Buckner International and Subsidiaries

Consolidated Financial Report
December 31, 2022

Assurance • Tax • Advisory

C O N T E N T S

Independent Auditor's Report

To the Board of Trustees of
Buckner International and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Buckner International and its subsidiaries (collectively, Buckner), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Buckner International and its subsidiaries as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States (GAGAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Buckner, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended December 31, 2022, Buckner adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* effective January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

The Board of Trustees of
Buckner International and Subsidiaries

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
May 10, 2023

Buckner International and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
ASSETS		
ASSETS		
Cash and cash equivalents	$ 43,518,686	$ 39,402,356
Investments	499,565,612	519,936,529
Board of trustees designated funds	18,052,376	20,995,043
Assets whose use is limited	2,449,656	13,068,104
Receivables, net	11,126,000	8,263,195
Pledges and bequests receivable, net	1,712,168	1,070,738
Inventories and supplies	186,581	222,001
Notes receivable	7,702,200	7,702,200
Prepaid expenses	1,133,887	599,023
Other assets	3,153,352	3,615,637
Revenue bond proceeds held by trustee	11,419,932	16,010,862
Real estate held for investment	892,254	1,406,731
Property and equipment, net	386,830,286	393,044,811
TOTAL ASSETS	$ 987,742,990	$ 1,025,337,230
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 2,209,536	$ 1,812,756
Retainage payable	-	49,287
Accrued liabilities	7,072,732	9,636,968
Lines of credit	-	1,100,000
Revenue bonds payable, net	285,060,891	294,832,080
Notes payable	22,989,839	23,312,404
Resident deposits	2,402,410	2,301,441
Refundable fees	127,865,374	116,347,721
Deferred revenue from advance fees	18,411,528	17,596,960
Annuity and life income fund liability	3,980,286	5,120,358
Other	5,404,561	4,757,679
Total liabilities	475,397,157	476,867,654
NET ASSETS		
Without restrictions	358,056,830	393,556,732
With restrictions	154,289,003	154,912,844
Total net assets	512,345,833	548,469,576
TOTAL LIABILITIES AND NET ASSETS	$ 987,742,990	$ 1,025,337,230

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, 2022 and 2021

	2022 Without Restrictions	2022 With Restrictions	2022 Total	2021 Without Restrictions	2021 With Restrictions	2021 Total
REVENUES						
Client support and related income	$ 104,250,531	$ -	$ 104,250,531	$ 92,376,899	$ -	$ 92,376,899
Investment income	49,353,772	1,118,824	50,472,596	43,968,688	830,430	44,799,118
Contributions						
Baptist General Convention of Texas	394,283	-	394,283	370,427	-	370,427
Individual and business gifts	11,361,488	2,317,990	13,679,478	14,953,189	2,634,236	17,587,425
Bequests	1,413,931	25,000	1,438,931	2,756,361	-	2,756,361
In-kind contributions	4,491,064	-	4,491,064	3,530,256	-	3,530,256
Gain on sales of real estate held for investment	(167,884)	-	(167,884)	30,466	-	30,466
Other	1,713,941	-	1,713,941	11,206,672	-	11,206,672
Net assets released from restrictions	960,144	(960,144)	-	710,184	(710,184)	-
Total revenues	173,771,270	2,501,670	176,272,940	169,903,142	2,754,482	172,657,624
EXPENSES						
Salaries and benefits	78,629,654	-	78,629,654	73,016,567	-	73,016,567
Supplies and direct expenses	31,866,964	-	31,866,964	26,391,604	-	26,391,604
Occupancy and insurance	21,167,721	-	21,167,721	18,955,628	-	18,955,628
Travel and transportation	1,686,668	-	1,686,668	1,098,332	-	1,098,332
Administration	14,864,426	-	14,864,426	11,981,268	-	11,981,268
Depreciation	14,457,997	-	14,457,997	14,492,632	-	14,492,632
Interest expense	17,135,168	-	17,135,168	17,853,036	-	17,853,036
Bad debt expense	524,799	-	524,799	322,983	-	322,983
Total expenses	180,333,397	-	180,333,397	164,112,050	-	164,112,050
Change in net assets from operations	(6,562,127)	2,501,670	(4,060,457)	5,791,092	2,754,482	8,545,574
NONOPERATING ITEMS						
Net realized and unrealized gains (losses) on investments	(30,231,529)	(3,140,137)	(33,371,666)	104,515,734	9,774,052	114,289,786
Other, net	1,293,754	14,626	1,308,380	1,745,345	549,133	2,294,478
Change in net assets	(35,499,902)	(623,841)	(36,123,743)	112,052,171	13,077,667	125,129,838
NET ASSETS, beginning of year	393,556,732	154,912,844	548,469,576	281,504,561	141,835,177	423,339,738
NET ASSETS, end of year	$ 358,056,830	$ 154,289,003	$ 512,345,833	$ 393,556,732	$ 154,912,844	$ 548,469,576

