

ANOTHER CHANCE HOUSE
FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Another Chance House

Opinion

I have audited the accompanying financial statements of Another Chance House (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Another Chance House as of December 31, 2023 and 2022, 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

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Another Chance House and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Another Chance House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I:

- 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 Another Chance House'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Another Chance House's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Victor B. Glenn

Amarillo, TX
September 3, 2024

ANOTHER CHANCE HOUSE
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 330,903	\$ 530,524
Accounts receivable	85,848	20,011
Promises to give	-	40,000
Inventory	9,226	11,490
Prepaid expenses	3,688	4,844
Other current assets	<u>7,224</u>	<u>4,271</u>
Total current assets	436,889	611,139
 Property and equipment (net)	 1,453,725	 1,278,057
 Other assets		
Beneficial interest in assets held by Amarillo Area Foundation	 146,282	 134,175
Cash restricted for long term purposes	<u>-</u>	<u>86,365</u>
Total other assets	<u>146,282</u>	<u>220,540</u>
 Total assets	 <u>\$ 2,036,896</u>	 <u>\$ 2,109,737</u>
 LIABILITIES		
Current liabilities		
Accounts payable	\$ 4,372	\$ 70,159
Accrued liabilities	<u>10,872</u>	<u>13,966</u>
Total current liabilities	15,244	84,125
 NET ASSETS		
Without donor restrictions	1,911,504	1,838,214
With donor restrictions	<u>110,148</u>	<u>187,398</u>
Total net assets	<u>2,021,652</u>	<u>2,025,612</u>
 Total liabilities and net assets	 <u>\$ 2,036,896</u>	 <u>\$ 2,109,737</u>

See accompanying notes and accountant's report

ANOTHER CHANCE HOUSE
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
WITHOUT DONOR RESTRICTIONS		
Revenue and other support		
Contributions	\$ 297,270	\$ 168,888
In-kind contributions	61,575	75,774
Grants	306,291	348,448
Veteran's Administration contract	285,490	324,190
Participant rent income	78,126	82,514
Interest and investment income, net	11,756	7,394
Realized and unrealized gains on investments	1,366	466
Gain on disposal of assets	4,593	8,913
Other income	47,376	1,396
Total unrestricted revenue	1,093,843	1,017,983
Net assets released from restrictions	86,365	296,658
Total unrestricted revenue and other support	1,180,208	1,314,641
Expenses		
Program	865,868	931,553
Management and general	131,668	114,427
Fundraising	110,478	131,953
Total expenses	1,108,014	1,177,933
Unrealized losses on investments	(1,096)	5,988
Total expenses and losses	1,106,918	1,183,921
Change in net assets without donor restrictions	73,290	130,720
WITH DONOR RESTRICTIONS		
Contributions	-	86,365
Interest and investment return, net	1,608	-
Realized and unrealized gains on investments	7,507	(16,833)
Net assets released from restrictions	(86,365)	(296,658)
Change in net assets with donor restrictions	(77,250)	(227,126)
Change in net assets	(3,960)	(96,406)
Net assets at beginning of year	2,025,612	2,122,018
Net assets at end of year	\$ 2,021,652	\$ 2,025,612

