 25,265,505 | 777,288 | 26,042,793 |
| Contributions | | | | | | |
| Baptist General Convention of Texas | 407,803 | - | 407,803 | 481,497 | - | 481,497 |
| Individual and business gifts | 12,036,394 | 1,814,841 | 13,851,235 | 12,468,083 | 8,025,136 | 20,493,219 |
| Bequests | 647,951 | - | 647,951 | 243,880 | 88,293 | 332,173 |
| Gain on sales of real estate held for investment | 2,535,360 | - | 2,535,360 | 100,708 | - | 100,708 |
| Other | 729,904 | - | 729,904 | 722,995 | 50,000 | 772,995 |
| Net assets released from restrictions | 4,918,863 | (4,918,863) | - | 6,245,590 | (6,245,590) | - |
| Total revenues | 129,874,962 | (2,103,828) | 127,771,134 | 124,849,604 | 2,695,127 | 127,544,731 |
| **EXPENSES** | | | | | | |
| Salaries and benefits | 64,421,815 | - | 64,421,815 | 61,811,815 | - | 61,811,815 |
| Supplies and direct expenses | 24,477,649 | - | 24,477,649 | 23,437,617 | - | 23,437,617 |
| Occupancy and insurance | 14,921,132 | - | 14,921,132 | 14,267,579 | - | 14,267,579 |
| Travel and transportation | 2,536,163 | - | 2,536,163 | 2,656,980 | - | 2,656,980 |
| Administration | 11,414,913 | 61,004 | 11,475,917 | 9,627,246 | 61,006 | 9,688,252 |
| Depreciation | 10,319,296 | - | 10,319,296 | 8,388,362 | - | 8,388,362 |
| Interest expense | 9,644,831 | - | 9,644,831 | 5,389,504 | - | 5,389,504 |
| Bad debt expense | 204,429 | - | 204,429 | 99,451 | - | 99,451 |
| Total expenses | 137,940,228 | 61,004 | 138,001,232 | 125,678,554 | 61,006 | 125,739,560 |
| **CHANGE IN NET ASSETS FROM OPERATIONS** | (8,065,266) | (2,164,832) | (10,230,098) | (828,950) | 2,634,121 | 1,805,171 |
| **NONOPERATING ITEMS** | | | | | | |
| Net realized and unrealized gains (losses) on investments | 43,220,210 | 17,321,117 | 60,541,327 | (5,269,104) | 8,740,710 | 3,471,606 |
| Other, net | (15,212,833) | 46,175 | (15,166,658) | (13,283,581) | 13,349,311 | 65,730 |
| **CHANGE IN NET ASSETS** | 19,942,111 | 15,202,460 | 35,144,571 | (19,381,635) | 24,724,142 | 5,342,507 |
| **NET ASSETS, BEGINNING OF YEAR** | 264,516,926 | 128,358,249 | 392,875,175 | 289,489,323 | 103,634,107 | 393,123,430 |
| **CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE** | (73,574) | - | (73,574) | (5,590,762) | - | (5,590,762) |
| **NET ASSETS, END OF YEAR** | $ 284,385,463 | $ 143,560,709 | $ 427,946,172 | $ 264,516,926 | $ 128,358,249 | $ 392,875,175 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

# Buckner International and Subsidiaries

## Consolidated Statements of Cash Flows

## Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 35,144,571 | $ 5,342,507 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 10,319,296 | 8,388,362 |
| Bad debt expense | 204,429 | 99,451 |
| Donated land included in contributions | - | (1,325,000) |
| Amortization | (1,212,244) | (1,002,116) |
| Debt issuance costs | 4,895 | (280,858) |
| Accretion expense and ARO revisions | 34,003 | 67,265 |
| Gain on sales of real estate held for investment | (2,535,360) | (100,708) |
| Gain on sale or disposal of facility assets | (972,128) | (56,220) |
| Net realized and unrealized gains on investments | (60,541,327) | (3,471,606) |
| Changes in operating assets and liabilities: | | |
| Assets whose use is limited | 18,113,271 | 15,343,216 |
| Receivables | 1,306,760 | (2,659,656) |
| Inventories and supplies | (2,168) | 1,241 |
| Prepaid expenses | (434,914) | 907,629 |
| Other assets | (4,787,391) | (45,239) |
| Accounts payable | (13,151,238) | 15,098,543 |
| Accrued liabilities | 2,731,877 | 3,863 |
| Resident deposits | 31,848 | 128,211 |
| Refundable fees | 65,753,305 | 1,782,056 |
| Deferred revenue from advance fees | 13,063,872 | 313,865 |
| Annuity and life income fund liability | - | (5,577) |
| Other liabilities | 3,342,343 | 554,537 |
| Net cash provided by operating activities | 66,413,700 | 39,083,766 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property and equipment | (60,721,557) | (131,788,102) |
| Decrease in revenue bond proceeds held by trustee | 51,442,852 | 102,076,449 |
| Purchases of investments | (22,730,552) | (21,414,463) |
| Proceeds on sales or redemptions of investments | 30,717,856 | 20,144,222 |
| Proceeds from sale of property and equipment | - | 585,869 |
| Proceeds from sales of real estate held for investment | 3,636,840 | 557,409 |
| Proceeds advanced to Community Development Entity (CDE) | - | (7,702,200) |
| Net cash provided by (used in) investing activities | 2,345,439 | (37,540,816) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from revenue bonds payable and notes payable | 9,124,982 | 349,834 |
| Payments on revenue bonds payable and short-term notes payable | (46,704,935) | (3,304,808) |
| Net cash used in financing activities | (37,579,953) | (2,954,974) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 31,179,186 | (1,412,024) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 41,547,643 | 42,959,667 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 72,726,829 | $ 41,547,643 |
| **RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:** | | |
| Cash and cash equivalents | $ 25,890,560 | $ 20,825,579 |
| Restricted cash included in assets whose use is limited | 43,832,553 | 11,813,940 |
| Restricted cash included in revenue bond proceeds held by trustee | 3,003,716 | 8,908,124 |
| Total cash and cash equivalents | $ 72,726,829 | $ 41,547,643 |
| **SUPPLEMENTAL DISCLOSURE** | | |
| Cash paid for interest | $ 21,073,269 | $ 20,969,053 |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES** | | |
| Refinancing Notes Payable | $ - | $ 7,915,736 |
| Proceeds from New Markets Tax Credit (NMTC) program | $ - | $ 10,780,000 |
| Debt issuance costs on NMTC | $ - | $ 420,343 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

# Buckner International and Subsidiaries

## Consolidated Statement of Functional Expenses

## Year Ended December 31, 2019

| | Ministry Activities | | | | | | | Supporting Activities | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Foster Care and Adoption | Family Hope Centers | Family Pathways | Ministry Engagement | International Ministries | Senior Care Services | Total Ministry Activities | General and Administration | Fundraising | Total Supporting Activities | Total Expenses |
| Salaries and benefits | $ 5,976,705 | $ 6,560,722 | $ 2,182,306 | $ 2,853,807 | $ 518,052 | $ 35,004,213 | $ 53,095,805 | $ 7,540,129 | $ 3,785,881 | $ 11,326,010 | $ 64,421,815 |
| Supplies and direct expenses | 5,469,513 | 774,236 | 889,494 | 2,208,142 | 3,308,453 | 9,887,546 | 22,537,384 | 5,005 | 1,935,260 | 1,940,265 | 24,477,649 |
| Occupancy and insurance | 832,459 | 1,333,651 | 1,118,901 | 595,423 | 83,946 | 9,045,681 | 13,010,061 | 1,858,396 | 52,675 | 1,911,071 | 14,921,132 |
| Travel and transportation | 471,103 | 523,267 | 126,238 | 508,978 | 65,281 | 344,853 | 2,039,720 | 290,767 | 205,676 | 496,443 | 2,536,163 |
| Administration | 488,639 | 641,758 | 257,917 | 443,341 | 137,427 | 4,898,718 | 6,867,800 | 2,612,656 | 1,995,461 | 4,608,117 | 11,475,917 |
| Depreciation | 112,250 | 396,614 | 910,307 | 255,268 | - | 8,314,946 | 9,989,385 | 329,911 | - | 329,911 | 10,319,296 |
| Interest expense | - | - | - | - | - | 9,594,979 | 9,594,979 | 49,852 | - | 49,852 | 9,644,831 |
| Bad debt expense | - | - | - | - | - | 204,429 | 204,429 | - | - | - | 204,429 |
| **Total Expenses** | $ 13,350,669 | $ 10,230,248 | $ 5,485,163 | $ 6,864,959 | $ 4,113,159 | $ 77,295,365 | $ 117,339,563 | $ 12,686,716 | $ 7,974,953 | $ 20,661,669 | $ 138,001,232 |

The Notes to Consolidated Financial Statements
are an integral part of these statements.

