

## **The Blue Bird Circle**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended May 31, 2024 and 2023

# The Blue Bird Circle

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**Independent Auditors' Report**

To the Board of Directors of  
The Blue Bird Circle  
Blue Bird Foundation:

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of The Blue Bird Circle and Blue Bird Foundation (collectively Blue Bird), which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Blue Bird as of May 31, 2024 and 2023, and the changes in its net assets and its 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Blue Bird 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.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

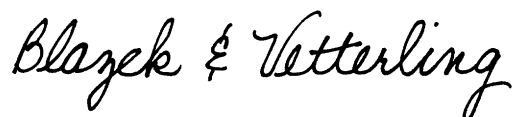
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Blue Bird'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Bird'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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating statements of financial position as of May 31, 2024 and 2023 and consolidating statements of activities for the years ended May 31, 2024 and 2023 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Blazek & Vetterling". The script is cursive and fluid, with the ampersand being a simple loop.

October 14, 2024

## The Blue Bird Circle

### Consolidated Statements of Financial Position as of May 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 1,502,470	\$ 1,061,093
Contributions receivable	23,312	10,173
Prepaid expenses and other assets	73,644	14,788
Inventory	9,354	
Investments ( <i>Notes 3 and 4</i> )	23,123,058	20,799,651
Property and equipment, net ( <i>Note 5</i> )	<u>4,830,706</u>	<u>5,050,400</u>
TOTAL ASSETS	<u>\$ 29,562,544</u>	<u>\$ 26,936,105</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 126,415	\$ 53,667
Consignments payable	92,671	101,017
Grants payable ( <i>Note 6</i> )	<u>7,288,318</u>	<u>7,925,046</u>
Total liabilities	<u>7,507,404</u>	<u>8,079,730</u>
Net assets ( <i>Note 9</i> ):		
Without donor restrictions ( <i>Note 7</i> )	19,565,425	17,890,029
With donor restrictions ( <i>Note 8</i> )	<u>2,489,715</u>	<u>966,346</u>
Total net assets	<u>22,055,140</u>	<u>18,856,375</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,562,544</u>	<u>\$ 26,936,105</u>

*See accompanying notes to consolidated financial statements.*

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## The Blue Bird Circle

### Consolidated Statement of Activities for the year ended May 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Blue Bird Circle Resale Shop consignment sales, net of consignment payments of \$1,210,666	\$ 1,158,150		\$ 1,158,150
Blue Bird Circle Resale Shop donated items (Note 10)	345,241		345,241
Cost of goods sold for donated items	(335,887)		(335,887)
Contributions	146,162	\$ 1,721,719	1,867,881
Other nonfinancial contributions (Note 10)	3,500		3,500
Special event:			
Blue Bird Circle luncheon	174,480		174,480
Proceeds from contributed auction items (Note 10)	28,818		28,818
Direct donor benefits of luncheon	(16,180)		(16,180)
Other Circle projects and sales	58,382		58,382
Membership contributions	11,433	16,375	27,808
Net investment return	<u>2,579,619</u>	<u>213,563</u>	<u>2,793,182</u>
Total revenue	4,153,718	1,951,657	6,105,375
Net assets released from restrictions:			
Expiration of time restrictions	21,295	(21,295)	
Program expenditures	<u>406,993</u>	<u>(406,993)</u>	
Total	<u>4,582,006</u>	<u>1,523,369</u>	<u>6,105,375</u>
EXPENSES:			
Program services:			
Program service grants (Note 11)	<u>1,469,562</u>		<u>1,469,562</u>
Total program services	1,469,562		1,469,562
Management and general	356,427		356,427
Blue Bird Circle Resale Shop	1,026,812		1,026,812
Fundraising and Circle projects	<u>53,809</u>		<u>53,809</u>
Total expenses	<u>2,906,610</u>		<u>2,906,610</u>
CHANGES IN NET ASSETS	1,675,396	1,523,369	3,198,765
Net assets, beginning of year	<u>17,890,029</u>	<u>966,346</u>	<u>18,856,375</u>
Net assets, end of year	<u>\$ 19,565,425</u>	<u>\$ 2,489,715</u>	<u>\$ 22,055,140</u>