See accompanying notes and accountant's report

ANOTHER CHANCE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program	Management & General	Fundraising	Total
Salaries	\$ 426,056	\$ 70,622	\$ 53,824	\$ 550,502
Payroll taxes	32,460	5,380	4,101	41,941
Employee benefits	37,770	5,887	4,487	48,144
	<u>496,286</u>	<u>81,889</u>	<u>62,412</u>	<u>640,587</u>
Advertising and marketing	6,931	-	12,344	19,275
Bank charges	-	1,754	-	1,754
Computer expense	14,434	-	-	14,434
Depreciation	53,410	8,853	6,747	69,010
Dues and subscriptions	1,172	-	5,548	6,720
Food and meals	74,804	721	1,113	76,638
Insurance	34,703	5,210	3,971	43,884
Licenses and fees	313	-	-	313
Printing and postage	3,578	593	452	4,623
Professional fees	-	15,696	-	15,696
Rent expense	-	-	680	680
Repairs and maintenance	20,599	3,415	2,602	26,616
Specific assistance	11,416	-	-	11,416
Supplies	67,818	448	341	68,607
Travel	13,955	2,108	1,607	17,670
Training and education	2,047	-	6,053	8,100
Utilities	62,472	7,751	5,907	76,130
Bad Debts	-	2,987	-	2,987
Miscellaneous	1,930	243	701	2,874
Total expenses reported by function	<u>\$ 865,868</u>	<u>\$ 131,668</u>	<u>\$ 110,478</u>	<u>\$ 1,108,014</u>

See accompanying notes and accountant's report

ANOTHER CHANCE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program	Management & General	Fundraising	Total
Salaries	\$ 453,058	\$ 61,340	\$ 64,107	\$ 578,504
Payroll taxes	35,023	4,742	4,956	44,721
Employee benefits	49,274	6,469	6,761	62,505
	<u>537,355</u>	<u>72,551</u>	<u>75,824</u>	<u>685,730</u>
Advertising and marketing	9,918	-	13,581	23,499
Bank charges	-	1,544	-	1,544
Computer expense	9,427	-	-	9,427
Depreciation	46,519	6,298	6,582	59,399
Dues and subscriptions	1,618	-	5,557	7,175
Food and meals	69,657	1,016	1,308	71,981
Insurance	31,356	4,110	4,295	39,761
Licenses and fees	301	-	-	301
Printing and postage	3,418	463	484	4,365
Professional fees	-	12,266	-	12,266
Rent expense	-	-	1,565	1,565
Repairs and Maintenance	21,015	2,845	2,974	26,834
Specific assistance	21,245	-	-	21,245
Supplies	90,184	303	316	90,803
Travel	16,279	2,204	2,303	20,786
Training and education	9,381	-	6,308	15,689
Utilities	59,173	7,501	7,837	74,511
Bad debts	-	2,956	-	2,956
Miscellaneous	4,707	370	3,019	8,096
Total expenses reported by function	<u>\$ 931,553</u>	<u>\$ 114,427</u>	<u>\$ 131,953</u>	<u>\$ 1,177,933</u>

See accompanying notes and accountant's report

ANOTHER CHANCE HOUSE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (3,960)	\$ (96,406)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	69,010	59,399
Realized (gain) loss on operating assets	(4,593)	(8,873)
Change in beneficial interests in assets held by others	(12,107)	20,729
Change in operating assets:		
Prepaid expenses	1,157	(1,249)
Unrestricted promises to give	40,000	(40,000)
Accounts receivable	(65,837)	10,473
Inventory	2,264	(5,527)
Other current assets	(2,954)	(3,933)
Change in operating liabilities:		
Accrued expenses	(65,787)	60,929
Accrued liabilities	(3,094)	412
Net cash provided (used) by operating activities	<u>(45,901)</u>	<u>(4,046)</u>
Cash Flows From Investing Activities		
Payments for property	(244,684)	(308,723)
Proceeds from sale of assets	4,599	9,000
Net cash used by investing activities	<u>(240,085)</u>	<u>(299,723)</u>
Net decrease in cash and cash equivalents	(285,986)	(303,769)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>616,889</u>	<u>920,658</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 330,903</u>	<u>\$ 616,889</u>

See accompanying notes and accountant's report

ANOTHER CHANCE HOUSE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

Nature of Activities

Another Chance House (the Organization) is a not-for-profit corporation chartered by the State of Texas on February 17, 1987. The Organization provides a positive path to a self-sufficient life for men who are homeless or at risk of homelessness.