# Buckner International and Subsidiaries

## Consolidated Statement of Functional Expenses

## Year Ended December 31, 2018

| | Ministry Activities | | | | | | | Supporting Activities | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Foster Care and Adoption | Family Hope Centers | Family Pathways | Ministry Engagement | International Ministries | Senior Care Services | Total Ministry Activities | General and Administration | Fundraising | Total Supporting Activities | Total Expenses |
| Salaries and benefits | $ 4,955,997 | $ 5,791,777 | $ 2,647,434 | $ 2,845,401 | $ 665,086 | $ 33,799,780 | $ 50,705,475 | $ 7,660,962 | $ 3,445,378 | $ 11,106,340 | $ 61,811,815 |
| Supplies and direct expenses | 5,209,753 | 530,948 | 913,309 | 3,921,119 | 3,360,716 | 8,981,721 | 22,917,566 | 4,328 | 515,723 | 520,051 | 23,437,617 |
| Occupancy and insurance | 735,991 | 1,307,380 | 1,320,272 | 605,551 | 31,981 | 8,515,618 | 12,516,793 | 1,694,802 | 55,984 | 1,750,786 | 14,267,579 |
| Travel and transportation | 435,004 | 441,634 | 150,236 | 721,378 | 80,813 | 295,824 | 2,124,889 | 359,386 | 172,705 | 532,091 | 2,656,980 |
| Administration | 440,570 | 619,482 | 289,770 | 344,888 | 172,184 | 3,295,104 | 5,161,998 | 2,490,697 | 2,035,557 | 4,526,254 | 9,688,252 |
| Depreciation | 313,258 | 377,237 | 676,422 | 247,830 | - | 6,248,631 | 7,863,378 | 524,984 | - | 524,984 | 8,388,362 |
| Interest expense | - | - | - | - | - | 5,347,433 | 5,347,433 | 42,071 | - | 42,071 | 5,389,504 |
| Bad debt expense | - | - | - | - | - | 99,451 | 99,451 | - | - | - | 99,451 |
| **Total Expenses** | $ 12,090,573 | $ 9,068,458 | $ 5,997,443 | $ 8,686,167 | $ 4,310,780 | $ 66,583,562 | $ 106,736,983 | $ 12,777,230 | $ 6,225,347 | $ 19,002,577 | $ 125,739,560 |

The Notes to Consolidated Financial Statements
are an integral part of these statements.

## Note 1. Nature of Operations and Principles of Consolidation

Buckner International (Buckner) is a Texas not-for-profit corporation that has been caring for families, needy children, and the elderly since 1879. One-fourth of Buckner's Board of Trustees is elected by the Baptist General Convention of Texas with the remaining three-fourths appointed by Buckner's Board of Trustees.

Effective January 1, 2010, Buckner Retirement Services, Inc. (BRS) acquired Baptist Memorials Ministries (BMM). BMM is a 501(c)(3) not-for-profit corporation that provides health care, housing and other related services to residents through the operation of a continuing care retirement community in San Angelo, Texas. BRS is the sole member and approves the nomination and placement of the Board of Directors for BMM.

Buckner Senior Living, Inc. (BSL), a Texas not-for-profit corporation, was established in December 2012 to develop and operate a Life Plan Continuum Care Retirement Community located in Dallas, Texas. BSL was established in order to expand its affiliate's mission of providing quality housing, health care services and other programs to senior citizens. BRS is the sole member and elects the Board of Directors for BSL. BSL is exempt from Federal income taxation under 501(c)(3) of the Internal Revenue Code.

Buckner FHC-Bachman Lake (BBL), a Texas not-for-profit corporation, was established in October 2018 as a result of a new markets tax credit arrangement entered into by BCFS, discussed further in Note 10. BBL is exempt from federal income taxation under 501(c)(3) of the Internal Revenue Code.

Buckner consolidates the following not-for-profit corporations:

- Buckner International
- Buckner Children and Family Services, Inc. (includes subsidiaries - Rio Grande Children's Home, Rio Grande Children's Home Foundation Inc., and MFHL Corporation) – collectively BCFS
- BRS (includes subsidiaries BMM and BSL)
- Buckner Adoption and Maternity Services, Inc. (BAMS)
- Buckner Foundation, Inc. (Foundation)
- Buckner FHC-Bachman Lake (BBL)

The Board of Trustees of Buckner serve as directors of Buckner Children and Family Services, Inc., Buckner Retirement Services, Inc., Buckner Adoption and Maternity Services, Inc., and Buckner Foundation, Inc. Buckner and the corporations are exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

Effective July 30, 2018, the Board of Trustees of Buckner decided to dissolve BAMS. Upon this dissolution, the assets of BAMS were distributed directly to BCFS.

## Note 2. Summary of Significant Accounting Policies

### Basis of Presentation

Buckner presents its financial statements in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under FASB ASC 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. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Restrictions - Net assets that are not subject to donor-imposed stipulations. Restricted contributions received and released in the current year will be reported as activity within net asset without restrictions.

- Net Assets With Restrictions – Net assets with restrictions include net assets subject to donor-imposed stipulations that may or will be met by actions of Buckner and/or the passage of time to be used generally for capital expenditures and program support. In 2019 and 2018, these assets are made up of a portion of cash and cash equivalents, investments, and pledges and bequests receivable. Net assets with restrictions also include net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be retained permanently. Generally, the donors of these assets permit Buckner to use all or part of the income earned on related investments for general or specific purposes, including program support. In 2019 and 2018, these assets are made up of a portion of cash and cash equivalents and investments.

Revenues are reported as increases in net assets without restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with restriction (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period when unconditional promises to give are received. Bequests are recognized when the court declares the will valid and the amount is reasonably estimable. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net asset with restriction class, and a reclassification to net assets without restriction is made to reflect the expiration of such restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. There was no allowance for uncollectible contributions at December 31, 2019 and 2018.

Income and investment gains and losses of endowment and similar funds are reported as follows:

- As increases (decreases) in net assets with restriction if the terms of the gift require that they be included in the principal of a permanent endowment fund;
- As increases (decreases) in net assets with restriction if the terms of the gift impose restrictions on their use;
- As increases (decreases) in net assets without restriction in all other cases.

### Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying value of such instruments approximates fair value. Buckner places its cash, cash equivalents and investments, which at times may exceed federally insured limits, with high credit quality financial institutions. Buckner has not experienced any losses on such accounts.

Assets whose use is limited on the statement of financial position include cash restricted for debt service payments for revenue bonds payable, funds held for new markets tax program, refundable deposits, and entrance fees restricted for working capital and to retire short term debt. Revenue bond proceeds held by trustee on the statement of financial position include cash restricted for capital expenditures and construction interest. These amounts are presented as restricted cash and included in the statement of cash flow.

### Investments

Investments in marketable securities are recorded at fair value based on quoted market prices when there is a readily available market price. Investment in real estate is held for sale and stated at the lower of cost or fair value. Net realized and unrealized gains (losses) in fair value of investments are reflected in the consolidated statements of activities.