*See accompanying notes to consolidated financial statements.*

## The Blue Bird Circle

### Consolidated Statement of Activities for the year ended May 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Blue Bird Circle Resale Shop consignment sales, net of consignment payments of \$1,194,497	\$ 1,108,706		\$ 1,108,706
Blue Bird Circle Resale Shop donated items (Note 10)	318,391		318,391
Cost of goods sold for donated items	(318,391)		(318,391)
Contributions	42,951	\$ 261,434	304,385
Other nonfinancial contributions (Note 10)	5,409		5,409
Special event:			
Blue Bird Circle gala	326,579		326,579
Proceeds from contributed auction items (Note 10)	61,949		61,949
Direct donor benefits of gala	(90,401)		(90,401)
Other Circle projects and sales	42,700		42,700
Membership contributions	13,020	21,295	34,315
Net investment return	293,634	7,695	301,329
Total revenue	1,804,547	290,424	2,094,971
Net assets released from restrictions:			
Program expenditures	411,906	(411,906)	
Total	2,216,453	(121,482)	2,094,971
EXPENSES:			
Program services:			
Program service grants (Note 11)	9,963,002		9,963,002
Total program services	9,963,002		9,963,002
Management and general	461,796		461,796
Blue Bird Circle Resale Shop	986,922		986,922
Fundraising and Circle projects	144,427		144,427
Total expenses	11,556,147		11,556,147
CHANGES IN NET ASSETS	(9,339,694)	(121,482)	(9,461,176)
Net assets, beginning of year	27,229,723	1,087,828	28,317,551
Net assets, end of year	\$ 17,890,029	\$ 966,346	\$ 18,856,375

See accompanying notes to consolidated financial statements.

## The Blue Bird Circle

### Consolidated Statement of Functional Expenses for the year ended May 31, 2024

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>BLUE BIRD CIRCLE RESALE SHOP</u>	<u>FUNDRAISING AND CIRCLE PROJECTS</u>	<u>TOTAL EXPENSES</u>
Grant expense	\$ 1,469,562				\$ 1,469,562
Salaries and related expenses		\$ 135,590	\$ 475,010		610,600
Cost of goods sold for donated items			335,887		335,887
Depreciation		21,969	197,725		219,694
Professional fees and contract services		117,997	24,189	\$ 27,500	169,686
Occupancy		11,485	130,292		141,777
Supplies and equipment		33,668	39,984	31,163	104,815
Bank and credit card fees		1,452	93,710	4,525	99,687
Insurance		6,906	49,367		56,273
Marketing and communications		16,521	162	204	16,887
Printing and postage		3,905	5,216	6,597	15,718
Other		<u>6,934</u>	<u>11,157</u>		<u>18,091</u>
Total expenses by function	1,469,562	356,427	1,362,699	69,989	3,258,677
Cost of goods sold for donated items			(335,887)		(335,887)
Direct donor benefits of gala				(16,180)	(16,180)
Total expenses	<u>\$ 1,469,562</u>	<u>\$ 356,427</u>	<u>\$ 1,026,812</u>	<u>\$ 53,809</u>	<u>\$ 2,906,610</u>

See accompanying notes to consolidated financial statements.



## The Blue Bird Circle

### Consolidated Statement of Functional Expenses for the year ended May 31, 2023

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>BLUE BIRD CIRCLE RESALE SHOP</u>	<u>FUNDRAISING AND CIRCLE PROJECTS</u>	<u>TOTAL EXPENSES</u>
Grant expense	\$ 9,963,002				\$ 9,963,002
Salaries and related expenses		\$ 121,236	\$ 441,784		563,020
Cost of goods sold for donated items			318,391		318,391
Depreciation		22,145	199,308		221,453
Professional fees and contract services		232,407	18,616	\$ 89,888	340,911
Occupancy		356	139,064		139,420
Supplies and equipment		44,776	44,179	36,586	125,541
Bank and credit card fees		1,469	89,097	7,759	98,325
Venue rental				72,322	72,322
Insurance		6,705	41,163		47,868
Marketing and communications		27,798		11,001	38,799
Printing and postage		2,794	5,661	17,154	25,609
Other		<u>2,110</u>	<u>8,050</u>	<u>118</u>	<u>10,278</u>
Total expenses by function	9,963,002	461,796	1,305,313	234,828	11,964,939
Cost of goods sold for donated items			(318,391)		(318,391)
Direct donor benefits of gala				(90,401)	(90,401)
Total expenses	<u>\$ 9,963,002</u>	<u>\$ 461,796</u>	<u>\$ 986,922</u>	<u>\$ 144,427</u>	<u>\$11,556,147</u>

See accompanying notes to consolidated financial statements.