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (36,123,743)	$ 125,129,838
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,457,997	14,492,632
Bad debt expense	524,799	322,983
Donated land included in contributions	(300,310)	-
Amortization	(2,842,556)	(2,801,882)
Accretion expense and ARO revisions	38,837	34,543
Gain on sales of real estate held for investment	167,884	(30,466)
Gain on sale or disposal of facility assets	(1,308,381)	(2,294,481)
Net realized and unrealized gains on investments	34,502,259	(114,567,420)
Changes in operating assets and liabilities		
Assets whose use is limited	3,830,286	16,776
Receivables	(4,029,034)	237,706
Inventories and supplies	35,420	(28,806)
Prepaid expenses	(534,864)	(281,275)
Other assets	462,285	589,226
Accounts payable	396,780	45,908
Accrued liabilities	(2,613,523)	(1,030,530)
Resident deposits	100,969	194,696
Refundable fees	11,517,653	12,013,310
Deferred revenue from advance fees	3,097,682	3,505,945
Annuity and life income fund liability	(1,140,072)	278,736
Other liabilities	608,045	(453,644)
Net cash provided by operating activities	20,848,413	35,373,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,356,858)	(3,108,851)
Decrease in revenue bond proceeds held by trustee	(29,158)	1,427,772
Purchases of investments	(21,480,417)	(42,812,350)
Proceeds on sales or redemptions of investments	10,381,802	21,295,995
Proceeds from sale of property and equipment	421,767	529,156
Proceeds from sales of real estate held for investment	646,903	370,746
Net cash provided by (used in) investing activities	(17,415,961)	(22,297,532)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revenue bonds payable and notes payable	-	179,801
Payments on revenue bonds payable and short-term notes payable	(10,634,312)	(13,483,405)
Net cash used in financing activities	(10,634,312)	(13,303,604)
Net change in cash and cash equivalents	(7,201,860)	(227,341)
CASH AND CASH EQUIVALENTS, beginning of year	53,332,569	53,559,910
CASH AND CASH EQUIVALENTS, end of year	$ 46,130,709	$ 53,332,569
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 43,518,686	$ 39,402,356
Restricted cash included in assets whose use is limited	2,449,652	13,061,905
Restricted cash included in revenue bond proceeds held by trustee	162,371	868,308
Total cash and cash equivalents	$ 46,130,709	$ 53,332,569
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 16,975,302	$ 17,822,669

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, 2022

	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	$ 5,870,049	$ 6,301,212	$ 2,348,501	$ 2,456,003	$ 494,085	$ 48,285,198	$ 65,755,048	$ 10,525,820	$ 2,348,786	$ 12,874,606	$ 78,629,654
Supplies and direct expenses	3,700,758	979,491	826,756	3,598,810	3,556,741	17,306,383	29,968,939	45,457	1,852,568	1,898,025	31,866,964
Occupancy and insurance	1,160,102	1,455,990	1,063,563	761,139	202,700	14,234,078	18,877,572	2,201,375	88,774	2,290,149	21,167,721
Travel and transportation	300,047	293,459	72,011	178,014	19,871	442,068	1,305,470	282,075	99,123	381,198	1,686,668
Administration	443,437	474,346	257,610	781,599	155,074	8,053,058	10,165,124	3,399,091	1,300,211	4,699,302	14,864,426
Depreciation	117,823	629,971	877,576	265,544	-	12,347,298	14,238,212	219,785	-	219,785	14,457,997
Interest expense	-	-	-	-	-	16,885,294	16,885,294	249,821	53	249,874	17,135,168
Bad debt expense	-	-	-	-	-	524,799	524,799	-	-	-	524,799
TOTAL EXPENSES	$ 11,592,216	$ 10,134,469	$ 5,446,017	$ 8,041,109	$ 4,428,471	$ 118,078,176	$ 157,720,458	$ 16,923,424	$ 5,689,515	$ 22,612,939	$ 180,333,397