### Assets Whose Use is Limited

Assets whose use is limited consists of funds held for use for debt service payments for revenue bonds payable, funds held for new market tax credit program, entrance fees restricted for working capital and to retire short term debt, and refundable deposits held to reserve a unit at Buckner Senior Living.

### Receivables and Notes Receivable

Receivables are primarily due from clients served and from government agencies. Receivables are written off when they become uncollectible. The allowance for doubtful accounts is determined by management on the specific identification method after review of each receivable at year-end.

### Inventories and Supplies

Inventories and supplies are recorded at cost.

**Property and Equipment**

Property and equipment are carried at cost, if purchased. Donated property is recorded at fair market value at the donation date. Repairs and maintenance costs are expensed in the period incurred. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Useful lives range from five to forty years. Buckner capitalizes items in excess of $5,000 with a useful life of at least one year.

**Split-interest Agreements**

Charitable remainder annuity trusts are recorded at fair value when received based on the present value of expected payments to be made under the agreement.

**Asset Retirement Obligations**

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability.

Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Buckner records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Buckner derecognizes ARO liabilities when the related obligations are settled.

**Deferred Revenue**

The right to occupy various living units is granted under life tenancy agreements under which the tenants pay a certain sum (entrance fee) which entitles them to live in the unit for life. Under this plan, upon death of, or termination by, the tenant and upon re-occupancy of the unit, the tenant or their estate receives a refund of the appropriate percent of the original entrance fee paid. The non-refundable portion of the entrance fee is recognized as revenue over the actuarial life expectancy of the resident. The refundable portion is recognized as a liability shown as refundable fees.

**Bond Issuance Costs**

Bond issuance costs are amortized over a period of thirty years consistent with the life of the bonds with a method which approximates the effective interest method. Bond issuance costs are reported in the 2019 and 2018 consolidated statements of financial position as direct deductions from the carrying amount of the related debt liability. Amortization of bond issuance costs after construction is complete is included within administration expense in the consolidated statements of activities.

**Revenues**

Client support and related income is recognized at the time services are rendered and is reported at the estimated realizable amounts from residents, third-party payers, and others as services are rendered. Revenue under third-party payer arrangements (Medicaid and Medicare) is subject to audit and retroactive adjustment. Provisions for third-party payer settlements are provided in the period the related services are rendered. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Investment income is recognized at the time it is earned.

Contributions are recognized at fair value at the time gifts are received or unconditional promises to give are made. Grant revenues are recognized at the time grant requirements are met.

### Advertising

Buckner expenses the costs of advertising as incurred, except the costs for direct-response advertising, which are capitalized and amortized over the expected period of future benefits.

Expenses incurred related to advertising activities were $3,338,998 and $2,151,518 for the years ended December 31, 2019 and 2018, respectively, and are included in administration expense on the accompanying consolidated statements of activities.

In 2018, Buckner adopted certain updated guidance in ASU 2014-09, Topic 606, *Revenue from Contracts with Customers*, whereby the costs of acquiring initial continuing-care contracts that are expected to be recovered from future contract revenues can no longer be capitalized and amortized. Previously, the costs had been amortized to expense on a straight-line basis over the average expected remaining lives of the residents under contract or the contract term, if shorter (actuarial studies typically provide a range of 12 to 14 years). Buckner has chosen the "modified" approach, where this change is effective January 1, 2018. The effect of this adoption is the write off of $5,590,762 of capitalized direct-response advertising costs in 2018.

### Change in Net Assets from Operations

Operations of Buckner include children and family services, retirement services, and international orphan care services. Buckner includes investment income and gains and losses on sales of real estate held for investment in the change in net assets from operations. Buckner excludes from the change in net assets from operations, gains and losses on sales of facilities and realized and unrealized gains and losses on investments.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain accounts relating to the prior period have been restated to conform to current year's presentation. The reclassifications have no effect on prior period change in net assets or total net assets.

### Subsequent Events

The date to which events occurring after December 31, 2019, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is May 11, 2020, the date these consolidated financial statements were available to be issued. During this period, there were no material recognizable subsequent events, except as follows:

### COVID-19

The extent of the operational and financial impact that the COVID-19 pandemic may have on Buckner has yet to be determined and is dependent on its duration and spread, and the related operational restrictions and overall economy. Currently, Buckner is complying with all local, state, and federal orders, as well as following CDC recommended guidelines. Buckner has applied for FEMA assistance available for not-for-profit organizations. Buckner has also applied for and received the following assistance available for not-for-profit organizations:

- Relief fund payments under the CARES act from the Department of Health and Human Services. These funds do not need to be repaid.
- Accelerated/advance payments available under the CMS Accelerated & Advanced Payment Plan. If used, these funds will offset future CMS reimbursement of CMS claims.
- Relief under Section 2302 of the CARES Act which provides that employers may defer the deposit and payment of the employer's portion of social security taxes through December 31, 2020. The deferral amount will be repaid on December 31, 2021 and December 31, 2022.

Buckner is continuing to evaluate government programs under the CARES Act as they become available. Buckner is unable to accurately predict how COVID-19 will affect the results of its operations because the severity of the virus and duration of the pandemic are uncertain. However, while it is premature to accurately predict its full long-term impact, the operating results for the quarter ended March 31, 2020 were moderately impacted.

### New Accounting Pronouncement and Adoption

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented which had an immaterial change to net assets.

On May 28, 2014, the FASB issued Accounting Standards Update ASU 2014-09, Topic 606, *Revenue from Contracts with Customers*, whereby the costs of acquiring initial continuing-care contracts that are expected to be recovered from future contract revenues can no longer be capitalized and amortized. Buckner has chosen the "modified" approach, where this change is effective January 1, 2018. The effect of this adoption is the write off of $5,590,762 of capitalized direct-response advertising costs in 2018.

On February 25, 2016, the FASB issued Accounting Standards Update ASU 2016-02, (Topic 842) – *Leases*. Under this guidance, it requires all lessees recognize a right-of-use asset and lease liability on the balance sheet for all leases (with the exception of short-term leases) at the lease commencement date. On July 30, 2018, the FASB issued ASU 2018-11 (Topic 842) – *Leases – Targeted Improvements*, that allowed a practical expedient by which an entity can apply the new lease standard at the adoption date (January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, instead of to the earliest period presented. Buckner has chosen this "modified" approach, where this change is effective January 1, 2019. The effect of this adoption is a cumulative-effect adjustment to the opening balance of net assets of $73,574.

Buckner adopted the provisions of the New Lease Standard effective January 1, 2019, using the modified retrospective adoption method, utilizing the simplified transition option available in the New Lease Standard, which allows entities to continue to apply the legacy guidance in Topic 842, including its disclosure requirements, in the comparative periods presented in the year of adoption. Buckner elected the package of practical expedients available under the transition provisions of the New Lease Standard, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases.

See Note 13 for disclosures related to the New Lease Standard.

