

DALLAS 24 HOUR CLUB, INC.

Financial Statements
(With Independent Auditor's Report Thereon)

December 31, 2021 and 2020

DALLAS 24 HOUR CLUB, INC.

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December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors and Management of
Dallas 24 Hour Club, Inc.:

Opinion

We have audited the accompanying financial statements of Dallas 24 Hour Club, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dallas 24 Hour Club, Inc. as of December 31, 2021 and 2020, 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 (GAAS). 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 the Fund 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Dallas 24 Hour Club, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Fund'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 Dallas 24 Hour Club, Inc.'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.

STILL BURTON LLP

Still Burton LLP

Farmers Branch, Texas
June 28, 2022

DALLAS 24 HOUR CLUB, INC.

Statements of Financial Position

December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Assets | | |
| Cash and cash equivalents | \$ 642,393 | \$ 829,300 |
| Restricted cash | 35,132 | 114,025 |
| Pledges and grant receivable | 80,000 | 55,000 |
| Prepaid expenses | 9,318 | 11,817 |
| Investments | 1,559,848 | 1,549,910 |
| Property and equipment, net | <u>6,930,890</u> | <u>6,842,335</u> |
| TOTAL ASSETS | \$ <u>9,257,581</u> | \$ <u>9,402,387</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Debt | \$ 500,042 | \$ 850,042 |
| Net Assets | | |
| Without donor restrictions | 8,694,210 | 8,535,210 |
| With donor restrictions | <u>63,329</u> | <u>17,135</u> |
| Total Net Assets | <u>8,757,539</u> | <u>8,552,345</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>9,257,581</u> | \$ <u>9,402,387</u> |

See accompanying notes and independent auditor's report.

DALLAS 24 HOUR CLUB, INC.
Statements of Activities and Changes in Net Assets

| | <u>For the Year Ended December 31,</u> | | | <u>For the Year Ended December 31,</u> | | |
|--------------------------------------|---|------------------------------------|---------------------|---|------------------------------------|---------------------|
| | <u>2021</u> | | | <u>2020</u> | | |
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| SUPPORT AND REVENUES | | | | | | |
| Special events | \$ 694,057 | \$ - | \$ 694,057 | \$ 599,127 | \$ - | \$ 599,127 |
| Resident fees | 510,735 | - | 510,735 | 337,922 | - | 337,922 |
| In-kind contributions | 214,776 | - | 214,776 | 182,862 | - | 182,862 |
| Grant revenue | 92,600 | - | 92,600 | 72,000 | 136,859 | 208,859 |
| Contributions | 211,791 | 137,227 | 349,018 | 219,294 | 488,077 | 707,371 |
| Restaurant sales | 88,162 | - | 88,162 | 78,524 | - | 78,524 |
| Ancillary and other income | 35,224 | - | 35,224 | 25,058 | - | 25,058 |
| Investment income | 10,395 | - | 10,395 | 52,537 | - | 52,537 |
| Net assets released from restriction | 109,562 | (109,562) | - | 651,430 | (651,430) | - |
| Total Support and Revenues | <u>1,967,302</u> | <u>27,665</u> | <u>1,994,967</u> | <u>2,218,754</u> | <u>(26,494)</u> | <u>2,192,260</u> |
| OPERATING EXPENSES | | | | | | |
| Program services | 1,242,167 | - | 1,242,167 | 1,029,700 | - | 1,029,700 |
| General and administrative | 431,497 | - | 431,497 | 375,450 | - | 375,450 |
| Fundraising | 116,109 | - | 116,109 | 113,473 | - | 113,473 |
| Total Expenses | <u>1,789,773</u> | <u>-</u> | <u>1,789,773</u> | <u>1,518,623</u> | <u>-</u> | <u>1,518,623</u> |
| Change in Net Assets | 177,529 | 27,665 | 205,194 | 700,131 | (26,494) | 673,637 |
| Net Assets, Beginning of Year | 8,535,210 | 17,135 | 8,552,345 | 7,835,079 | 43,629 | 7,878,708 |
| Reclassification | <u>(18,529)</u> | <u>18,529</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Assets, End of Year | <u>\$ 8,694,210</u> | <u>\$ 63,329</u> | <u>\$ 8,757,539</u> | <u>\$ 8,535,210</u> | <u>\$ 17,135</u> | <u>\$ 8,552,345</u> |

See accompanying notes and independent auditor's report.