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, 2021

	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	$ 6,140,787	$ 6,409,415	$ 2,161,934	$ 2,498,822	$ 788,096	$ 42,909,767	$ 60,908,821	$ 9,706,303	$ 2,401,443	$ 12,107,746	$ 73,016,567
Supplies and direct expenses	4,139,216	959,216	771,523	1,137,509	3,607,690	13,590,482	24,205,636	5,862	2,180,106	2,185,968	26,391,604
Occupancy and insurance	1,256,242	1,396,803	1,059,237	611,224	172,477	12,156,857	16,652,840	2,106,773	196,015	2,302,788	18,955,628
Travel and transportation	200,387	166,192	33,658	103,513	16,027	383,792	903,569	141,179	53,584	194,763	1,098,332
Administration	394,955	486,200	205,261	239,353	115,404	5,851,200	7,292,373	3,055,051	1,633,844	4,688,895	11,981,268
Depreciation	116,275	637,778	898,426	256,352	-	12,357,002	14,265,833	226,799	-	226,799	14,492,632
Interest expense	232	232	182	259	-	17,636,449	17,637,354	215,682	-	215,682	17,853,036
Bad debt expense	-	-	-	-	-	322,983	322,983	-	-	-	322,983
TOTAL EXPENSES	$ 12,248,094	$ 10,055,836	$ 5,130,221	$ 4,847,032	$ 4,699,694	$ 105,208,532	$ 142,189,409	$ 15,457,649	$ 6,464,992	$ 21,922,641	$ 164,112,050

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.

Buckner consolidates the following not-for-profit corporations:

- Buckner International
- Buckner Children and Family Services, Inc. (includes subsidiaries - Rio Grande Children's Home, and Rio Grande Children's Home Foundation Inc.) – collectively BCFS
- Buckner Retirement Services, Inc. (BRS), which includes subsidiaries Baptist Memorials Ministries (BMM) and Buckner Senior Living, Inc. (BSL), collectively, "BRS."
- Buckner Foundation, Inc. (Foundation)
- Buckner FHC-Bachman Lake (BBL)

On November 18, 2021, the Board of Trustees voted to merge MFHL Corporation (MFHL) into Buckner Children and Family Services (BCFS). The merger was effective as of December 13, 2021, and the assets of MFHL were merged with BCFS.

The Board of Trustees of Buckner International serve as directors of BCFS, BRS, and the Foundation. The majority of the Board of Directors of BBL are appointed by the Board of Directors of BCFS, with the remaining Independent Directors elected by majority vote of the incumbent Directors. Buckner International and the related corporations are exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

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 2022 and 2021, 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.

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, 2022 and 2021.

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.

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 on the statement of financial position includes cash restricted for debt service payments for revenue bonds payable, funds held for new markets tax program, and refundable deposits held to reserve units at Buckner Senior Living. Revenue bond proceeds held by trustee on the statement of financial position include cash restricted for retirement of short-term and long-term debt. These amounts are presented as restricted cash and are included in the statement of cash flow.

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.

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 2022 and 2021 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.

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.

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 payors, and others as services are rendered. Revenue under third-party payor arrangements (Medicaid and Medicare) is subject to audit and retroactive adjustment. Provisions for third-party payor 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 their fair values 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 $3,639,565 and $3,178,654 for the years ended December 31, 2022 and 2021, respectively, and are included in administration expense on the accompanying consolidated statements of activities.

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 gains and losses on the disposal of property and equipment and realized and unrealized gains and losses on investments from the change in net assets from operations.

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.

Reclassification

Certain accounts related 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.

Recent Accounting Pronouncements

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. This standard should be applied on a retroactive basis. Buckner implemented this guidance effective January 1, 2022.

Subsequent Events

The date to which events occurring after December 31, 2022, 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 10, 2023, the date these consolidated financial statements were available to be issued.

COVID-19

COVID-19 continued to impact Buckner operationally and financially in 2022, particularly in Buckner Retirement Services, where occupancy has not returned to pre-pandemic levels and communities continued to incur COVID-19 related expenses during new variant surges. Buckner complied with all local, state, and federal orders and followed CDC recommended guidelines. Buckner received the following assistance available for not-for-profit organizations in 2021 and 2022:

- Relief fund payments under the CARES act from the Department of Health and Human Services in 2021 of $503,128. These funds do not need to be repaid.
- Payroll Protection Program funds from the US Small Business Administration (SBA) of $9,999,989 in 2021. The funds received were recorded as a liability in 2021, and payments were deferred until forgiven. All loans were forgiven by the SBA as of December 31, 2021, and were recorded as other operating revenue.
- Relief under Section 2302 of the CARES Act which provided that employers may defer the deposit and payment of the employer's portion of social security taxes through December 31, 2020. The first 50% of deferred taxes were repaid by December 31, 2021, and the remainder was repaid by December 31, 2022.

Buckner will continue to evaluate government programs under the CARES Act if they become available. Buckner is unable to predict whether COVID-19 will affect the results of its operations for 2023. The operating results for the quarter ended March 31, 2023 were minimally impacted. Although Buckner Retirement Services has seen its occupancy levels increase, they still have not recovered to pre-pandemic levels.