## Note 3. Investments

Investments consist of the following:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| HighGround Endowment Fund | $ 131,633,503 | $ 122,058,310 |
| Equity securities - domestic | 45,811,771 | 44,982,231 |
| Equity securities - international | 31,264,341 | 29,843,363 |
| Corporate bonds | 26,734,675 | 24,804,845 |
| U.S. government agencies | 2,725,150 | 2,951,547 |
| Money market funds | 2,297,774 | 5,181,062 |
| Bond mutual funds | 33,400,223 | 36,005,105 |
| Mineral interests | 100,658,745 | 76,758,222 |
| Other | 18,771,930 | 3,196,054 |
| | $ 393,298,112 | $ 345,780,739 |

The following summarizes investment return:

| | Years Ended December 31, 2019 | Years Ended December 31, 2018 |
|---|---|---|
| Operating | | |
| Dividend and interest income | $ 29,162,938 | $ 26,042,793 |
| Nonoperating | | |
| Net realized and unrealized gain (loss) on investments | 60,541,327 | 3,471,606 |
| | $ 89,704,265 | $ 29,514,399 |

## Note 4. Receivables

Receivables are recorded net of the allowance for doubtful accounts as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Receivables, gross | $ 7,109,781 | $ 4,924,350 |
| Allowance for doubtful accounts | (522,591) | (482,972) |
| Receivables, net | $ 6,587,190 | $ 4,441,378 |

## Note 5. Pledges and Bequests Receivable

Pledges and bequests receivable consist of unconditional promises to give that are time and/or purpose restricted. Pledges and bequests receivable, net, are summarized as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Pledges and bequests receivable, gross | $ 1,124,504 | $ 4,827,699 |
| Less unamortized discount at 1.92% and 2.69% at December 31, 2019 and 2018, respectively | (24,851) | (71,045) |
| Pledges and bequests receivable, net | $ 1,099,653 | $ 4,756,654 |

The maturity of pledges and bequests receivable at December 31, 2019 is as follows:

| | |
|---|---|
| Less than one year | $ 376,170 |
| One to five years | 748,334 |
| | $ 1,124,504 |

## Note 6. Note Receivable

During 2018, BCFS closed on a new markets tax credit (NMTC) arrangement resulting in a note receivable from Chase NMTC Buckner Investment Fund, LLC in the amount of $7,702,200 with interest payable annually at 1.00%. Principal and interest payments of the note are to commence in December 2018 with final payment due December 2051. As part of the arrangement, the note may be paid off early, wherein a significant portion of the debt may be forgiven through the utilization of the new markets tax credit. The note is collateralized by a security interest in the membership interests of the community development entity, DDF November, LLC. The note receivable originated with the issuance of certain debt instruments reflected in Note 10 to the consolidated financial statements. However, there is not a right of offset with these debt instruments.

## Note 7. Property and Equipment

Property and equipment consists of the following:

| | Estimated useful life | December 31, 2019 | 2018 |
|---|---|---|---|
| Buildings | 10 - 40 years | 434,409,299 | $ 237,089,369 |
| Furniture and equipment | 5 - 10 years | 31,297,371 | 19,952,920 |
| Vehicles | 5 years | 2,124,147 | 1,971,911 |
| Land improvements | 5 - 20 years | 15,483,872 | 14,667,236 |
| Total | | 483,314,689 | 273,681,436 |
| Less accumulated depreciation | | (103,793,486) | (103,221,756) |
| | | 379,521,203 | 170,459,680 |
| Projects-in-process | | 12,967,427 | 174,117,144 |
| Land | | 14,144,891 | 14,191,783 |
| Property and equipment, net | | $ 406,633,521 | $ 358,768,607 |

Depreciation expense was $10,319,296 and $8,388,362 for the years ended December 31, 2019 and 2018, respectively.

## Note 8. Accrued Liabilities

Accrued liabilities consist of the following:

| | December 31, 2019 | 2018 |
|---|---|---|
| Employee vacation and sick pay | $ 657,872 | $ 705,265 |
| Employee health benefits | 1,063,000 | 1,175,096 |
| Nonsubscriber occupational injury | 100,000 | 100,000 |
| Property taxes | 551,000 | 73,457 |
| Wages and payroll related | 969,454 | 469,602 |
| Interest on revenue bonds and notes payable | 2,477,353 | 2,639,105 |
| Professional and general liability insurance | 100,000 | 100,000 |
| Other | 2,357,030 | 281,307 |
| Total | $ 8,275,709 | $ 5,543,832 |

## Note 9. Debt

In October 2018, First Financial Bank, N.A. made two loans, Note A and Note B, to BMM through the Orchard Cultural Education Facilities Finance Corporation. The proceeds from the Notes will be used by BMM to finance and refinance the construction, acquisition, renovation and/or equipping of independent living, assisted living, and skilled nursing facilities in San Angelo, Texas. The outstanding principal amount of Note A at December 31, 2019 was $7,725,802. Total interest and principal payments began in January 2018 and the total annual payments will be $535,805 through September 2028. From October 2028 through October 2043, interest payments will be calculated at a variable rate and total annual interest and principal payments will be based on the variable rate. The outstanding principal amount of Note B at December 31, 2019 was $2,673,764. First Financial Bank, N.A. shall only advance funds for Note B requested by BMM in writing up to the loan amount of $6,584,264. Interest only on the requested draws shall be due and payable in 2019, with principal payments beginning in 2020. Buckner Foundation, Inc. has entered into an account control agreement with First Financial Bank, N.A. in the amount of $2,000,000 for the benefit of BMM related to 2018 Notes Payable.

In May 2017, BSL, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $232,345,000 of tax-exempt bonds, and is the sole obligated party on the issuance. The proceeds generated by the sale of the bonds were loaned to BSL to finance the development, marketing, construction, and equipping of a Life Plan Continuum Care Retirement Community located in Dallas, Texas. The outstanding principal amount of the Series 2017 Ventana bonds at December 31, 2019 is $188,150,000. As of December 31, 2019, revenue bond proceeds of $26,598,359 were being held by the trustee to be used for funding of capital expenditures and construction interest. Interest payments began November 2017 with principal payments not beginning until year 2019 and the total annual payments are approximately $11,730,000 through November 15, 2052. As of December 31, 2019, the unamortized premium on the Series 2017 Ventana bonds is $141,885. Buckner Foundation, Inc. has entered into a Liquidity Support Agreement with BSL and the Master Trustee in the amount of $15,000,000 for the benefit of BSL related to the 2017 Bonds.

In August 2017, BRS, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $52,485,000 of tax-exempt bonds, and is the sole obligated party on the issuance. The proceeds generated by the sale of the bonds were loaned to BRS to (1) finance a portion of the costs for improving and equipping a health care facility located in Houston, Texas and (2) refund $49,200,000 which represents the remaining portion of the outstanding Tarrant County Cultural Education Facilities Finance Corporation Revenue Bonds, Series 2007. The outstanding principal amount of the Series 2017 bonds at December 31, 2019 is $49,690,000. As of December 31, 2019, revenue bond proceeds of $36,696 were being held by the trustee to be used for funding of capital expenditures and construction interest. Total principal and interest payments began November 2017 and the total annual payments are approximately $3,790,000 through November 15, 2046. As of December 31, 2019, the unamortized premium on the Series 2017 bonds is $6,333,008.

In May 2016, BRS, through the Tarrant County Cultural Education Facilities Finance Corporation, issued $89,260,000 of tax-exempt bonds, and is the sole obligated party on the issuance. The proceeds generated by the sale of the bonds were loaned to BRS to (1) finance the construction and expansion of certain retirement facilities located in Austin, Beaumont, and Longview, Texas and (2) to refund $39,540,000 which represented a portion of the outstanding Tarrant County Cultural Education Facilities Finance Corporation Revenue Bonds, Series 2007. The outstanding principal amount of the Series 2016 bonds at December 31, 2019 is $85,760,000. As of December 31, 2019, revenue bond proceeds of $2,474,787 were being held by the trustee to be used for funding of capital expenditures and construction interest.

Total principal and interest payments began November 2016 and the total annual payments are approximately $5,350,000 through November 15, 2046. As of December 31, 2019, the unamortized premium on the Series 2016 bonds is $11,982,637.

BRS is required to maintain compliance with certain covenants as provided by the April 2016 Supplemental Indenture, the August 2017 Supplemental Indenture, and the original July 2007 Master Trust Indenture. Buckner Foundation, Inc. has entered into a Credit and Support Agreement with the Master Trustee for the benefit of BRS related to the 2017 Series and the 2016 Series bonds.