## The Blue Bird Circle

### Consolidated Statements of Cash Flows for the years ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,198,765	\$ (9,461,176)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	219,694	221,453
Net realized and unrealized (gain) loss on investments	(2,357,084)	248,891
Changes in operating assets and liabilities:		
Contributions receivable	(13,139)	101,563
Prepaid expenses and other assets	(58,856)	41,300
Inventory	(9,354)	
Accounts payable	72,748	(37,330)
Consignments payable	(8,346)	20,071
Grants payable	<u>(636,728)</u>	<u>7,784,448</u>
Net cash provided (used) by operating activities	<u>407,700</u>	<u>(1,080,780)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,247,193)	(4,419,706)
Proceeds from sale of investments	5,324,002	5,272,635
Net change in money market mutual funds held as investments	<u>(43,132)</u>	<u>332,081</u>
Net cash provided by investing activities	<u>33,677</u>	<u>1,185,010</u>
NET CHANGE IN CASH	441,377	104,230
Cash, beginning of year	<u>1,061,093</u>	<u>956,863</u>
Cash, end of year	<u>\$ 1,502,470</u>	<u>\$ 1,061,093</u>

See accompanying notes to consolidated financial statements.

## The Blue Bird Circle

Notes to Consolidated Financial Statements for the years ended May 31, 2024 and 2023

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Blue Bird Circle (the Circle) is a non-profit organization formed in 1923 whose purpose is to provide financial support to The Blue Bird Circle Clinic for Pediatric Neurology at Texas Children’s Hospital (the Clinic), the Blue Bird Circle Developmental Neurogenetics Laboratory (the Lab), the Blue Bird Circle Rett Center (the Rett Center), and the Blue Bird Circle Clinical Research Center (the Research Center). The Clinic, formerly the Blue Bird Seizure Clinic, was founded in 1949 by members of the Circle for the purposes of diagnosing and treating children with neurological disorders. It was the first pediatric neurology clinic in the South and one of only three in the nation. It operates successfully in association with two institutions in the Texas Medical Center in Houston.

Both the Clinic and the Research Center are operated in affiliation with Texas Children’s Hospital. The Lab and the Rett Center are both operated in affiliation with Baylor College of Medicine. The Clinic, Lab, Rett Center and Research Center are not controlled by the Circle and the assets, liabilities, net assets and activities of those organizations are not included in these financial statements.

The Circle raises funds primarily from donations, special events, operation of the Blue Bird Circle Resale Shop (the Shop), which resells clothing and furniture, and various other Circle projects. Donated services provided by the members of the Circle, which are not recognized in these financial statements, comprise a substantial proportion of the labor required for the Circle’s operations.

Blue Bird Foundation (the Foundation) was created in 1951 to build and manage an endowment to provide financial support for the programs of the Circle. The majority of the Foundation’s Board of Directors are appointed by the Board of Directors of the Circle.

Basis of consolidation – These financial statements include the assets, liabilities, net assets and activities of the Circle and the Foundation (collectively Blue Bird). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The Circle and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The Circle is classified as a public charity under §509(a)(2) and §170(b)(1)(A)(viii). The Foundation is classified as a Type I supporting organization under §509(a)(3).

Cash includes demand deposits and cash on hand, but excludes cash held for investment purposes. Bank deposits exceed the federally insured limit per depositor per institution. Cash held in investments is excluded from cash in the statement of cash flows.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to estimate the present value of their estimated future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and a donor-by-donor analysis of balances. At May 31, 2024, all contributions receivable are expected to be collected within one year.

Inventory includes resale shop inventory and is carried at the lower of cost or net realizable value. Cost is the estimated fair value at date of gift for contributed inventory.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. The Circle capitalizes additions and improvements that have a tangible future economic life and cost of more than \$5,000. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 39 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Circle Resale Shop sales include sales of donated and consigned merchandise and are recognized net of sales tax and consignor commissions at the point in time when goods are sold in an amount that reflects the consideration the Circle expects to be entitled to in exchange for those goods. Payment is due at the time of purchase and the Circle does not provide financing. Consignor commissions and sales tax collected, and the resulting consignors' commissions payable are recognized as liabilities when a consignment or taxable sale occurs. Consignments payable at May 31, 2024, 2023, and 2022 totaled \$92,671, \$101,017, and \$80,946, respectively. Merchandise held by the Shop under consignment contracts is not recorded as inventory in the statement of financial position. Consignment that are not sold within the contract period (two to three months, depending on the item) are donated by the consignor to the Circle.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Blue Bird is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Contributions received before conditions have been met are reported as refundable advances.

Special event revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefits represent the cost of goods and services provided to attendees of the special events. Amounts received in advance are reported as a refundable advance until the event is held.

