



Community Homes for Adults, Inc.

FINANCIAL STATEMENTS

October 31, 2023 and 2022

	Page
REPORT	
Independent Auditor's Report.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9



REPORT



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Community Homes for Adults, Inc.**

Qualified Opinion

We have audited the accompanying financial statements of Community Homes for Adults, Inc. (CHAI), a nonprofit organization, which comprise the statements of financial position as of October 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Community Homes for Adults, Inc. as of October 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 Qualified Opinion

As more fully described in Note 14 to the financial statements, CHAI has control through a majority voting interest of the Board of Directors and an economic interest in Community Homes for Adults Endowment Foundation (CHAEF), a supporting organization which is not consolidated. Accounting principles generally accepted in the United States of America require CHAEF to be consolidated with CHAI. If the financial statements of CHAEF had been consolidated with those of CHAI, total net assets for 2023 would have increased by \$12,569,275 and the total change in net assets would have increased by \$701,747. For 2022 total net assets would have increased by \$11,867,528 and the total change in net assets would have decreased by \$633,483.

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 CHAI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, CHAI adopted Accounting Standard Codification 842, *Leases*, effective November 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 CHAI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

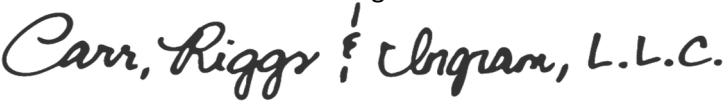
Auditor's Responsibilities for the Audit of the Financial Statements

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 CHAI'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 CHAI'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.


CARR, RIGGS & INGRAM, LLC

Dallas, Texas
March 1, 2024



FINANCIAL STATEMENTS



Community Homes for Adults, Inc.
Statements of Financial Position

<i>October 31,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 418,913	\$ 1,360,120
Certificates of deposit	363,197	-
Accounts receivable	185,562	351,445
Contributions receivable, net	170,802	95,536
Investments in U.S. treasury securities, current	317,957	-
Prepaid expenses	62,253	68,456
Total current assets	1,518,684	1,875,557
Non-current assets		
Contributions receivable, non-current, net	73,000	-
Investments in U.S. treasury securities, noncurrent	380,598	-
Property and equipment, net	621,620	562,974
Other assets	6,046	6,046
Operating lease right-of-use assets, net	380,563	-
Total noncurrent assets	1,461,827	569,020
Total assets	\$ 2,980,511	\$ 2,444,577
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 162,069	\$ 139,855
Current portion of operating lease liabilities	312,724	-
Total current liabilities	474,793	139,855
Operating lease liabilities, net of current portion	81,587	-
Total liabilities	556,380	139,855
Net assets		
Net assets without donor restrictions		
Undesignated net assets	1,348,029	1,314,308
Board-designated operating reserve	779,673	692,903
Total net assets without donor restrictions	2,127,702	2,007,211
Net assets with donor restrictions (Note 7)	296,429	297,511
Total net assets	2,424,131	2,304,722
Total liabilities and net assets	\$ 2,980,511	\$ 2,444,577

The accompanying notes are an integral part of these financial statements.

Community Homes for Adults, Inc.
Statements of Activities and Changes in Net Assets

For the year ended October 31,

2023

	Without donor restrictions	With donor restrictions	Total
Operating support and revenues			
Contributions			
Community Homes for Adults			
Endowment Foundation	\$ 551,238	\$ -	\$ 551,238
Other contributions	629,584	107,500	737,084
Client fees	2,466,023	-	2,466,023
Special event income	304,001	-	304,001
Contributions of non-financial assets	2,801	-	2,801
Other income	22,652	-	22,652
Interest income	38,819	-	38,819
<hr/>			
Total operating support and revenues before net assets released from restrictions	4,015,118	107,500	4,122,618
Net assets released from restrictions	108,582	(108,582)	-
<hr/>			
Total operating support and revenues after net assets released from restrictions	4,123,700	(1,082)	4,122,618
Operating expenses			
Program services	3,420,453	-	3,420,453
Management and general	252,724	-	252,724
Fundraising	330,032	-	330,032
<hr/>			
Total operating expenses	4,003,209	-	4,003,209
<hr/>			
Change in net assets	120,491	(1,082)	119,409
Net assets			
Beginning of year	2,007,211	297,511	2,304,722
<hr/>			
End of year	\$ 2,127,702	\$ 296,429	\$ 2,424,131

The accompanying notes are an integral part of these financial statements.