A summary of debt is as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Revenue bonds payable | | |
| Series 2017 revenue bonds, interest rates of 2.25% to 5.00%, net of unamortized premium | $ 56,023,008 | $ 57,638,905 |
| Less: bond issuance costs | (823,997) | (866,045) |
| | 55,199,011 | 56,772,860 |
| Series 2017 Ventana bonds, interest rates of 4.00% to 6.75%, net of unamortized premium | 188,291,885 | 232,491,265 |
| Less: bond issuance costs | (4,326,836) | (4,460,228) |
| | 183,965,049 | 228,031,037 |
| Series 2016 revenue bonds, interest rates of 1.00% to 5.00%, net of unamortized premium | 97,742,637 | 99,306,198 |
| Less: bond issuance costs | (1,185,143) | (1,237,354) |
| | 96,557,494 | 98,068,844 |
| Lines of credit | | |
| With JPMorgan Chase, variable interest rate currently at 4.00% expires December 2020 | 1,100,000 | 1,100,000 |
| Notes payable | | |
| With FFIN San Angelo interest rate currently 4.58%, expires October 2043 | 7,725,802 | 7,915,736 |
| Less: issuance costs | (267,407) | (278,422) |
| | 7,458,395 | 7,637,314 |
| With FFIN San Angelo interest rate currently 4.58%, expires October 2044 | 2,673,764 | - |
| DDF November, LLC Loan A, interest accrued monthly, paid annually, at 1.19%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055 | 7,702,200 | 7,702,200 |
| DDF November, LLC Loan B, interest accrued monthly, paid annually, at 1.19%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055 | 3,077,800 | 3,077,800 |
| Less: issuance costs | (355,799) | (415,932) |
| | 10,424,201 | 10,364,068 |
| | $ 357,377,914 | $ 401,974,123 |

Scheduled debt repayments on short-term notes payable, lines of credit and revenue bonds at December 31, 2019 are as follows:

| Year ending December 31, | Lines of Credit | Notes Payable | BRS Series 2017 Revenue Bonds | BRS Series 2017 Ventana Bonds | BRS Series 2016 Revenue Bonds | BRS Total Revenue Bonds | Total |
|---|---|---|---|---|---|---|---|
| 2020 | $ 1,100,000 | $ 321,751 | $ 1,350,000 | $ 22,860,000 | $ 1,075,000 | $ 25,285,000 | $ 26,706,751 |
| 2021 | - | 336,807 | 1,420,000 | 18,245,000 | 1,125,000 | 20,790,000 | 21,126,807 |
| 2022 | - | 354,816 | 1,490,000 | - | 1,185,000 | 2,675,000 | 3,029,816 |
| 2023 | - | 371,582 | 1,565,000 | - | 1,245,000 | 2,810,000 | 3,181,582 |
| 2024 | - | 387,469 | 1,645,000 | 875,000 | 1,305,000 | 3,825,000 | 4,212,469 |
| Thereafter | - | 19,407,141 | 42,220,000 | 146,170,000 | 79,825,000 | 268,215,000 | 287,622,141 |
| | 1,100,000 | 21,179,566 | 49,690,000 | 188,150,000 | 85,760,000 | 323,600,000 | 345,879,566 |
| Less: debt issuance costs | - | (623,206) | (823,997) | (4,326,836) | (1,185,143) | (6,335,976) | (6,959,182) |
| Add: amount representing premium | - | - | 6,333,008 | 141,885 | 11,982,637 | 18,457,530 | 18,457,530 |
| | $ 1,100,000 | $ 20,556,360 | $ 55,199,011 | $ 183,965,049 | $ 96,557,494 | $ 335,721,554 | $ 357,377,914 |

## Note 10. New Markets Tax Credit Arrangement

BCFS entered into new markets tax credit (NMTC) transactions during the year ended December 31, 2018 and created a new entity, Buckner FHC-Bachman Lake (BBL), as a result. The NMTC program was designed to make investment capital available to businesses in qualifying low-income communities, to create jobs and spur additional economic development. Privately managed investment institutions, or Community Development Entities, (CDEs), make loans and capital investments in businesses in underserved areas. The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. Further detail of the transactions are described in below and in Notes 6.

<u>Note Payable</u>

BCFS and an unrelated third party lender (NMTC Investor) entered into the new markets tax credit transaction, where BCFS loaned $7,702,200 and the NMTC Investor loaned $3,517,800 to Chase NMTC Buckner Investment Fund, LLC during the year ended December 31, 2018. Chase NMTC Buckner Investment Fund, LLC then invested the funds into a CDE (DDF November, LLC), who separately loaned funds to BBL in the amount of $10,780,000. This was accomplished through two different QLICI loans as noted below. The loans have subjected BCFS and BBL to certain restrictive covenants. Management believes they are in compliance with all covenants.

After the seven year NMTC period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in Chase NMTC Buckner Investment Fund, LLC to BCFS for $1,000. If the NMTC Investor does not exercise that put option, then the put and call agreement allows BCFS to exercise a call option to purchase the interest in Chase NMTC Buckner Investment Fund, LLC at an appraised fair value. The CDE will also distribute its assets to the Chase NMTC Buckner Investment Fund, LLC. After the exit transactions are completed, BCFS will be holder of a portion of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loaned will be owed by the subsidiary to BCFS.

BCFS, specifically BBL, was obligated on the following notes payable as of December 31:

| Payable to and terms | | 2019 |
|---|---|---|
| DDF November, LLC Loan A, interest accrued monthly, paid annually, at 1.190%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055. | $ | 7,702,200 |
| DDF November, LLC Loan B, interest accrued monthly, paid annually, at 1.190%, until December 1, 2025, principal and interest is due annually until maturity December 1, 2055. | | 3,077,800 |
| Less: debt issuance costs | | (355,799) |
| Total Notes Payable | $ | 10,424,201 |

Remaining Notes Payable are discussed in Note 9.

## Note 11. Retirement Plans

Buckner provides a defined contribution retirement plan (the Plan) for its employees. Employees hired before April 1, 2019, are eligible to participate in the Plan after completing two years of eligible service. Buckner contributes 8% of an employee's base salary for employees who contribute at least 5% of their salary. Vesting occurs immediately upon entering the Plan. Employees hired on or after April 1, 2019 are eligible to participate in the Plan upon joining Buckner. Buckner contributes 5% of an employee's base salary for employees who contribute at least 5% of their salary. Vesting occurs after three years of continuous service. Contributions to the Plan for the years ended December 31, 2019 and 2018 were $2,002,618 and $1,958,021, respectively.

## Note 12. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis on the Consolidated Statement of Functional Expenses. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services. Distribution of all other expenses is based on actual usage or management's estimate of usage applicable to various programs and supporting services benefitted.

## Note 13. Leases

Buckner enters into non-cancelable operating lease agreements for office space in the normal course of business. The accounting for these leases follows the requirements of the New Lease Standard, which Buckner adopted as of January 1, 2019. See Note 2 for further information.

As of December 31, 2019, Buckner has leases for office space, which include the corporate support center facility; three locations for Buckner Children and Family Services; and one space for Buckner Retirement Services. Buckner sub-leases a portion of the corporate support center facility, as well as the Buckner Retirement Services space. These leases are classified as operating lease agreements and have lease terms remaining ranging from 3 months to 5 years.

The optional renewal period was considered for all leases, but Buckner does not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same areas for comparable lease rates.

All leases include fixed rental payments, but some of leases also include variable rental payments. Buckner has a few leases in which separate payments are made to the lessor based on the lessor's utilities costs, capital improvement costs, property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property. Buckner elected the practical expedient not to separate lease and nonlease components for all building leases.

During 2019, Buckner recognized rent expense associated with leases as follows:

| | December 31, 2019 |
|---|---|
| Operating lease cost: | |
| Rent and lease expense | $ 1,083,197 |

Amounts recognized as right-of-use assets related to leases are included in Other Assets in the accompanying statement of financial position, while related lease liabilities are included in Other Liabilities. As of December 31, 2019, right-of-use assets and lease liabilities related to leases were as follows:

| | December 31, 2019 |
|---|---|
| Operating lease ROU assets | $ 4,878,309 |
| Operating lease liabilities | $ 5,001,136 |

During the years ended December 31, 2019, Buckner had the following cash and non-cash activities associated with our leases:

| | December 31, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $ 1,033,944 |
| Additions to ROU assets obtained from: | |
| New operating lease liabilities | $ 480,027 |

The future payments due under those leases as of December 31, 2019 is as follows:

| Year ending December 31, | | |
|---|---|---|
| 2020 | $ | 978,927 |
| 2021 | | 1,011,532 |
| 2022 | | 1,029,687 |
| 2023 | | 1,052,841 |
| 2024 | | 1,075,996 |
| Thereafter | | 437,351 |
| | $ | 5,586,334 |

As of December 31, 2019, the weighted-average remaining lease term for all operating leases is 5.4 years. Buckner elected the practical expedient for nonpublic business entities to use a risk-free rate for a period comparable to the least term. For existing leases being implemented at January 1, 2019, Buckner utilized the 10-year US Treasury rate at January 1, 2019 plus a spread for BBB rating representing a 4.24% discount rate used for December 31, 2019.