Donated materials, use of facilities and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cost of donated goods sold is based on the estimated fair value of the donated goods that are sold in the Resale Shop.

Program service grants are recognized as expense at fair value when the Circle approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are met by the recipient. Commitments made but not yet funded are recognized as grants payable; amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are made.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of building, information technology costs and improvements and occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of May 31 comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 1,502,470	\$ 1,061,093
Contributions receivable	23,312	10,173
Investments	<u>23,123,058</u>	<u>20,799,651</u>
Total financial assets	24,648,840	21,870,917
Less financial assets not available for general expenditure:		
Donor-restricted gift and endowment investments	(1,886,111)	(945,051)
Board-designated endowment investments, net of appropriations for next year	<u>(19,187,252)</u>	<u>(18,317,988)</u>
Total financial assets available for general expenditure	<u>\$ 3,575,477</u>	<u>\$ 2,607,878</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Blue Bird considers all expenditures related to its ongoing activities of providing services at the Clinic, approving grants for operation and research, the daily operations of the Shop, and capital improvements, to be general expenditures.

The Foundation's Board of Directors has designated approximately \$20 million as an endowment for support of the Circle. These funds are invested for long-term appreciation and current income, but remain available to be spent at the Board of Directors' discretion. In November 2022, the Foundation and the Circle approved a 10-year grant to the Dan and Jan Duncan Neurological Research Institute, funding \$1 million per year. The funds will remain invested until each annual grant payment is due to the grantee. In 2024, the Circle received an estate gift of approximately \$1.4 million to be given to Texas Children's Hospital for their clinical research over the next 3 to 4 years. These funds were transferred to the Foundation in 2024 and will remain invested by the Foundation until each annual grant payment is due to the grantee.

### NOTE 3 – INVESTMENTS

Investments at May 31, 2024 consist of the following:

	OTHER INVESTMENTS	ENDOWMENT INVESTMENTS	TOTAL
Domestic equity securities		\$ 7,239,883	\$ 7,239,883
Exchange-traded funds		4,046,810	4,046,810
Hedge funds		4,026,258	4,026,258
Mutual funds		3,838,863	3,838,863
Corporate bonds		1,699,732	1,699,732
U. S. Treasury notes and bonds	\$ 344,328	972,806	1,317,134
Municipal bonds		352,738	352,738
Cash	37,581	302,274	339,855
Mortgage-backed securities		258,552	258,552
Other	<u>1,611</u>	<u>1,622</u>	<u>3,233</u>
Total investments	<u>\$ 383,520</u>	<u>\$ 22,739,538</u>	<u>\$ 23,123,058</u>

Investments at May 31, 2023 consist of the following:

	OTHER INVESTMENTS	ENDOWMENT INVESTMENTS	TOTAL
Domestic equity securities		\$ 6,332,713	\$ 6,332,713
Exchange-traded funds		3,489,035	3,489,035
Hedge funds		3,869,738	3,869,738
Mutual funds		3,599,256	3,599,256
Corporate bonds		1,605,320	1,605,320
U. S. Treasury notes and bonds	\$ 100,001	177,938	277,939
Cash		296,714	296,714
Mortgage-backed securities		1,325,703	1,325,703
Other	<u>1,611</u>	<u>1,622</u>	<u>3,233</u>
Total investments	<u>\$ 101,612</u>	<u>\$ 20,698,039</u>	<u>\$ 20,799,651</u>

Cash deposits in excess of Federal Deposit Insurance Corporation limits are exposed to custodial risk. Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

## NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments for which value is measured at net asset value per share (or its equivalent) using the practical expedient, (NAV-PE), are not required to be categorized in the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at May 31, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>NAV-PE</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Domestic	\$ 7,239,883			\$ 7,239,883
Exchange-traded funds:				
International	3,306,974			3,306,974
Emerging markets	739,836			739,836
Mutual funds:				
Money market	1,267,541			1,267,541
High yield fixed income	1,138,241			1,138,241
Real assets	1,039,659			1,039,659
Domestic bond	393,422			393,422
Debt securities:				
Domestic corporate bonds		\$ 1,699,732		1,699,732
U. S. Treasury notes and bonds		1,317,134		1,317,134
Municipal government		352,738		352,738
Mortgage-backed securities		<u>258,552</u>		<u>258,552</u>
Total investments in hierarchy	15,125,556	3,628,156		18,753,712
Investments measured at net asset value using the practical expedient (a)			\$ 4,026,258	<u>4,026,258</u>
Total assets measured at fair value	<u>\$ 15,125,556</u>	<u>\$ 3,628,156</u>	<u>\$ 4,026,258</u>	<u>\$ 22,779,970</u>