Note 3. Investments

Investments include amounts on the statement of financial position presented as Investments and Board of trustees designated funds. Investments consist of the following:

	December 31, 2022	December 31, 2021
HighGround Endowment Fund	$ 148,407,884	$ 165,170,493
Equity securities - domestic	46,029,334	60,774,793
Equity securities - international	11,482,252	13,932,393
Corporate bonds	26,611,625	32,540,953
U.S. government agencies	2,740,126	3,749,322
Money market funds	11,792,697	9,049,624
Bond mutual funds	42,534,285	47,930,328
Mineral interests	198,800,438	182,304,581
Other	29,219,347	25,479,085
	$ 517,617,988	$ 540,931,572

The following summarizes investment return:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Operating		
Dividend and interest income	$ 50,472,596	$ 44,799,118
Nonoperating		
Net realized and unrealized gain (loss) on investments	(33,371,666)	114,289,786
	$ 17,100,930	$ 159,088,904

Note 4. Receivables

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

	December 31, 2022	December 31, 2021
Receivables, gross	$ 11,883,980	$ 8,885,195
Allowance for doubtful accounts	(757,980)	(622,000)
Receivables, net	$ 11,126,000	$ 8,263,195

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, 2022	December 31, 2021
Pledges and bequests receivable, gross	$ 1,745,833	$ 1,077,666
Less unamortized discount at 3.88% and 1.52% at December 31, 2022 and 2021, respectively	(33,665)	(6,928)
Pledges and bequests receivable, net	$ 1,712,168	$ 1,070,738

The maturity of pledges and bequests receivable at December 31, 2022 is as follows:

Less than one year	$ 844,500
One to five years	901,333
	$ 1,745,833

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 commenced 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, 2022	December 31, 2021
Buildings	10 - 40 years	$ 462,854,800	$ 457,397,913
Furniture and equipment	5 - 10 years	34,602,096	33,406,160
Vehicles	5 years	2,540,981	2,384,209
Land improvements	5 - 20 years	16,985,780	16,465,282
Total		516,983,657	509,653,564
Less accumulated depreciation		(145,547,898)	(131,203,654)
		371,435,759	378,449,910
Projects-in-process		1,471,985	547,011
Land		13,922,542	14,047,890
Property and equipment, net		$ 386,830,286	$ 393,044,811

Depreciation expense was $14,457,997 and $14,492,632 for the years ended December 31, 2022 and 2021, respectively.

Note 8. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2022	December 31, 2021
Employee vacation and sick pay	$ 383,970	$ 481,836
Employee health benefits	925,000	1,063,000
Nonsubscriber occupational injury	100,000	100,000
Property taxes	450	900
Wages and payroll related	1,198,092	3,360,371
Interest on revenue bonds and notes payable	2,173,757	2,205,077
Professional and general liability insurance	-	100,000
Other	2,291,463	2,325,784
Total	$ 7,072,732	$ 9,636,968

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 were used by BMM to finance and refinance the construction, acquisition, renovation and equipping of independent living, assisted living, and skilled nursing facilities in San Angelo, Texas. Note A and Note B were both refinanced effective January 1, 2021, at an interest rate of 3.5% per annum. The outstanding principal amount of Note A on December 31, 2022, was $7,097,722. The outstanding principal amount of Note B on December 31, 2022, was $5,625,917. Total annual payments for Note A and Note B through September 2028 will be $481,968 and $370,122, respectively. Effective October 2028, the rate will be variable, but at no time will the interest rate be less than 3.5% per annum. 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 the two notes.

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, 2022 is $147,045,000. As of December 31, 2022, revenue bond proceeds of $11,411,925 were being held by the trustee to be used for retirement of debt. 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, 2022, the unamortized premium on the Series 2017 Ventana bonds is $128,745. 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, 2022 is $45,430,000. As of December 31, 2022, revenue bond proceeds of $3,271 were being held by the trustee to be used for retirement of debt. Total principal and interest payments began November 2017 and the total annual payments are approximately $3,790,000 through November 15, 2037 and $1,745,000 from November 15, 2038 through November 15, 2046. As of December 31, 2021, the unamortized premium on the Series 2017 bonds is $5,354,424.

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, 2022 is $82,375,000. As of December 31, 2022, revenue bond proceeds of $4,736 were being held by the trustee to be used for retirement of debt. Total principal and interest payments began November 2016 and the total annual payments are approximately $5,350,000 through November 15, 2037 and $7,800,000 from November 15, 2038 through November 15, 2046. As of December 31, 2022, the unamortized premium on the Series 2016 bonds is $10,380,490.

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 2016 Series bonds.

The $1,100,000 line of credit drawn as of December 31, 2021, was repaid as of December 31, 2022. Buckner renegotiated the line of credit in December 2022 for $1,950,000, which includes $1,100,000 available as of December 31, 2022, and $850,000 for a Standby Letter of Credit. The Standby Letter of Credit was required for increased deductibles related to the 2023 property and casualty insurance renewal. No funds have been drawn against the line of credit as of December 31, 2022.