Transitional housing is provided to men who are accepted into the program. The Organization is primarily supported by donor contributions, grants, and fundraising activities.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Promises to Give and Accounts Receivables

Receivables are stated at the amount management expects to collect within one year from outstanding balances. The Organization has not provided an allowance for uncollectible receivables as management considers all receivables fully collectible.

Revenue Recognition

Contributions and Grants

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire 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.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Rent Income

Certain program participants pay rent for housing under formal lease agreements. Revenue is recognized on a monthly basis as the housing performance obligation is satisfied.

ANOTHER CHANCE HOUSE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

Third-party Reimbursements

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible participants. Revenue is recognized as performance obligations are satisfied based on actual days of service provided.

Donated Assets, Property and Equipment, and Services

Donated assets other than food are recorded as contributions at their fair values at the date of donation. Donations of food are valued using Feeding America's Fair Market Value guideline for food donations at a per pound rate. Donated assets are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

Donated services are recognized as contributions if the service; (a) creates or enhances nonfinancial assets or (b) requires specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from those estimates.

Inventory

Inventory consists of food and maintenance supplies and is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Property and Equipment

It is the policy of the Organization to capitalize property and equipment that cost \$500 or more and that are long lived and benefit future periods. Repairs and improvements to property or leasehold improvements of more than \$1,000 are also capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the

ANOTHER CHANCE HOUSE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using straight-line method over the following estimated useful lives:

Buildings	27 - 40 years
Equipment	5 - 15 years
Furniture and fixtures	5 - 15 years
Vehicles	5 - 7 years

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

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

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has made no provision for federal income taxes in the accompanying financial statements. In addition, The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to the program and supporting services of management and general, and fundraising. Expenses related to more than one function are charged to programs and supporting services on the basis of time and expense studies. Accordingly, certain costs have been allocated among the programs and

ANOTHER CHANCE HOUSE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

supporting services benefited. The expenses that are allocated include occupancy, depreciation, salaries, payroll taxes, insurance, and office expenses.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Cash and cash equivalents	\$ 330,903	\$ 530,524
Cash restricted for acquisition of property	-	85,365
Cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 330,903</u>	<u>\$ 616,889</u>

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating and lease liability – operating, and finance leases are included in right-of-use ("ROU") assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Reclassifications

Certain accounts in the prior-year financial statements have been classified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassifications had no impact on the previously reported net assets

ANOTHER CHANCE HOUSE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

NOTE 2 -- LIQUIDITY AND AVAILABILTIY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action.

	<u>2023</u>	<u>2022</u>
Cash, cash equivalents, and restricted cash	\$ 330,903	\$ 616,889
Accounts and grants receivable	85,848	20,011
Promise to give	-	40,000
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions		
Restricted by donor for expansion	-	(86,365)
Board designations		
Amounts set aside for liquidity reserve	(211,357)	(211,357)
Amounts set aside for repairs and maintenance	(105,529)	(105,529)
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 99,865</u>	<u>\$ 273,649</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. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$211,357 as of December 31, 2023. There is a fund established by the governing board in the amount of \$105,529 as of December 31, 2023 that may be drawn upon in the event of major repairs and maintenance needs.

NOTE 3 -- CONCENTRATIONS

For the years ended December 31, 2023 and 2022, approximately 30% to 35% and 20% to 32% of the Organization's support came from donor contributions and grants, respectively. Approximately 28% to 30% came from program reimbursements from the Veteran's Administration.

ANOTHER CHANCE HOUSE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

NOTE 4 – PROMISES TO GIVE

Promises to give are restricted to payment for program expenses. The promise to give as of December 31, 2022 was unconditional and due in the following year. The promise to give was considered to be fully collectable.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable are stated at unpaid balances. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Accounts receivable as of December 31, 2023 consist of the following:

	Veterans Administration	FEMA	2023 Rent	Total
Receivables, beginning of year	\$ 15,840	\$ -	\$ 4,171	\$ 20,011
Revenue during year	285,490	41,159	78,180	404,829
Collections during year	(257,410)	-	(78,595)	(336,005)
Amounts deemed uncollectable	-	-	(2,987)	(2,987)
Receivables, end of year	<u>\$ 43,920</u>	<u>\$ 41,159</u>	<u>\$ 769</u>	<u>\$ 85,848</u>