## Note 14. Asset Retirement Obligation

Asset retirement obligations (AROs) are recorded under the provisions of the Codification, accounting for asset retirement obligations and accounting for conditional asset retirement obligations, which requires the fair value of a liability related to the retirement of long-lived assets to be recorded at the time a legal obligation is incurred, if the liability can be reasonably estimated. Buckner has identified asbestos abatement that must be reported. It is currently appropriately managed by Buckner in accordance with current laws and regulations. However, it is possible that at some future date, renovations, demolition, or construction could occur that would require direct remediation of Buckner's AROs. The asset retirement obligation as of December 31, 2019 and 2018 was included in other liabilities.

A reconciliation of the asset retirement obligation liability is as follows:

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Beginning balance | $ | 1,552,147 | $ | 1,484,882 |
| Accretion expense | | 34,003 | | 67,265 |
| Settlement of ARO obligations | | (801,522) | | - |
| Ending balance | $ | 784,628 | $ | 1,552,147 |

## Note 15. Net Assets

Included in net assets with restrictions is the accumulation of gifts to be invested in perpetuity. The income earned on these investments can be used for the general operation of the organization.

Net assets with restrictions are restricted for the following purposes or periods at December 31:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Original donor-restricted gift amount and amounts required to be retained by donor | $ 119,072,243 | $ 101,913,720 |
| Gift amounts restricted by purpose | 3,632,419 | 6,191,953 |
| Gifts and other amounts restricted by passage of time | 20,856,047 | 20,252,576 |
| | $ 143,560,709 | $ 128,358,249 |

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

| | Years ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Capital projects - children and family services | $ 4,336,625 | $ 5,410,906 |
| Program support - children and family services | 382,238 | 634,684 |
| Program support - retirement services | 200,000 | 200,000 |
| | $ 4,918,863 | $ 6,245,590 |

## Note 16. Related Party Transactions

In prior years, Buckner has entered into transactions with its Board members on an occasional basis subject to and in compliance with the Buckner Policy on Conflict of Interest, including requiring approval of disinterested members of the Finance Committee of the Board. Such transactions are immaterial in amount and no such transactions took place in 2019 or 2018.

## Note 17. Fair Value Measurements

The Codification, accounting for fair value measurements and disclosures, established the framework for measuring fair value, which was effective for fiscal years beginning after November 15, 2007. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The hierarchy established by the Codification gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). As required, Buckner's financial instruments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy, and its applicability to Buckner's financial instruments, are described below:

Level 1 inputs: Pricing inputs are quoted prices available in active markets for identical financial instruments as of the reporting date.

Level 2 inputs: Pricing inputs are quoted prices for similar financial instruments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes financial instruments valued at quoted prices adjusted for legal or contractual restrictions specific to these financial instruments.

Level 3 inputs: Pricing inputs are unobservable for the financial instruments, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Buckner determines the fair value of the financial instruments through application of the guidance established.

Information related to the financial instruments measured at fair value on a recurring basis at December 31, 2019 and 2018 is as follows:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| HighGround Endowment Fund | $ 131,633,503 | $ - | $ 131,633,503 | $ - |
| Equities - domestic | 45,811,771 | 31,655,856 | 14,155,915 | - |
| Equities - international | 31,264,341 | 27,313,313 | 3,951,028 | - |
| Corporate bonds | 26,734,675 | - | 26,734,675 | - |
| U.S. government agencies | 2,725,150 | - | 2,725,150 | - |
| Money market funds | 2,297,774 | - | 2,297,774 | - |
| Bond mutual funds | 33,400,223 | - | 33,400,223 | - |
| Mineral interests | 100,658,745 | - | - | 100,658,745 |
| Real estate / other | 18,771,930 | - | - | 18,771,930 |
| Pledges and bequests receivable | 1,099,653 | - | | 1,099,653 |
| Revenue bond proceeds held by trustee | 29,109,842 | - | 29,109,842 | - |
| Annuity funds liabilities for investments held in trust | (4,845,984) | - | - | (4,845,984) |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| HighGround Endowment Fund | $ 122,058,310 | $ - | $ 122,058,310 | $ - |
| Equities - domestic | 44,982,231 | 33,855,716 | 11,126,515 | - |
| Equities - international | 29,843,363 | 26,520,966 | 3,322,397 | - |
| Corporate bonds | 24,804,845 | - | 24,804,845 | - |
| U.S. government agencies | 2,951,547 | - | 2,951,547 | - |
| Money market funds | 5,181,062 | - | 5,181,062 | - |
| Bond mutual funds | 36,005,105 | - | 36,005,105 | - |
| Mineral interests | 76,758,222 | - | - | 76,758,222 |
| Real estate / other | 3,196,054 | - | - | 3,196,054 |
| Pledges and bequests receivable | 4,756,654 | - | | 4,756,654 |
| Revenue bond proceeds held by trustee | 92,156,644 | - | 92,156,644 | - |
| Annuity funds liabilities for investments held in trust | (4,500,469) | - | - | (4,500,469) |

The following is a description of the valuation methodologies used to measure and disclose fair value financial instruments:

Investments reported as Level 1 consist of equity securities which are determined by reference to quoted market prices for investments listed on an exchange or over-the-counter market.

Investments and revenue bond proceeds held by the trustee reported as Level 2 consists of the following:

***HighGround Endowment Fund***

HighGround Endowment Fund is a public investment vehicle that is valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified within Level 2 of the valuation hierarchy because the NAV's unit price is quoted on a private market, however the unit price is based on underlying investments which are traded on an observable active market.

***Corporate Bonds***

The fair value of sovereign government, municipal, and corporate bonds is generally based on using recently executed transactions, market price quotations, bond spreads or credit default swap spreads and quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency-basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority.

***Money Market Funds***

The fair value of money market funds is estimated based on using recently executed transactions, market price quotations, bond spreads or credit default swap spreads and quoted prices in active markets.

Fair values reported as Level 3 consist of the following:

***Mineral Interests***

Mineral interests are valued by reviewing the most recent twelve months of mineral income, excluding bonus income, and analyzing current industry methodology and recent market conditions.

***Investments in Real Estate***

Investments in real estate are valued based on appraisals, property tax values, and recent sales of comparative properties.