A summary of debt is as follows:

	December 31, 2022	December 31, 2021
Revenue bonds payable		
Series 2017 revenue bonds, interest rates of 2.25% to 5.00%, net of unamortized premium	$ 50,784,424	$ 52,600,321
Less: bond issuance costs	(697,740)	(739,787)
	50,086,684	51,860,534
Series 2017 Ventana bonds, interest rates of 4.00% to 6.75%, net of unamortized premium	147,173,745	153,638,125
Less: bond issuance costs	(3,926,660)	(4,060,052)
	143,247,085	149,578,073
Series 2016 revenue bonds, interest rates of 1.00% to 5.00%, net of unamortized premium	92,755,490	94,474,052
Less: bond issuance costs	(1,028,368)	(1,080,579)
	91,727,122	93,393,473
Line of credit		
With JPMorgan Chase, variable interest rate, paid December 2022	-	1,100,000
Notes payable		
With GM Financial, interest rate of 6.74% expiring April 2027	27,076	33,325
With FFIN San Angelo interest rate currently 3.5%, expires October 2043	7,097,722	7,323,483
Less: issuance costs	(365,478)	(382,091)
	6,732,244	6,941,392
With FFIN San Angelo interest rate currently 3.5%, expires October 2044	5,625,917	5,793,219
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	(175,398)	(235,532)
	10,604,602	10,544,468
	$ 308,050,730	$ 319,244,484

Scheduled debt repayments on short-term notes payable, lines of credit and revenue bonds at December 31, 2022 are as follows:

Year Ending December 31,	Notes Payable	BRS Series 2017 Revenue Bonds	BRS Series 2017 Ventana Revenue Bonds	BRS Series 2016 Revenue Bonds	BRS Total Revenue Bonds	Total
2023	$ 413,402	$ 1,565,000	$ -	$ 1,245,000	$ 2,810,000	$ 3,223,402
2024	425,542	1,645,000	875,000	1,305,000	3,825,000	4,250,542
2025	441,829	1,720,000	1,945,000	1,370,000	5,035,000	5,476,829
2026	664,064	1,765,000	2,065,000	1,440,000	5,270,000	5,934,064
2027	678,585	1,855,000	2,185,000	1,510,000	5,550,000	6,228,585
Thereafter	20,907,293	36,880,000	139,975,000	75,505,000	252,360,000	273,267,293
	23,530,715	45,430,000	147,045,000	82,375,000	274,850,000	298,380,715
Less: debt issuance costs	(540,876)	(697,740)	(3,926,660)	(1,028,368)	(5,652,768)	(6,193,644)
Add: amount representing premium	-	5,354,424	128,745	10,380,490	15,863,659	15,863,659
	$ 22,989,839	$ 50,086,684	$ 143,247,085	$ 91,727,122	$ 285,060,891	$ 308,050,730

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 below and in Note 6.

Note Payable

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 the holder of a portion of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loan will be owed by the subsidiary to BCFS.

As of December 31, 2022, BBL was obligated on the DDF Notes Payable 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, 2022 and 2021 were $2,169,195 and $2,210,936, 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.

As of December 31, 2022, Buckner has leases for office space, which include the corporate support center facility and five locations for Buckner Children and Family Services, as well as 2 vehicles. These leases are classified as operating lease agreements and have lease terms remaining ranging from 3 months to approximately 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 non-lease components for all building leases.

During 2022 and 2021, Buckner recognized rent expense associated with leases as follows:

	2022	2021
Operating lease cost:		
Rent and lease expense	$ 1,178,551	$ 1,112,301

Amounts recognized as right-of-use (ROU) 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, 2022 and 2021, right-of-use assets and lease liabilities related to leases were as follows:

	2022	2021
Operating lease ROU assets	$ 3,051,856	$ 3,500,812
Operating lease liabilities	$ 3,313,917	$ 3,727,077

During the years ended December 31, 2022 and 2021, Buckner had the following cash and non-cash activities associated with our leases:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,197,261	$ 1,107,136
Additions to ROU assets obtained from:		
New operating lease liabilities	$ 564,186	$ 98,810

The future payments due under those leases as of December 31, 2022 is as follows:

Year ending December 31,	
2023	$ 1,306,185
2024	1,300,300
2025	661,655
2026	161,910
2027	95,850
	$ 3,525,900

As of December 31, 2022, the weighted-average remaining lease term for all operating leases is 2.8 years. Buckner elected the practical expedient for nonpublic business entities to use a risk-free rate for a period comparable to the lease term.