Assets measured at fair value at May 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>NAV-PE</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Domestic	\$ 6,332,713			\$ 6,332,713
Exchange-traded funds:				
International	2,837,903			2,837,903
Emerging markets	651,132			651,132
Mutual funds:				
Money market	1,204,226			1,204,226
Real assets	967,646			967,646
Domestic bond	389,649			389,649
International equity	1,037,735			1,037,735
Debt securities:				
Domestic corporate bonds		\$ 1,605,320		1,605,320
U. S. Treasury notes and bonds		277,939		277,939
Mortgage-backed securities		1,325,703		1,325,703
Total investments in hierarchy	13,421,004	3,208,962		16,629,966
Investments measured at net asset value using the practical expedient (a)			\$ 3,869,738	3,869,738
Total assets measured at fair value	<u>\$ 13,421,004</u>	<u>\$ 3,208,962</u>	<u>\$ 3,869,738</u>	<u>\$ 20,499,704</u>

(a) Investments measured at net asset value using the practical expedient are as follows:

<u>STRATEGY</u>	<u>FAIR VALUE DETERMINED USING NET ASSET VALUE AT MAY 31, 2024</u>	<u>FAIR VALUE DETERMINED USING NET ASSET VALUE AT MAY 31, 2023</u>	<u>REDEMPTION TERMS</u>	<u>REDEMPTION RESTRICTIONS</u>
Private equity – diversified strategies	\$2,038,692	\$1,994,146	One fund quarterly with 20 days’ notice; one fund daily.	One fund has a gate at 5% of fund level net asset value, a lock-up period until 2027, and an unfunded commitment at May 31, 2024 of \$123,000.
Hedge fund – long-term capital appreciation	1,187,276	1,129,646	Monthly with 1 days’ notice.	None.
Hedge fund – pooled investment fund	800,290	745,946	Quarterly with 60 days’ notice.	4% early withdrawal fee on withdrawals made within the first year following admission.
Total investments measured at net asset value using the practical expedient	<u>\$4,026,258</u>	<u>\$3,869,738</u>		



Valuation methods used for assets measured at fair value are as follows:

- *Common stock* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value of shares held.
- *Debt securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.
- *Hedge funds* use net asset value per share (or its equivalent) to determine the fair value of the investment in the fund, which does not have a readily determinable fair value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Blue Bird believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

## NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 303,670	\$ 303,670
Building and leasehold improvements	6,217,513	6,217,513
Equipment	<u>357,365</u>	<u>357,365</u>
Total property and equipment, at cost	6,878,548	6,878,548
Accumulated depreciation	<u>(2,047,842)</u>	<u>(1,828,148)</u>
Property and equipment, net	<u>\$ 4,830,706</u>	<u>\$ 5,050,400</u>

## NOTE 6 – GRANTS PAYABLE

Grants authorized for payment in future periods are as follows:

	<u>2024</u>	<u>2023</u>
Grants payable	\$ 8,205,594	\$ 9,091,078
Discount to net present value at 3.64%	<u>(917,276)</u>	<u>(1,166,032)</u>
Grants payable, net	<u>\$ 7,288,318</u>	<u>\$ 7,925,046</u>

Grants payable at May 31, 2024 are expected to be paid as follows:

To be paid in less than one year	\$ 1,205,594
To be paid in one to five years	5,000,000
To be paid after five years	<u>2,000,000</u>
Total	<u>\$ 8,205,594</u>

On November 1, 2022, the Foundation made a grant of \$10,000,000 to the Dan and Jan Duncan Neurological Research Institute. The grant will be paid in full by its maturity date in 2032.

## NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

	<u>2024</u>	<u>2023</u>
Board-designated endowment	\$ 12,443,857	\$ 10,752,988
Undesignated	2,290,862	2,086,641
Property and equipment, net	<u>4,830,706</u>	<u>5,050,400</u>
Total net assets without donor restrictions	<u>\$ 19,565,425</u>	<u>\$ 17,890,029</u>

Blue Bird does not have a specific policy in regard to establishing board-designated reserves. However, the Board of Directors may designate excess cash flows for capital reserves, specific projects, or endowments, as deemed prudent.

## NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Research	\$ 169,074	
Endowments subject to spending policy and appropriation:		
Short-term endowment for the Clinic	1,237,306	
Lillian Rockwell Endowment Fund – general endowment	493,805	\$ 437,383
John T. Sprouse and Estelle Yeagrinn Sprouse Endowment Fund – research	317,958	281,629
Alice and David C. Bintliff Fund – special needs for Clinic patients	255,197	226,039
Time restricted	<u>16,375</u>	<u>21,295</u>
Total net assets with donor restrictions	<u>\$ 2,489,715</u>	<u>\$ 966,346</u>

## NOTE 9 – ENDOWMENT

Blue Bird's endowment consists of donor-restricted endowment funds that are maintained in accordance with explicit donor stipulations and board-designated endowment funds of the Foundation. The purpose of the endowment is to provide long-term financial support to the programs of the Circle. Donor-restricted endowment funds are subject to the Texas Grant Management Standards (TxGMS). Blue Bird's Board of Directors has interpreted TxGMS as allowing Blue Bird to appropriate for expenditure or accumulate as much of a donor-restricted endowment fund as Blue Bird determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations. As a result of the interpretation, Blue Bird classifies the original value of gifts donated to the donor-restricted endowment funds as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment funds are classified as *net assets with donor restrictions* accumulated net investment return until those amounts are appropriated for expenditure by Blue Bird in a manner consistent with the standards of prudence prescribed by TxGMS. However, TxGMS does not preclude Blue Bird from spending below the amount required to be maintained in perpetuity subject to prudent standards. An endowment fund is *underwater* if the fair value of the fund's investments fall below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent measures. There were no *underwater* funds at May 31, 2024 and 2023.

Changes in endowment net assets are as follows:

	BOARD- DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS		TOTAL
		AVAILABLE FOR APPROPRIATION	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, May 31, 2022	\$ 21,294,485	\$ 237,396	\$ 700,060	\$ 22,231,941
Net investment return	172,415	7,695		180,110
Appropriations	(1,700,000)			(1,700,000)
Expenses	<u>(13,912)</u>	<u>(100)</u>		<u>(14,012)</u>
Endowment net assets, May 31, 2023	19,752,988	244,991	700,060	20,698,039
Contributions		1,409,577		1,409,577
Net investment return	2,490,870	213,563		2,704,433
Appropriations	(1,800,000)	(263,905)		(2,063,905)
Expenses	<u>(8,606)</u>			<u>(8,606)</u>
Endowment net assets, May 31, 2024	<u>\$ 20,435,252</u>	<u>\$ 1,604,226</u>	<u>\$ 700,060</u>	<u>\$ 22,739,538</u>

### Investment Policies and Strategy

The endowment assets of Blue Bird are maintained in investment accounts which are managed by independent investment managers that follow guidance provided in an investment policy approved by the Board of Directors of the Circle and the Foundation, respectively. The performance objectives are to safeguard assets and preserve the real purchasing power of assets while earning investment returns that are commensurate with the Circle's and Foundation's risk tolerance and are sufficient to meet their operational requirements. The target performance objective is to seek returns on investments that are in excess of the rate of inflation taking into consideration the Circle's and Foundation's spending policies. The Circle and the Foundation seek to control risk and reduce volatility in the investment portfolio through diversification.

The Foundation seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its endowment portfolio. The majority of the endowment funds are invested in equity and equity-like securities. A limited portion of the endowment portfolio can be invested in alternative investments designed to provide the flexibility needed to realize market gains and benefits notwithstanding economic cycles. Fixed-income securities are used to lower the short-term volatility of the endowment portfolio and to provide income stability.

### Spending Policy

The Circle appropriates for distribution from the donor-restricted endowment funds each year up to 5% of the average market value of the fund under management for the preceding twelve quarters (beginning July 31 of the prior year and preceding quarters). In conjunction with the authorization of the annual distribution, the Board of Directors of the Circle will review this policy in light of current and expected market conditions and rate of inflation. Other distributions may be made from time to time at the discretion of the Board of Directors of the Circle.

The Foundation's Board of Directors approves distributions to the Circle from the board-designated endowment funds on an annual basis based on the funding needs of the Circle.

## NOTE 10 – NONFINANCIAL CONTRIBUTIONS

Contributed nonfinancial assets were recognized as follows:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	FISCAL YEAR 2024	FISCAL YEAR 2023
Donated items for sale in the store	Sold in the store	None	Valued using the sales price received.	\$345,241	\$318,391
Donated auction items	Sold at fundraising event	None	Valued using the auction price received.	28,818	61,949
Supplies	Utilized for program services, management and general and events	None	Fair value estimated based on selling price of similar goods.	3,500	5,409
Total contributed nonfinancial assets				<u>\$377,559</u>	<u>\$385,749</u>

A substantial number of volunteers have contributed significant amounts of time in connection with the Shop, the Clinic, and other Circle activities for which no amount has been recognized in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. The hours contributed as volunteer services approximated 48,500 in 2024 and 46,000 in 2023.