DALLAS 24 HOUR CLUB, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

| | Program Services | General and Administrative | Fundraising | Totals 2021 | Totals 2020 |
|----------------------------|-----------------------------|---------------------------------------|--------------------------|----------------------------|----------------------------|
| Salaries and wages | \$ 557,732 | \$ 296,220 | \$ 56,918 | \$ 910,870 | \$ 812,821 |
| Special events | - | - | 56,030 | 56,030 | 46,226 |
| Resident support | 257,531 | 117 | - | 257,648 | 250,196 |
| Depreciation | 189,570 | 513 | - | 190,083 | 150,955 |
| Resident food | 83,588 | - | - | 83,588 | 72,062 |
| Utilities | 75,500 | 10,966 | - | 86,466 | 57,374 |
| Office expense | 6,869 | 33,176 | 1,536 | 41,581 | 30,924 |
| Professional fees | 20,906 | 16,000 | - | 36,906 | 17,900 |
| Insurance | 8,068 | 41,085 | 1,125 | 50,278 | 32,514 |
| Cost of merchandise sold | 20,612 | - | - | 20,612 | 14,789 |
| Bank charges | - | 14,472 | - | 14,472 | 14,216 |
| Fundraising | - | 18,948 | 500 | 19,448 | 16,763 |
| Interest | 21,791 | - | - | 21,791 | 1,883 |
| TOTAL EXPENSES 2021 | \$ <u>1,242,167</u> | \$ <u>431,497</u> | \$ <u>116,109</u> | \$ <u>1,789,773</u> | |
| TOTAL EXPENSES 2020 | \$ <u>1,029,700</u> | \$ <u>375,450</u> | \$ <u>113,473</u> | | \$ <u>1,518,623</u> |

See accompanying notes and independent auditor's report.

DALLAS 24 HOUR CLUB, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020

| | Program Services | General and Administrative | Fundraising | Totals 2020 |
|----------------------------|-----------------------------|---------------------------------------|--------------------------|----------------------------|
| Salaries and wages | \$ 479,205 | \$ 267,578 | \$ 66,038 | \$ 812,821 |
| Special events | - | - | 46,226 | 46,226 |
| Resident support | 250,088 | 108 | - | 250,196 |
| Depreciation | 150,196 | 759 | - | 150,955 |
| Resident food | 72,062 | - | - | 72,062 |
| Utilities | 46,932 | 10,442 | - | 57,374 |
| Office expense | 2,877 | 27,489 | 558 | 30,924 |
| Professional fees | 2,400 | 15,500 | - | 17,900 |
| Insurance | 4,009 | 27,854 | 651 | 32,514 |
| Cost of merchandise sold | 14,789 | - | - | 14,789 |
| Bank charges | 25 | 14,191 | - | 14,216 |
| Fundraising | 5,234 | 11,529 | - | 16,763 |
| Interest | 1,883 | - | - | 1,883 |
| TOTAL EXPENSES 2020 | \$ <u>1,029,700</u> | \$ <u>375,450</u> | \$ <u>113,473</u> | \$ <u>1,518,623</u> |

See accompanying notes and independent auditor's report.

DALLAS 24 HOUR CLUB, INC.

Statements of Cash Flows

December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 205,194 | \$ 673,637 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 190,083 | 150,955 |
| Unrealized gain on investments | (9,938) | (49,910) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (25,000) | (39,000) |
| Prepaid expenses and other assets | 2,499 | (4,047) |
| Net Cash Provided by Operating Activities | <u>362,838</u> | <u>731,635</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of equipment, furniture and fixtures | (278,638) | (696,685) |
| Net Cash Used in Investing Activities | <u>(278,638)</u> | <u>(696,685)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on debt | (350,000) | - |
| Net Cash Used in Financing Activities | <u>(350,000)</u> | <u>-</u> |
| Net (Decrease) Increase in Cash | (265,800) | 34,950 |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>943,325</u> | <u>908,375</u> |
| Cash, cash equivalents, and restricted cash at end of year | <u>\$ 677,525</u> | <u>\$ 943,325</u> |
| SUPPLEMENTAL CASH FLOW DISCLOSURES: | | |
| Non-cash acquisition of property and equipment through debt | <u>-</u> | <u>850,042</u> |
| Interest paid | <u>21,791</u> | <u>1,883</u> |

See accompanying notes and independent auditor's report.