Accounts receivable as of December 31, 2022 consist of the following:

	Veterans Administration	2022 Rent	Total
Receivables, beginning of year	\$ 27,075	\$ 3,410	\$ 30,485
Revenue during year	324,190	82,514	406,704
Collections during year	(335,425)	(81,007)	(416,432)
Amounts deemed uncollectable	-	(746)	(746)
Receivables, end of year	<u>\$ 15,840</u>	<u>\$ 4,171</u>	<u>\$ 20,011</u>

NOTE 6 – COMPENSATED ABSENCES

The Organization provides full time employees with paid time off at various rates of 1.25 to 4.5 hours per week up to 65 to 234 hours per year depending on the years of employment. All paid time off earned in a given year must be taken within ninety (90) days following the anniversary date of hire or will be lost. Accrued paid time off has not been recorded in the financial statements since the right to compensated absences does not vest.

ANOTHER CHANCE HOUSE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2023	2022
Subject to expenditure for specific purpose:		
Program facility expansion	\$ -	\$ 86,365
Subject to the Organization's spending policy and appropriation:		
Another Chance House operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	62,850	62,850
Accumulated gains	47,298	38,183
Total – Another Chance House Operations	<u>\$ 110,148</u>	<u>\$ 187,398</u>

NOTE 8 – DONATED MATERIALS, FACILITIES, AND SERVICES

The Organization received the following contributions of nonfinancial assets for the years ending December 31,

	2023	2022
Home furnishings	\$ 1,446	\$ 7,873
Clothing	30,586	12,233
Small tools and equipment	-	14,085
Food	18,832	18,638
Supplies	6,109	15,633
Professional services	4,602	7,312
Total contributed nonfinancial assets	<u>\$ 61,575</u>	<u>\$ 75,774</u>

- The organization recognized contributed nonfinancial assets within revenue, including various supply items and professional services.
- In valuing supplies, support services, and other items, the Organization estimated the fair value on the basis of estimates of donated values or wholesale values that would be received for selling similar products in the United States.
- Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Contributed services recognized are comprised of professional services from accountants providing auditing services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar accounting services.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 3, 2024 which is the date the financial statements were available to be issued.

NOTE 10 – PROPERTY AND EQUIPMENT

The following schedule is a summary of property and equipment as of December 31:

	2023	2022
Land and land improvements	\$ 101,414	\$ 93,953
Buildings and improvements	1,977,816	1,455,222
Equipment	157,130	143,320
Vehicle	21,914	36,133
Furniture	50,610	24,618
Construction in progress	-	325,174
	<u>2,308,884</u>	<u>2,078,420</u>
Less: accumulated depreciation	(855,159)	(800,363)
Net property and equipment	<u>\$ 1,453,725</u>	<u>\$ 1,278,057</u>

NOTE 11 – BENEFICIAL INTEREST IN ASSETS HELD BY THE AMARILLO AREA FOUNDATION

The Organization has transferred assets to the Amarillo Area Foundation, Inc. (the "AAF"), which is a community foundation established to support those agencies and projects which improve the quality of life in the Texas Panhandle as an irrevocable gift. The AAF is holding the assets as an endowed component fund for the benefit of the Organization. The fund is known as the Another Chance House Endowment Fund (the "Fund"). The Organization has granted the AAF variance power which gives the AAF's Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the AAF's investment and spending policies which is determined annually by the AAF's Board of Directors based on a percentage of the market value of the Fund. In setting the distribution policy, the AAF's Board of Directors considers the total average rate of return for the previous thirteen quarters. Recent spending policies approved by the AAF Board have been approximately 4.5%.