The fair value of pledges and bequests receivables reported as Level 3 is based on the discounted value of expected future cash flows. The fair value of annuity funds liabilities for investments held in trust reported as Level 3 is based on the discounted value of the future liability.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

| | Real estate / other | Mineral Interests | Pledges and Bequests Receivable | Annuity Funds Liabilities for Investments Held in Trust |
|---|---|---|---|---|
| December 31, 2017 | $ 5,301,084 | $ 50,910,081 | $ 361,426 | $ (4,801,655) |
| Distributions | - | - | (2,835,816) | - |
| Contributions | - | - | 7,231,044 | - |
| Net realized and unrealized change in investment valuation | (2,105,030) | 25,848,141 | - | 301,186 |
| December 31, 2018 | 3,196,054 | 76,758,222 | 4,756,654 | (4,500,469) |
| Distributions | - | - | (4,051,681) | - |
| Contributions | - | - | 394,680 | - |
| Net realized and unrealized change in investment valuation | 15,575,876 | 23,900,523 | - | (345,515) |
| December 31, 2019 | $ 18,771,930 | $ 100,658,745 | $ 1,099,653 | $ (4,845,984) |

## Note 18. Restricted Assets Held in Foundation

Foundation endowments consist of individual, donor-restricted funds established for future program services and operation. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted Texas' enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), addressed primarily by the Codification, accounting for not-for-profit entities, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Unless stated otherwise in the gift instrument, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted is classified as net assets with restriction until those amounts are appropriated for expenditure by the Foundation.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investments returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of equities (US and non-US stocks), fixed income instruments, and a small allocation of alternative investments to achieve its long-term return objective within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year 5-6% of the endowment's investable asset value. The spending objective is determined annually by the Foundation Board taking into consideration current market conditions and average market value of the portfolio's investable assets over the previous periods. The Foundation and the Trustees recognize that the time horizon for the fund is very long-term, and the intent of the endowment is to remain in operation in perpetuity. The Foundation expects to grow the endowment at a rate equal to the nominal spending objective, the rate of inflation, and investments fees and expenses over the long-term. The Foundation will focus on total return without regard to whether that return is in the form of income or capital gains.

Net assets with restrictions is made up of the following:

Net Assets with imposed restrictions that may be met by actions of the Foundation and/or passage of time to be used generally for capital expenditures and program support.

Net Assets restricted for the Foundation's permanent endowment. The income from the endowment will be used to fund future program services and operations.

| | Imposed Restrictions | | Permanent Endowment | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net assets | $ 15,653,366 | $ 15,275,199 | $ 95,764,438 | $ 80,156,782 |

For the years ended December 31, 2019 and 2018, the Foundation had the following endowment-related activities:

| | Imposed Restrictions | Permanent Enowment | Total |
|---|---|---|---|
| Endowment net assets, December 31, 2017 | $ 4,283,743 | $ 67,726,933 | $ 72,010,676 |
| Investment return | | | |
| Investment income (loss) | (70,092) | 642,784 | 572,692 |
| Net realized/unrealized gains (losses) | (99,413) | 11,102,140 | 11,002,727 |
| Total investment return | (169,505) | 11,744,924 | 11,575,419 |
| Contributions to endowment | 11,160,961 | 684,925 | 11,845,886 |
| Endowment net assets, December 31, 2018 | 15,275,199 | 80,156,782 | 95,431,981 |
| Investment return | | | |
| Investment income (loss) | (63,508) | 1,007,008 | 943,500 |
| Net realized/unrealized gains (losses) | 165,375 | 14,602,912 | 14,768,287 |
| Total investment return | 101,867 | 15,609,920 | 15,711,787 |
| Contributions to endowment/other | 276,300 | (2,264) | 274,036 |
| Endowment net assets, December 31, 2019 | $ 15,653,366 | $ 95,764,438 | $ 111,417,804 |

**Funds with Deficits**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Buckner to retain as a fund of perpetual duration. At December 31, 2019 deficiencies of this nature exist in various Foundation donor-restricted endowment funds, which together have an original gift value of $1,663,687; a current fair value of $1,568,048; and a deficiency of $95,639. At December 31, 2018, deficiencies of this nature existed in various Foundation donor-restricted endowment funds, which together had an original gift value of $5,360,701; a current fair value of $4,963,833; and a deficiency of $396,868. The deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for the donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by management. The Foundation permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

## Note 19. Liquidity

Buckner has $195.5 million of financial assets available within one year of the balance sheet date to meet the cash needs for general expenditures of the organization. In addition to these funds, the organization could also draw upon $900,000 available from a line of credit. Total financial assets were reduced by certain assets and netted out for determining the $195.5 million of available liquid assets. Assets excluded: donor restrictions on cash and cash equivalents; donor restrictions on investments; non-liquid investments; investments set aside or available for financing obligations; and pledge receivables due more than one year from the balance sheet date. As part of its liquidity management, Buckner may invest in excess of daily requirements in various short-term investments, including money market accounts. Approximately $165.3 million of the $195.5 million is maintained within the Foundation for investments whose earnings benefit the Buckner ministries. The Foundation has entered into a Credit and Support Agreement for the benefit of BRS related to the approximate $135.5 million of outstanding revenue bonds payable at December 31, 2019 and this contingent amount has not reduced nor was netted out of the $195.5 million of financial assets noted above.

## Note 20. Commitments and Contingencies

Buckner has been made aware of possible claims and, although the ultimate outcome of these matters is uncertain, management, based on consultation with outside legal counsel, is of the opinion that their resolution will not have a material adverse effect on Buckner’s financial position, results of operations or cash flows.

Federal and other grants are subject to periodic review and assessment by the related federal and other agencies. Buckner believes matters related to these reviews will not have a material adverse effect on Buckner’s financial position.

Buckner maintains a letter of credit that is required by the insurance company for Buckner’s professional and general liability insurance policies from prior years. As of December 31, 2019 and 2018, no amounts are outstanding under the letter of credit. At both December 31, 2019 and 2018, Buckner maintained a $100,000 reserve for prior years’ professional and general liability insurance.

Buckner is partially insured for employee health benefits and its non-subscriber occupational injury plan. For employee health benefits, Buckner has a stop-loss limit of $150,000 per person per year and BMM has a stop-loss limit of $70,000 per person per year. At December 31, 2019 and 2018, Buckner has accrued $1,063,000 and $1,175,096, respectively, for employee health benefits. For the non-subscriber occupational injury plan, Buckner has a stop-loss limit of $100,000 per incident per year. At December 31, 2019 and 2018, Buckner has accrued $100,000 for the non-subscriber occupational injury plan.

## Note 21. Federal Income Taxes

The Codification guidance accounting for uncertainties in income taxes requires that Buckner recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. The requirements also provide guidance on measurement, classification, interest and penalties and disclosure.

Tax positions taken related to Buckner's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. For the year ended December 31, 2019, there were no interest or penalties recorded or included in the financial statements. As of December 31, 2019, Buckner's tax years 2016 and thereafter remain subject to examination.

# Supplementary Information

**Independent Auditor's Report**
**on Supplementary Information**

To the Board of Trustees
Buckner International and Subsidiaries

We have audited the consolidated financial statements of Buckner International and Subsidiaries (collectively, Buckner) as of and for the years ended December 31, 2019 and 2018, and our report thereon dated May 11, 2020, which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statement as a whole. The supplementary consolidating statement of financial position and consolidating statements of activities included hereinafter are presented for purposes of additional analyses and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
May 11, 2020

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# Buckner International and Subsidiaries