DALLAS 24 HOUR CLUB, INC.

Notes to Financial Statements
December 31, 2021 and 2020

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Dallas 24 Hour Club, Inc (Organization) was founded in 1969 and registered as a Texas nonprofit corporation in 1998. The Organization operates in Dallas, Texas to provide transitional living for homeless men and women seeking a life away from alcohol and substance abuse. The program provided by the Organization focuses on the 12-step model of recovery and incorporates meeting attendance, sponsorship, and service work as part of the living guidelines to further increase chances for long-term sobriety and independent living skills.

Basis of Presentation and Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP), consistently applied.

Net Asset Classification

The Organization classifies its net assets into two categories as follows:

Without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These may be used for any purpose or designated for specific purposes by action of the Board of Directors.

With Donor Restrictions – (1) Net assets which are subject to donor-imposed purpose restrictions or which expire by the passage of time. (2) Net assets subject to donor-imposed stipulations that the corpus be maintained permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. These are often referred to as endowments. The Organization records donor-restricted contributions received and expended in the same year as being without donor restrictions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording depreciation, the collectability of accounts receivable, and the functional allocation of expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization based on management's estimates. Those expenses include depreciation, salaries and related compensation expenses for the chief executive officer and certain staff, office expense and building cost. Depreciation, office expense and building costs are allocated on a square footage basis of the buildings used to perform program, administrative or fundraising functions. Salaries and related costs are allocated based on a review of the actual time expended.

Income Tax Status

The Organization is a nonprofit organization that is exempt from federal income taxes under Section 501 (a) of the Internal Revenue Code as a 501(c)(3) organization. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the organization's exempt purpose is subject to tax under IRC Section 511.

DALLAS 24 HOUR CLUB, INC.
Notes to Financial Statements - Continued
December 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. At times, the Organization had cash on deposit with financial institutions and brokerages that exceeded federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash balances in bank accounts that at times may exceed federally insured limits. The Organization has not experienced any losses on such assets and management considers the risk of loss to be minimal.

Restricted Cash

Restricted cash is comprised of cash or cash equivalent donations specifically restricted by donors for various purposes. As of December 31, 2021 and 2020, restricted cash was \$35,132 and \$114,025, respectively, representing donor funds from the Friends of the 24, Phase 3 Capital Campaign, and the Advocates Board. Restricted cash is combined with cash and cash equivalents in the statement of cash flows.

Contributions and Pledges Receivable

Contributions received, including unconditional promises to give (Pledges), are recorded as support with or without donor restrictions in the period received depending on the existence and/or nature of any donor restrictions. Contributions with donor restrictions which are both received and expended for the purpose or time restriction in the same year are reported as without donor restrictions. Conditional pledges are recognized as the conditions upon which they depend are substantially met. There were no conditional pledges at December 31, 2021 or 2020. Unconditional pledges are recognized as revenue at the time the promise is given.

Pledges with maturity dates due within 12 months are recorded at net realizable value, while Pledges with maturity dates in subsequent years are recorded at the present value of their net realizable value using a risk-free interest rate. The Organization evaluates the collectability of its Pledges and adequacy of its allowance for doubtful accounts on a periodic basis. The evaluation includes historical loss experience, length of time the Pledges are past due and adverse situations that may affect the donor's ability to honor its Pledge. The Organization records and adjusts its allowance for bad debt balance as necessary. At December 31, 2021 and 2020, there was no allowance for bad debt recorded.

Investments

Investments consist of certificates of deposit (CD) with original maturities in excess of one year. The Organization carries these investments at fair market value in the statements of financial position. One CD valued at approximately \$1 million matures in March 2022. One CD valued at approximately \$517,000 matures in October 2022. Investment return consists of interest and dividend income, realized gains or losses, and unrealized gains or losses.