## NOTE 11 – SUPPORT OF CLINIC, NEUROLOGICAL RESEARCH INSTITUTE, RESEARCH CENTER, LAB, AND RETT CENTER

Program service grants made by the Circle to the Clinic, Dan and Jan Duncan Neurological Research Institute, Research Center, Lab, and Rett Center are as follows:

	<u>2024</u>	<u>2023</u>
Blue Bird Circle Clinical Research Center	\$ 544,625	\$ 403,290
Blue Bird Circle Rett Center	480,375	355,744
Blue Bird Circle Developmental Neurogenetics Laboratory	195,806	370,000
Dan and Jan Duncan Neurological Research Institute	<u>                    </u>	<u>10,000,000</u>
Total grants before discount	1,220,806	11,129,034
Amortization (increase) of discount	<u>248,756</u>	<u>(1,166,032)</u>
Total grants expense	<u>\$ 1,469,562</u>	<u>\$ 9,963,002</u>

## NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

## The Blue Bird Circle

### Consolidating Statement of Financial Position as of May 31, 2024

	<u>CIRCLE</u>	<u>FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
ASSETS				
Cash	\$ 1,502,470			\$ 1,502,470
Contributions receivable	23,312			23,312
Prepaid expenses and other assets	73,644			73,644
Inventory	9,354			9,354
Receivable from the Foundation	8,080,421		\$ (8,080,421)	
Beneficial interest in assets of the Foundation	2,404,971		(2,404,971)	
Investments	40,814	\$ 23,082,244		23,123,058
Property and equipment, net	<u>4,830,706</u>	<u>                    </u>	<u>                    </u>	<u>4,830,706</u>
TOTAL ASSETS	<u>\$ 16,965,692</u>	<u>\$ 23,082,244</u>	<u>\$(10,485,392)</u>	<u>\$ 29,562,544</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 126,415	\$ 8,080,421	\$ (8,080,421)	\$ 126,415
Consignments payable	92,671			92,671
Grants payable	7,288,318			7,288,318
Funds held in trust for the Circle	<u>                    </u>	<u>2,404,971</u>	<u>(2,404,971)</u>	<u>                    </u>
Total liabilities	<u>7,507,404</u>	<u>10,485,392</u>	<u>(10,485,392)</u>	<u>7,507,404</u>
Net assets:				
Without donor restrictions	6,968,573	12,596,852		19,565,425
With donor restrictions	<u>2,489,715</u>	<u>                    </u>		<u>2,489,715</u>
Total net assets	<u>9,458,288</u>	<u>12,596,852</u>		<u>22,055,140</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,965,692</u>	<u>\$ 23,082,244</u>	<u>\$(10,485,392)</u>	<u>\$ 29,562,544</u>

## The Blue Bird Circle

### Consolidating Statement of Financial Position as of May 31, 2023

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	<u>CIRCLE</u>	<u>FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
ASSETS				
Cash	\$ 1,061,093			\$ 1,061,093
Contributions receivable	10,173			10,173
Prepaid expenses and other assets	14,788			14,788
Receivable from the Foundation	9,100,000		\$ (9,100,000)	
Beneficial interest in assets of the Foundation	945,051		(945,051)	
Investments	3,233	\$ 20,796,418		20,799,651
Property and equipment, net	<u>5,050,400</u>	<u>                    </u>	<u>                    </u>	<u>5,050,400</u>
TOTAL ASSETS	<u>\$ 16,184,738</u>	<u>\$ 20,796,418</u>	<u>\$(10,045,051)</u>	<u>\$ 26,936,105</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 53,667	\$ 9,100,000	\$ (9,100,000)	\$ 53,667
Consignments payable	101,017			101,017
Grants payable	7,925,046			7,925,046
Funds held in trust for the Circle	<u>                    </u>	<u>945,051</u>	<u>(945,051)</u>	<u>                    </u>
Total liabilities	<u>8,079,730</u>	<u>10,045,051</u>	<u>(10,045,051)</u>	<u>8,079,730</u>
Net assets:				
Without donor restrictions	7,138,662	10,751,367		17,890,029
With donor restrictions	<u>966,346</u>	<u>                    </u>		<u>966,346</u>
Total net assets	<u>8,105,008</u>	<u>10,751,367</u>		<u>18,856,375</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,184,738</u>	<u>\$ 20,796,418</u>	<u>\$(10,045,051)</u>	<u>\$ 26,936,105</u>