## Consolidating Statement of Financial Position

## December 31, 2019

## (With Comparative Totals for 2018)

| | Buckner International | Buckner Children and Family Services, Inc. | Buckner Retirement Services, Inc. | Buckner FHC - Bachman Lake | Buckner Foundation | Eliminations | 2019 Consolidated Total | 2018 Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| **ASSETS** | | | | | | | | |
| Cash and cash equivalents | $ 1,677,788 | $ 10,945,355 | $ 10,175,358 | $ 222,141 | $ 2,869,918 | $ - | $ 25,890,560 | $ 20,825,579 |
| Investments | - | 4,902,024 | 28,608,320 | - | 359,787,768 | - | 393,298,112 | 345,780,739 |
| Assets whose use is limited | - | - | 40,343,314 | 3,489,239 | - | - | 43,832,553 | 22,578,992 |
| Receivables, net | 62,143 | 1,650,217 | 2,949,847 | - | 3,176,983 | (1,252,000) | 6,587,190 | 4,441,378 |
| Pledges and bequests receivable, net | - | 1,099,653 | - | - | - | - | 1,099,653 | 4,756,654 |
| Inventories and supplies | - | - | 230,079 | - | - | - | 230,079 | 227,911 |
| Notes receivable | - | 7,702,200 | - | - | - | - | 7,702,200 | 7,702,200 |
| Prepaid expenses | 939,178 | 162,115 | 872,902 | - | - | (1,404,663) | 569,532 | 134,618 |
| Due from other companies, net | 4,965,926 | - | - | - | - | (4,965,926) | - | - |
| Other assets | 4,363,892 | 496,283 | 168,048 | - | - | - | 5,028,223 | 314,406 |
| Revenue bond proceeds held by trustee | - | - | 29,109,842 | - | - | - | 29,109,842 | 92,156,644 |
| Real estate held for investment | 780,970 | - | - | - | 1,030,001 | - | 1,810,971 | 1,993,340 |
| Property and equipment, net | 988,701 | 36,802,680 | 359,089,991 | 9,752,149 | - | - | 406,633,521 | 358,768,607 |
| **TOTAL ASSETS** | 13,778,598 | 63,760,527 | 471,547,701 | 13,463,529 | 366,864,670 | (7,622,589) | 921,792,436 | 859,681,068 |
| **LIABILITIES AND NET ASSETS** | | | | | | | | |
| **LIABILITIES** | | | | | | | | |
| Accounts payable | $ 406,491 | $ 196,041 | $ 2,353,862 | $ 798,171 | $ 24 | $ - | $ 3,754,589 | $ 10,203,130 |
| Retainage payable | - | - | 3,738,244 | 767,579 | - | - | 4,505,823 | 11,208,520 |
| Accrued liabilities | 1,033,411 | 1,275,312 | 5,921,552 | 36,618 | 8,816 | - | 8,275,709 | 5,543,832 |
| Lines of credit | 1,100,000 | - | - | - | - | - | 1,100,000 | 1,100,000 |
| Short-term notes payable | 1,404,663 | - | - | - | - | (1,404,663) | - | - |
| Revenue bonds payable, net | - | - | 335,721,554 | - | - | - | 335,721,554 | 382,872,741 |
| Notes payable | - | - | 10,132,159 | 10,424,201 | - | - | 20,556,360 | 18,001,382 |
| Resident deposits | - | - | 2,345,590 | - | - | - | 2,345,590 | 2,313,742 |
| Refundable fees | - | - | 92,244,209 | - | - | - | 92,244,209 | 26,490,904 |
| Deferred revenue from advance fees | - | - | 14,190,988 | - | - | - | 14,190,988 | 1,642,060 |
| Annuity and life income fund liability | - | 43,009 | 184,990 | - | 4,617,985 | - | 4,845,984 | 4,500,469 |
| Other | 4,532,616 | 2,526,961 | 497,881 | - | - | (1,252,000) | 6,305,458 | 2,929,113 |
| Due to other companies, net | - | 3,353,284 | 1,536,704 | 478 | 75,460 | (4,965,926) | - | - |
| **Total liabilities** | 8,477,181 | 7,394,607 | 468,867,733 | 12,027,047 | 4,702,285 | (7,622,589) | 493,846,264 | 466,805,893 |
| **NET ASSETS** | | | | | | | | |
| Without restrictions | 5,301,417 | 51,361,636 | (24,458,653) | 1,436,482 | 250,744,581 | - | 284,385,463 | 264,516,926 |
| With restrictions | - | 5,004,284 | 27,138,621 | - | 111,417,804 | - | 143,560,709 | 128,358,249 |
| **Total net assets** | 5,301,417 | 56,365,920 | 2,679,968 | 1,436,482 | 362,162,385 | - | 427,946,172 | 392,875,175 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 13,778,598 | $ 63,760,527 | $ 471,547,701 | 13,463,529 | $ 366,864,670 | $ (7,622,589) | $ 921,792,436 | $ 859,681,068 |

# Buckner International and Subsidiaries

## Consolidating Statement of Activities
## for the Year Ended December 31, 2019
## (With Comparative Totals For 2018)

| | Buckner International | Buckner Children and Family Services, Inc. | Buckner Retirement Services, Inc. | Buckner FHC - Bachman Lake | Buckner Foundation | Eliminations | 2019 Consolidated Total | 2018 Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | |
| Client support and related income | $ - | $ 16,143,341 | $ 64,292,602 | $ - | $ - | $ - | $ 80,435,943 | $ 79,321,346 |
| Investment income | 187,075 | 677,048 | 1,584,221 | 50,008 | 26,664,586 | - | 29,162,938 | 26,042,793 |
| Distributions from related foundation | 12,428,001 | 14,231,106 | 436,443 | | - | (27,095,550) | - | - |
| Contributions | | | | | | | | |
| Baptist General Convention of Texas | - | 249,734 | 158,069 | - | - | - | 407,803 | 481,497 |
| Individual and business gifts | 33,778 | 13,046,622 | 387,339 | - | 383,496 | - | 13,851,235 | 20,493,219 |
| Bequests | 503,028 | 44,911 | - | - | 100,012 | - | 647,951 | 332,173 |
| Gain (loss) on sales of real estate held for investment | 2,586,570 | (50,160) | - | - | (1,050) | - | 2,535,360 | 100,708 |
| Other | 58,422 | 369,908 | 301,284 | - | 290 | - | 729,904 | 772,995 |
| Administrative fees | 6,836,000 | - | - | - | - | (6,836,000) | - | - |
| Total revenues | 22,632,874 | 44,712,510 | 67,159,958 | 50,008 | 27,147,334 | (33,931,550) | 127,771,134 | 127,544,731 |
| **EXPENSES** | | | | | | | | |
| Salaries and benefits | 11,088,236 | 17,953,393 | 35,380,186 | - | - | - | 64,421,815 | 61,811,815 |
| Supplies and direct expenses | 346 | 14,589,757 | 9,887,546 | - | - | - | 24,477,649 | 23,437,617 |
| Occupancy and insurance | 1,790,633 | 4,044,450 | 9,053,189 | - | 32,860 | - | 14,921,132 | 14,267,579 |
| Travel and transportation | 421,942 | 1,685,588 | 428,633 | - | - | - | 2,536,163 | 2,656,980 |
| Administration | 5,193,039 | 6,338,611 | 6,704,440 | - | 75,827 | (6,836,000) | 11,475,917 | 9,688,252 |
| Depreciation | 222,183 | 1,694,405 | 8,402,708 | - | - | - | 10,319,296 | 8,388,362 |
| Interest expense | 47,023 | 2,828 | 9,594,980 | - | - | - | 9,644,831 | 5,389,504 |
| Bad debt expense | - | - | 204,429 | - | - | - | 204,429 | 99,451 |
| Total expenses | 18,763,402 | 46,309,032 | 79,656,111 | - | 108,687 | (6,836,000) | 138,001,232 | 125,739,560 |
| **CHANGE IN NET ASSETS FROM OPERATIONS** | 3,869,472 | (1,596,522) | (12,496,153) | 50,008 | 27,038,647 | (27,095,550) | (10,230,098) | 1,805,171 |
| **NONOPERATING ITEMS** | | | | | | | | |
| Net realized and unrealized gains (losses) on investments | - | 722,535 | 2,899,656 | - | 56,919,136 | - | 60,541,327 | 3,471,606 |
| Distributions to related entities | 1,561,002 | (851,000) | (1,561,002) | - | (26,244,550) | 27,095,550 | - | - |
| Other, net | (7,777,961) | 7,030,462 | 660,506 | 200,539 | (15,420,167) | 139,963 | (15,166,658) | 65,730 |
| **CHANGE IN NET ASSETS** | (2,347,487) | 5,305,475 | (10,496,993) | 250,547 | 42,293,066 | 139,963 | 35,144,571 | 5,342,507 |
| **NET ASSETS, BEGINNING OF YEAR** | 7,721,020 | 51,060,445 | 13,178,419 | 1,185,935 | 319,869,319 | (139,963) | 392,875,175 | 393,123,430 |
| **CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE** | (72,116) | - | (1,458) | - | - | - | (73,574) | (5,590,762) |
| **NET ASSETS, END OF YEAR** | $ 5,301,417 | $ 56,365,920 | $ 2,679,968 | $ 1,436,482 | $ 362,162,385 | $ - | $ 427,946,172 | $ 392,875,175 |