Community Homes for Adults, Inc.
Statements of Activities and Changes in Net Assets
(Continued)

For the year ended October 31,

2022

	Without donor restrictions	With donor restrictions	Total
Operating support and revenues			
Contributions			
Community Homes for Adults			
Endowment Foundation	\$ 484,608	\$ -	\$ 484,608
Other contributions	475,077	120,086	595,163
Client fees	2,479,384	-	2,479,384
Special event income	277,554	-	277,554
Contributions of non-financial assets	37,523	-	37,523
Other income	2,887	-	2,887
Interest income	310	-	310
<hr/>			
Total operating support and revenues before net assets released from restrictions	3,757,343	120,086	3,877,429
<hr/>			
Net assets released from restrictions	133,740	(133,740)	-
<hr/>			
Total operating support and revenues after net assets released from restrictions	3,891,083	(13,654)	3,877,429
<hr/>			
Operating expenses			
Program services	3,300,991	-	3,300,991
Management and general	158,536	-	158,536
Fundraising	331,132	-	331,132
<hr/>			
Total operating expenses	3,790,659	-	3,790,659
<hr/>			
Change in net assets	100,424	(13,654)	86,770
<hr/>			
Net assets			
Beginning of year	1,906,787	311,165	2,217,952
<hr/>			
End of year	\$ 2,007,211	\$ 297,511	\$ 2,304,722

The accompanying notes are an integral part of these financial statements.

Community Homes for Adults, Inc. Statements of Functional Expenses

For the years ended October 31,

2023

2022

	Program Services	Supporting Services			Total	Total
		Management and General Expenses	Fundraising	Supporting Services Total		
Advertising	\$ -	\$ -	\$ 2,610	\$ 2,610	\$ 2,610	\$ 1,345
Audit and accounting fees	27,758	3,140	1,727	4,867	32,625	27,220
Bad debt	-	20,291	-	20,291	20,291	-
Client services and program activities	116,183	-	-	-	116,183	111,310
Client transportation	79,161	-	-	-	79,161	72,201
Contract labor	583,250	39,414	-	39,414	622,664	562,169
Depreciation	54,567	7,396	-	7,396	61,963	64,284
Dues and subscriptions	1,361	3,342	40	3,382	4,743	3,719
Employee benefits	168,102	7,316	17,020	24,336	192,438	239,211
Employee salaries and related expenses	1,989,715	99,637	233,781	333,418	2,323,133	2,198,352
Legal	-	126	-	126	126	-
Information technology	73,681	10,844	5,061	15,905	89,586	93,359
Insurance	41,247	4,664	2,565	7,229	48,476	40,529
Office expense	3,101	12,160	14,084	26,244	29,345	26,360
Other expenses	108	10,659	8,432	19,091	19,199	18,856
Permits and licenses	1,511	-	-	-	1,511	1,000
Recruiting, certification, training and development	8,739	355	298	653	9,392	11,007
Rent	88,442	21,304	3,772	25,076	113,518	99,107
Repairs and maintenance	96,618	1,241	-	1,241	97,859	93,370
Special events expense	-	-	40,487	40,487	40,487	44,936
Travel and conferences	735	10,464	12	10,476	11,211	7,798
Utilities	86,174	371	143	514	86,688	74,526
Total	\$ 3,420,453	\$ 252,724	\$ 330,032	\$ 582,756	\$ 4,003,209	\$ 3,790,659
% of total expenses	86%	6%	8%			

The accompanying notes are an integral part of these financial statements.