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, 2022 and 2021 was included in other liabilities. A reconciliation of the asset retirement obligation liability is as follows:

	December 31, 2022	December 31, 2021
Beginning balance	$ 857,325	$ 820,171
Accretion expense	38,836	37,154
Ending balance	$ 896,161	$ 857,325

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, 2022	December 31, 2021
Original donor-restricted gift amount and amounts required to be retained by donor	$ 129,409,032	$ 128,773,849
Gift amounts restricted by purpose	3,572,917	2,844,629
Gifts and other amounts restricted by passage of time	21,307,054	23,294,366
	$ 154,289,003	$ 154,912,844

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, 2022	2021
Capital projects - children and family services	$ 652,364	$ 172,797
Program support - children and family services	107,780	337,387
Program support - retirement services	200,000	200,000
	$ 960,144	$ 710,184

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 2022 or 2021.

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, 2022 and 2021 is as follows:

	December 31, 2022			
	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	$ 148,407,884	$ -	$ 148,407,884	$ -
Equities - domestic	46,029,334	31,650,406	14,378,928	-
Equities - international	11,482,252	7,094,849	4,387,403	-
Corporate bonds	26,611,625	-	26,611,625	-
U.S. government agencies	2,740,126	-	2,740,126	-
Money market funds	11,792,697	-	11,792,697	-
Bond mutual funds	42,534,285	-	42,534,285	-
Mineral interests	198,800,438	-	-	198,800,438
Real estate / other	29,219,347	-	-	29,219,347
Pledges and bequests receivable	1,712,168	-	-	1,712,168
Revenue bond proceeds held by trustee	11,419,932	-	11,419,932	-
Annuity funds liabilities for investments held in trust	(3,980,286)	-	-	(3,980,286)

	December 31, 2021			
	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	$ 165,170,493	$ -	$ 165,170,493	$ -
Equities - domestic	60,774,793	42,468,877	18,305,916	-
Equities - international	13,932,393	8,850,179	5,082,214	-
Corporate bonds	32,540,953	-	32,540,953	-
U.S. government agencies	3,749,322	-	3,749,322	-
Money market funds	9,049,624	-	9,049,624	-
Bond mutual funds	47,930,328	-	47,930,328	-
Mineral interests	182,304,581	-	-	182,304,581
Real estate / other	25,479,085	-	-	25,479,085
Pledges and bequests receivable	1,070,738	-	-	1,070,738
Revenue bond proceeds held by trustee	16,010,862	-	16,010,862	-
Annuity funds liabilities for investments held in trust	(5,120,358)	-	-	(5,120,358)

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.

Outside Trusts

Investments in trusts which benefit Buckner are classified within Level 2 of the valuation hierarchy because the portfolios are managed by outside investment managers, but the unit price of the underlying investments 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, 2020	$ 19,301,374	$ 97,007,915	$ 748,788	$ (4,841,622)
Distributions	-	-	(704,050)	-
Contributions	-	-	1,026,000	-
Net realized and unrealized change in investment valuation	6,177,711	85,296,666	-	(278,736)
December 31, 2021	25,479,085	182,304,581	1,070,738	(5,120,358)
Distributions	-	-	(1,330,070)	-
Contributions	-	-	1,971,500	-
Transfers	-	-	-	160,245
Net realized and unrealized change in investment valuation	3,740,262	16,495,857	-	979,827
December 31, 2022	$ 29,219,347	$ 198,800,438	$ 1,712,168	$ (3,980,286)

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 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	
	2022	2021	2022	2021
Net assets	$ 15,617,736	$ 16,160,109	$ 104,490,443	$ 100,069,158

For the years ended December 31, 2022 and 2021, the Foundation had the following endowment-related activities:

	Imposed Restrictions	Permanent Endowment	Total
Endowment net assets, December 31, 2020	$ 15,875,387	$ 94,240,648	$ 110,116,035
Investment return			
Investment income (loss)	(104,608)	808,679	704,071
Net realized/unrealized gains (losses)	87,218	4,176,439	4,263,657
Total investment return	(17,390)	4,985,118	4,967,728
Contributions to endowment	302,112	843,392	1,145,504
Endowment net assets, December 31, 2021	16,160,109	100,069,158	116,229,267
Investment return			
Investment income (loss)	(96,324)	1,126,053	1,029,729
Net realized/unrealized gains	(446,049)	3,075,474	2,629,425
Total investment return	(542,373)	4,201,527	3,659,154
Contributions to endowment/other	-	219,758	219,758
Endowment net assets, December 31, 2022	$ 15,617,736	$ 104,490,443	$ 120,108,179

Note 19. Liquidity

Buckner has approximately $234.9 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 $1,100,000 available from a line of credit. Total financial assets were reduced by certain assets and netted out for determining the $234.9 million of available liquid assets. The following assets were 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 $179.5 million of the $234.9 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 $127.8 million of outstanding revenue bonds payable at December 31, 2022, and this contingent amount has not reduced nor was netted out of the $234.9 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.