Property and Equipment

Property and equipment are stated at historical cost. Expenditures which substantially improve or extend the useful life of property are capitalized if such costs exceed \$1,000 and has a useful life of over a year. Routine maintenance and repair costs are expensed as incurred.

Depreciation is calculated using the straight-line method over the established useful lives of the individual assets: buildings 39 years and furniture and equipment five to ten years.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Lived Assets

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Organization compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of the assets and is recorded in the period in which the determination was made. No indicators of impairment existed during the years ended December 31, 2021 and 2020.

Fair Value Measurements

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2021 or 2020.

Certificates of Deposit: Certificates of Deposit are valued at cost plus accrued interest on the last business day of the fiscal year.

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

The carrying amounts for cash and cash equivalents and pledges receivable approximate fair value due to the short-term nature of those instruments.

Tax-Exempt Status

The Organization has been determined by the Internal Revenue Service to be a Section 501(c)(3) charitable organization exempt from federal income taxes. Contributions to the Organization are considered tax-deductible under Section 170 of the Internal Revenue Code. The Organization did not have any unrelated business income for the years ended December 31, 2021 or 2020. Management has concluded that any tax positions which would not meet the more-likely-than-not criterion of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740-10, Accounting for Income Taxes, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the statement of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Revenue Recognition

Revenues from special events are primarily from the annual chef event/cookbook sales. Revenues from special events are recognized once the event has occurred.

DALLAS 24 HOUR CLUB, INC.
Notes to Financial Statements - Continued
December 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Continued

Resident fees are derived from intake and service fees received from residents living on the Organization's campus and are recognized at the time of service.

Restaurant sales from the on-site restaurant for both the residents and the public is recognized at the time of service.

Contributions are received from individuals, groups and foundation grants. Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Grants are recognized when notice is received. Contributions that are restricted by the donor, for either purpose or time, are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated services, materials and assets are recorded at their estimated fair market values at the date of receipt and are included within in-kind contributions.

Miscellaneous income includes sales of merchandise (i.e. t-shirts and books) as well as vending machine income. Miscellaneous income is recognized at time of purchase of the goods.

Advertising Expenses

The Organization expenses advertising costs as incurred. The Organization incurred approximately \$20,000 and \$12,000 in advertising expense for the years ended December 31, 2021 and 2020, respectively.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for periods beginning after December 15, 2021. Early adoption is permitted. The Organization has elected not to early adopt this ASU as of December 31, 2021. The Organization is required to implement this ASU for the year ended December 31, 2022. Management is currently evaluating impact, if any, on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization is required to implement this ASU for the year ended December 31, 2023. Management is currently evaluating impact, if any, on its financial statements.

Reclassifications

During 2021, land purchased in conjunction with the Tillman building aggregating \$307,437 was reclassified from the building cost. The Tillman building was remodeled and placed in service during March 2021. Also during 2021, net assets with donor restrictions aggregating \$18,529 were reclassified from net assets without donor restrictions.

DALLAS 24 HOUR CLUB, INC.
Notes to Financial Statements - Continued
December 31, 2021 and 2020

NOTE 2: LIQUIDITY AND AVAILABILITY

The financial assets of the Organization available within one year of the balance sheet date for general expenditures are as follows as of December 31:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|--------------------|
| Cash and cash equivalents | \$ 642,393 | \$ 829,300 |
| Restricted cash | 35,132 | 114,025 |
| Investments | 1,559,848 | 1,549,910 |
| Pledges receivable, current | 25,000 | 10,000 |
| Financial assets available at year end | <u>\$ 2,262,373</u> | <u>\$2,503,235</u> |
| Less unavailable within one year: | | |
| Purpose restrictions by donor | <u>(63,329)</u> | <u>(17,135)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,199,044</u> | <u>\$2,486,100</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|--------------------|--------------------|
| Building and improvements | \$6,675,600 | \$6,788,901 |
| Furniture and equipment | 213,499 | 128,996 |
| Land | 657,437 | 350,000 |
| | <u>7,546,536</u> | <u>7,267,897</u> |
| Less accumulated depreciation | <u>(615,646)</u> | <u>(425,562)</u> |
| | <u>\$6,930,890</u> | <u>\$6,842,335</u> |

Depreciation expense for the years ended December 31, 2021 and 2020 was \$190,083 and \$150,955, respectively.