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## The Blue Bird Circle

### Consolidating Statement of Activities for the year ended May 31, 2024

	<u>CIRCLE</u>	<u>FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
REVENUE:				
Blue Bird Circle Resale Shop				
consignment sales, net	\$ 1,158,150			\$ 1,158,150
Blue Bird Circle Resale Shop donated				
items	345,241			345,241
Cost of goods sold for donated items	(335,887)			(335,887)
Grant from the Foundation	800,000		\$ (800,000)	
Contributions	1,867,881			1,867,881
Other nonfinancial contributions	3,500			3,500
Special event:				
Blue Bird Circle luncheon	174,480			174,480
Proceeds from contributed auction				
items	28,818			28,818
Direct donor benefits of luncheon	(16,180)			(16,180)
Other Circle projects and sales	58,382			58,382
Membership contributions	27,808			27,808
Change in beneficial interest in assets of				
the Foundation	50,342	\$ (50,342)		
Net investment return	<u>88,749</u>	<u>2,704,433</u>		<u>2,793,182</u>
Total revenue	<u>4,251,284</u>	<u>2,654,091</u>	<u>(800,000)</u>	<u>6,105,375</u>
EXPENSES:				
Program services:				
Contribution to the Circle		800,000	(800,000)	
Program service grants	<u>1,469,562</u>			<u>1,469,562</u>
Total program services	1,469,562	800,000	(800,000)	1,469,562
Management and general	347,821	8,606		356,427
Blue Bird Circle Resale Shop	1,026,812			1,026,812
Fundraising and Circle projects	<u>53,809</u>			<u>53,809</u>
Total expenses	<u>2,898,004</u>	<u>808,606</u>	<u>(800,000)</u>	<u>2,906,610</u>
CHANGES IN NET ASSETS	1,353,280	1,845,485	0	3,198,765
Net assets, beginning of year	<u>8,105,008</u>	<u>10,751,367</u>	<u>0</u>	<u>18,856,375</u>
Net assets, end of year	<u>\$ 9,458,288</u>	<u>\$ 12,596,852</u>	<u>\$ 0</u>	<u>\$ 22,055,140</u>

## The Blue Bird Circle

### Consolidating Statement of Activities for the year ended May 31, 2023

	<u>CIRCLE</u>	<u>FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
REVENUE:				
Blue Bird Circle Resale Shop				
consignment sales, net	\$ 1,108,706			\$ 1,108,706
Blue Bird Circle Resale Shop donated				
items	318,391			318,391
Cost of goods sold for donated items	(318,391)			(318,391)
Grant from the Foundation	10,700,000		\$(10,700,000)	
Contributions	304,385			304,385
Other nonfinancial contributions	5,409			5,409
Special event:				
Blue Bird Circle gala	326,579			326,579
Proceeds from contributed auction				
items	61,949			61,949
Direct donor benefits of gala	(90,401)			(90,401)
Other Circle projects and sales	42,700			42,700
Membership contributions	34,315			34,315
Change in beneficial interest in assets of				
the Foundation	7,695	\$ (7,695)		
Net investment return	<u>121,119</u>	<u>180,210</u>		<u>301,329</u>
Total revenue	<u>12,622,456</u>	<u>172,515</u>	<u>(10,700,000)</u>	<u>2,094,971</u>
EXPENSES:				
Program services:				
Contribution to the Circle		10,700,000	(10,700,000)	
Program service grants	<u>9,963,002</u>			<u>9,963,002</u>
Total program services	9,963,002	10,700,000	(10,700,000)	9,963,002
Management and general	447,784	14,012		461,796
Blue Bird Circle Resale Shop	986,922			986,922
Fundraising and Circle projects	<u>144,427</u>			<u>144,427</u>
Total expenses	<u>11,542,135</u>	<u>10,714,012</u>	<u>(10,700,000)</u>	<u>11,556,147</u>
CHANGES IN NET ASSETS	1,080,321	(10,541,497)	0	(9,461,176)
Net assets, beginning of year	<u>7,024,687</u>	<u>21,292,864</u>	<u>0</u>	<u>28,317,551</u>
Net assets, end of year	<u>\$ 8,105,008</u>	<u>\$ 10,751,367</u>	<u>\$ 0</u>	<u>\$ 18,856,375</u>