At both December 31, 2022 and 2021, 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, 2022 and 2021, Buckner has accrued $925,000 and $1,063,000, 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, 2022 and 2021, 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, 2022, there were no interest or penalties recorded or included in the financial statements. As of December 31, 2022, Buckner's tax years 2019 and thereafter remain subject to examination.

Note 22. In-Kind Contributions

Contributed nonfinancial assets for the years ended December 31, 2022 and 2021, consisted of the following:

	Years ended December 31,	
	2022	2021
Clothing & household goods	$ 3,065,205	$ 2,166,186
Food	1,232,938	1,234,143
Gift cards	14,285	29,180
Vehicles	-	3,853
Other	178,636	96,894
	$ 4,491,064	$ 3,530,256

Buckner recognized contributed nonfinancial assets within revenue, including contributed household goods, food, gift cards, a vehicle, and other items. Clothing and household goods include clothing, shoes, socks, household items, and furniture. Contributed clothing and household goods, food, gift cards, and other items are valued at the estimated fair based on estimated values that would be received for selling similar products in the U.S. Vehicles are valued based on the appraised value of the vehicle at the time of the gift. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed nonfinancial assets were used in the following programs: BCFS Family Hope Centers, BCFS Family Pathways, BCFS Foster Care and Adoption, BCFS Humanitarian Aid, BMM Senior Care and Assistance, and BRS Senior Care and Assistance.

Supplementary Information

Independent Auditor's Report
on Supplementary Information

To the Board of Trustees of
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, 2022 and 2020, and our report thereon dated May 10, 2023, 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 10, 2023

Buckner International and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	Buckner International	Buckner Children and Family Services, Inc.	Buckner Retirement Services, Inc.	Buckner FHC - Bachman Lake	Buckner Foundation	Eliminations	2022 Consolidated Total	2021 Consolidated Total
ASSETS								
ASSETS								
Cash and cash equivalents	$ 2,730,172	$ 18,637,993	$ 20,314,883	$ 1,000	$ 1,834,638	$ -	$ 43,518,686	$ 39,402,356
Investments	-	4,643,383	32,630,933	-	462,291,296	-	499,565,612	519,936,529
Board of trustees designated funds	-	-	-	-	18,052,376	-	18,052,376	20,995,043
Assets whose use is limited	-	-	2,279,261	170,395	-	-	2,449,656	13,068,104
Receivables, net	168,988	1,393,174	6,777,081	-	2,786,757	-	11,126,000	8,263,195
Pledges and bequests receivable, net	-	1,712,168	-	-	-	-	1,712,168	1,070,738
Inventories and supplies	7,071	-	179,510	-	-	-	186,581	222,001
Notes receivable	-	7,702,200	-	-	-	-	7,702,200	7,702,200
Prepaid expenses	3,606,718	477,190	1,836,377	-	-	(4,786,398)	1,133,887	599,023
Due from other companies, net	5,738,692	2,434,412	-	-	1,118,309	(9,291,413)	-	-
Other assets	2,117,786	934,070	101,496	-	-	-	3,153,352	3,615,637
Revenue bond proceeds held by trustee	-	-	11,419,932	-	-	-	11,419,932	16,010,862
Real estate held for investment	892,253	-	-	-	1	-	892,254	1,406,731
Property and equipment, net	901,506	35,078,344	339,940,500	10,909,936	-	-	386,830,286	393,044,811
TOTAL ASSETS	$ 16,163,186	$ 73,012,934	$ 415,479,973	$ 11,081,331	$ 486,083,377	$ (14,077,811)	$ 987,742,990	$ 1,025,337,230
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	$ 173,806	$ 412,118	$ 1,623,612	$ -	$ -	$ -	$ 2,209,536	$ 1,812,756
Retainage payable	-	-	-	-	-	-	-	49,287
Accrued liabilities	1,195,948	974,129	4,891,965	10,690	-	-	7,072,732	9,636,968
Lines of credit	-	-	-	-	-	-	-	1,100,000
Short-term notes payable	4,786,398	-	-	-	-	(4,786,398)	-	-
Revenue bonds payable, net	-	-	285,060,891	-	-	-	285,060,891	294,832,080
Notes payable	-	-	12,385,237	10,604,602	-	-	22,989,839	23,312,404
Resident deposits	-	-	2,402,410	-	-	-	2,402,410	2,301,441
Refundable fees	-	-	127,865,374	-	-	-	127,865,374	116,347,721
Deferred revenue from advance fees	-	-	18,411,528	-	-	-	18,411,528	17,596,960
Annuity and life income fund liability	-	18,905	22,563	-	3,938,818	-	3,980,286	5,120,358
Other	2,255,778	2,281,207	458,576	-	409,000	-	5,404,561	4,757,679
Due to other companies, net	-	-	9,279,783	11,630	-	(9,291,413)	-	-
Total liabilities	8,411,930	3,686,359	462,401,939	10,626,922	4,347,818	(14,077,811)	475,397,157	476,867,654
NET ASSETS								
Without restrictions	7,751,256	63,079,080	(74,855,295)	454,409	361,627,380	-	358,056,830	393,556,732
With restrictions	-	6,247,495	27,933,329	-	120,108,179	-	154,289,003	154,912,844
Total net assets	7,751,256	69,326,575	(46,921,966)	454,409	481,735,559	-	512,345,833	548,469,576
TOTAL LIABILITIES AND NET ASSETS	$ 16,163,186	$ 73,012,934	$ 415,479,973	11,081,331	$ 486,083,377	$ (14,077,811)	$ 987,742,990	$ 1,025,337,230