DALLAS 24 HOUR CLUB, INC.
Notes to Financial Statements - Continued
December 31, 2021 and 2020

NOTE 4: PLEDGES AND GRANT RECEIVABLE

The following schedule summarizes the pledges receivable balances:

| <u>Amounts due in:</u> | <u>2021</u> | <u>2020</u> |
|------------------------|------------------|------------------|
| Less than one year | \$ 25,000 | \$ 10,000 |
| One to five years | 30,000 | 45,000 |
| | <u>\$ 55,000</u> | <u>\$ 55,000</u> |

At December 31, 2021, a grant receivable of \$25,000 for women's empowerment is recorded.

NOTE 5: DEBT

The Organization purchased property on Peak Street in Dallas, Texas (Tillman) for \$1.5 million, financed in part with a bank loan of \$850,042. During 2021, additional principal payments of \$350,000 reduced the loan to \$500,042. The loan bears interest at 2.75%. Interest only payments of \$1,948 are due from December 2020 through October 2023. Beginning in November 2023, monthly principal and interest payments of \$4,609 are due through October 2025 then a final balloon payment due in November 2025. The loan is collateralized by the Tillman property.

Future minimum principal payments as of December 31, 2021 are due as follows:

| Year Ended December 31, | |
|-------------------------|-------------------|
| 2022 | \$ 9,795 |
| 2023 | 15,395 |
| 2024 | 42,830 |
| 2025 | 432,022 |
| | <u>\$ 500,042</u> |

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-----------------|-----------------|
| Women's empowerment | \$26,129 | \$3,521 |
| Friends of The 24 resident support | 868 | 2,423 |
| Advocates board | 11,091 | 11,191 |
| Resident meals | 7,450 | - |
| Dental lab fees | 17,291 | - |
| Scholarship for resident fees | 500 | - |
| | <u>\$63,329</u> | <u>\$17,135</u> |

Total released from net assets with donor restrictions was \$109,562 for the year ended December 31, 2021. Total released from net assets with donor restrictions was \$651,430 for the year ended December 31, 2020.

DALLAS 24 HOUR CLUB, INC.
Notes to Financial Statements - Continued
December 31, 2021 and 2020

NOTE 7: IN-KIND CONTRIBUTIONS

The Organization reports in-kind contributions of property and equipment as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets or other assets with explicit restrictions that specify how the assets are to be used are recorded as increases in net assets with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets or other assets are placed in service.

During the years ended December 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements has been recorded as in-kind contributions. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

In-kind contributions for the years ended December 31, 2021 and 2020 consisted of food, supplies, and professional fees of \$214,776 and \$182,862, respectively.

NOTE 8: RELATED PARTIES

The Organization received donations of approximately \$30,000 and \$72,000 from board members and employees during the years ended December 31, 2021 and 2020, respectively.

NOTE 9: IMPACT OF COVID-19 AND THE PAYCHECK PROTECTION PROGRAM LOAN

Beginning in March 2020, a worldwide pandemic related to COVID-19 caused significant disruption to the entire U.S. economy due to various shut down and shelter in place requirements, as well as significant changes to activities as driven by federal, state and local regulations. The Organization was negatively impacted by the pandemic but sustained operations throughout the year. Safety protocols, with related costs, were implemented and residents continued to be served. However, the facility was closed to the public between March 2020 and March 2021. The new intakes were limited and the resident census declined. However, with the PPP loan, the Organization did not lay off anyone during the height of the crisis.

The Organization received approximately \$137,000 through the federal government's Small Business Administration as part of its Payroll Protection Program (PPP) in April 2020. In December 2020, the Organization was notified that the PPP loan was forgiven in full. Therefore, approximately \$137,000 is included in the Statement of Activities and Changes in Net Assets as grant revenue for the year ended December 31, 2020.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated for potential recognition or disclosure through June 28, 2022, which is the date the financial statements were available to be issued.