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For the Year Ended December 31, 2023 and 2022

The Organization participated in AAF's 2020 Future Focus Endowment Match whereby the Organization deposited the maximum contribution amount of \$25,000 which was matched 50% by AAF. The AAF considers the original \$25,000 contributed by the Organization as well as related reinvested, undistributed earnings of the Fund to belong to the Organization and has reported this amount in liabilities as funds held for agencies on the AAF's financial statements. Consequently, this amount is reported as an asset and as a board designated component of net assets without donor restrictions on the Organization's statement of financial position. The remaining AAF matching contribution as well as the related reinvested, undistributed earnings of the matching contribution to belong to the AAF and are included in the AAF's net assets with donor restrictions on the AAF's financial statements; as a result, these amounts are excluded from the Organization's financial statements.

The AAF is responsible for disbursing income earned by these endowments at least annually, and principal at the AAF's discretion. The Fund net income was \$13,612 during the year ended December 31, 2023. The Organization elected not to receive distributions of income from these funds during the year ended December 31, 2023. As of December 31, 2023, the AAF reported a balance with earnings for the Fund as follows:

	Funds from the Organization	Matching funds from AAF	Total funds held in trust by AAF
Beginning balance	\$ 134,175	\$ 14,466	\$ 148,641
Net earnings (loss)	12,107	1,505	13,612
Funds held in trust by AAF	\$ 146,282	\$ 15,971	\$ 162,253

As of December 31, 2022, the AAF reported a balance with earnings for the Fund as follows:

	Funds from the Organization	Matching funds from AAF	Total funds held in trust by AAF
Beginning balance	\$ 154,904	\$ 16,813	\$ 171,717
Net earnings (loss)	(20,729)	(2,347)	(23,076)
Funds held in trust by AAF	\$ 134,175	\$ 14,466	\$ 148,641

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NOTE 12 – FAIR VALUES OF FINANCIAL INSTRUMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The following methods and assumptions were used to determine the fair value of each class of financial instruments:

Cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Promises to give and receivables - Fair value approximates carrying value and is reported at the net realizable value if at the time the promise or receivable is made, payment is expected to be received in one year or less.

The beneficial interest in assets held by the AAF discussed in Note 11 above is carried at fair value. FASB 820 requires that fair value to be determined using appropriate inputs. The Organization does not have a direct interest in the underlying assets so the inputs it considers in determining fair value are related to the value of its right to receive future distributions from the AAF. GAAP permits, as a practical expedient, use of the net asset value of the underlying interest provided the value is calculated consistently with the measurement principals used by investment companies. As the AAF usually carries all their investments at fair value, that value will likely be consistent with the measurement principles used by investment companies. The fair value measurement must also take into consideration when the Organization might be able to redeem the asset. As the beneficial interest in the assets held by the AAF is analogous to an ownership interest in which a proportionate share of net assets is attributed as the Organization does not have the ability to redeem its investment as it has given the

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funds to the AAF as a completed gift with variance power, Level 3 is the most appropriate category for fair value disclosure. The fair value of the Organization's investments held by the Amarillo Area Foundation and reported by the Foundation as of December 31, 2023 and 2022 based on respective share price of the underlying securities.

The following schedules list the Organization's investments, measured at fair value, by level as defined above:

		December 31 2023			
		Total	Level 1	Level 2	Level 3
Beneficial interest in					
assets held by the AAF		<u>\$ 146,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,282</u>
		December 31, 2022			
		Total	Level 1	Level 2	Level 3
Beneficial interest in					
assets held by the AAF		<u>\$ 134,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,175</u>

The preceding methods 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 methods are 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.

NOTE 13 – LIMITATIONS ON NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's governing Board of Directors has designated net assets without donor restrictions for the following purposes as of December 31:

	2023	2022
Operating reserves	\$ 211,357	\$ 211,357
Reserve for repairs and maintenance	105,529	105,529
Quasi-endowment	36,133	33,141
Total	<u>\$ 353,019</u>	<u>\$ 350,027</u>