Buckner International and Subsidiaries

Consolidating Statement of Activities
for the Year Ended December 31, 2022
(With Comparative Totals For 2021)

	Buckner International	Buckner Children and Family Services, Inc.	Buckner Retirement Services, Inc.	Buckner FHC - Bachman Lake	Buckner Foundation	Eliminations	2022 Consolidated Total	2021 Consolidated Total
REVENUES								
Client support and related income	$ -	$ 12,452,352	$ 91,798,179	$ -	$ -	$ -	$ 104,250,531	$ 92,376,899
Investment income	76,701	902,525	2,734,059	129	46,759,182	-	50,472,596	44,799,118
Distributions from related foundation	20,905,905	13,802,596	1,951,654	-	-	(36,660,155)	-	-
Contributions								
Baptist General Convention of Texas	-	273,779	120,504	-	-	-	394,283	370,427
Individual and business gifts	300,310	11,910,173	393,491	-	1,075,504	-	13,679,478	17,587,425
Bequests	162,753	616,000	629,622	-	30,556	-	1,438,931	2,756,361
In-kind contributions	-	4,462,674	28,390	-	-	-	4,491,064	3,530,256
Gain (loss) on sales of real estate held for investment	31,251	-	-	-	(199,135)	-	(167,884)	30,466
Other	51,664	226,915	1,429,765	-	5,597	-	1,713,941	11,206,672
Administrative fees	7,919,362	-	-	-	-	(7,919,362)	-	-
Total revenues	29,447,946	44,647,014	99,085,664	129	47,671,704	(44,579,517)	176,272,940	172,657,624
EXPENSES								
Salaries and benefits	12,200,297	18,233,651	48,195,706	-	-	-	78,629,654	73,016,567
Supplies and direct expenses	38,508	14,520,466	17,307,990	-	-	-	31,866,964	26,391,604
Occupancy and insurance	2,148,690	4,747,776	14,267,015	-	4,240	-	21,167,721	18,955,628
Travel and transportation	366,972	863,822	455,874	-	-	-	1,686,668	1,098,332
Administration	5,566,609	7,008,373	10,123,321	-	85,485	(7,919,362)	14,864,426	11,981,268
Depreciation	175,815	1,609,906	12,368,211	304,065	-	-	14,457,997	14,492,632
Interest expense	59,118	310	16,887,325	188,415	-	-	17,135,168	17,853,036
Bad debt expense	-	-	524,799	-	-	-	524,799	322,983
Total expenses	20,556,009	46,984,304	120,130,241	492,480	89,725	(7,919,362)	180,333,397	164,112,050
Change in assets from operations	8,891,937	(2,337,290)	(21,044,577)	(492,351)	47,581,979	(36,660,155)	(4,060,457)	8,545,574
NONOPERATING ITEMS								
Net realized and unrealized gains (losses) on investments	-	(905,284)	(4,208,934)	-	(28,257,448)	-	(33,371,666)	114,289,786
Distributions to related entities	-	-	-	-	(36,660,155)	36,660,155	-	-
Other, net	(3,498,381)	3,590,046	385,247	679,303	152,165	-	1,308,380	2,294,478
Change in net assets	5,393,556	347,472	(24,868,264)	186,952	(17,183,459)	-	(36,123,743)	125,129,838
NET ASSETS, beginning of year	2,357,700	68,979,103	(22,053,702)	267,457	498,919,018	-	548,469,576	423,339,738
NET ASSETS, end of year	$ 7,751,256	$ 69,326,575	$ (46,921,966)	$ 454,409	$ 481,735,559	$ -	$ 512,345,833	$ 548,469,576