Community Homes for Adults, Inc.
Statements of Functional Expenses
(Continued)

For the year ended October 31,

2022

	Program Services	Supporting Services			Total
		Management and General Expenses	Fundraising	Supporting Services Total	
Advertising	\$ -	\$ -	\$ 1,345	\$ 1,345	\$ 1,345
Audit and accounting fees	22,879	2,776	1,565	4,341	27,220
Bad debt	-	-	-	-	-
Client services and program activities	111,310	-	-	-	111,310
Client transportation	72,201	-	-	-	72,201
Contract labor	551,189	10,980	-	10,980	562,169
Depreciation	55,484	8,800	-	8,800	64,284
Dues and subscriptions	1,025	2,577	117	2,694	3,719
Employee benefits	209,319	8,744	21,148	29,892	239,211
Employee salaries and related expenses	1,896,860	71,043	230,449	301,492	2,198,352
Legal	-	-	-	-	-
Information technology	75,151	11,095	7,113	18,208	93,359
Insurance	34,065	4,134	2,330	6,464	40,529
Office expense	2,984	12,151	11,225	23,376	26,360
Other expenses	-	12,375	6,481	18,856	18,856
Permits and licenses	1,000	-	-	-	1,000
Recruiting, certification, training and development	9,730	1,000	277	1,277	11,007
Rent	86,296	8,907	3,904	12,811	99,107
Repairs and maintenance	93,171	199	-	199	93,370
Special events expense	-	-	44,936	44,936	44,936
Travel and conferences	3,999	3,642	157	3,799	7,798
Utilities	74,328	113	85	198	74,526
Total	\$ 3,300,991	\$ 158,536	\$ 331,132	\$ 489,668	\$ 3,790,659
	% of total expenses	87%	4%	9%	

The accompanying notes are an integral part of these financial statements.

Community Homes for Adults, Inc.
Statements of Cash Flows

<i>For the years ended October 31,</i>	2023	2022
Operating activities		
Change in net assets	\$ 119,409	\$ 86,770
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	61,963	64,285
Gain on disposal of fixed assets	(18,692)	-
Amortization of operating lease right-of-use assets	81,788	-
Changes in operating assets and liabilities		
Accounts receivable	165,883	(218,554)
Contributions receivable	(148,266)	23,345
Prepaid expenses	6,203	1,912
Accounts payable and accrued expenses	22,638	21,100
Operating lease liabilities	(68,464)	-
Net cash provided by (used in) operating activities	222,462	(21,142)
Investing activities		
Insurance proceeds from disposal of fixed assets	26,743	-
Purchases of certificates of deposit	(363,197)	-
Purchases of U.S. treasury securities	(698,555)	-
Expenditures for fixed assets	(128,660)	-
Net cash provided by (used in) investing activities	(1,163,669)	-
Net change in cash and cash equivalents	(941,207)	(21,142)
Cash and cash equivalents at beginning of year	1,360,120	1,381,262
Cash and cash equivalents at end of year	\$ 418,913	\$ 1,360,120

The accompanying notes are an integral part of these financial statements.

Community Homes for Adults, Inc. Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Community Homes for Adults, Inc. (CHAI) manages facilities used for the purpose of operating and maintaining group homes and other amenities for adults with intellectual disabilities. The goal of CHAI is to promote the development of resident self-reliance and independence. It provides a program environment which approximates as closely as possible the patterns and conditions of everyday life and helps residents participate in the regular life of the community.

CHAI emphasizes assistance and supervision of residents in order to help them maximize self-reliance and independence. CHAI develops a personalized program for each resident which includes skill training in areas such as self-care, socialization, communication, money management and home skills. Additionally, auxiliary and support services are provided by prevocational and vocational programs and health care professionals as needed.

In addition to serving the residents of the group homes, CHAI operates the Wolens Program Service serving adults with intellectual disabilities living with their families or in other residential settings in the Dallas community.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

CHAI considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit

CHAI periodically invest excess cash in certificates of deposit for purpose of investment. Certificates of deposit maturing over one year from the financial statement date are considered noncurrent assets.

Community Homes for Adults, Inc. Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable represent outstanding client fees and are stated at the amount billed to the client, the client's family or a third party. CHAI considers receivables to be fully collectible based on its assessment of the current status of individual accounts and current economic conditions; accordingly, no allowance for doubtful accounts is required. If accounts receivable are determined to be delinquent or become uncollectible, they will be charged to operations at that time.

Contributions Receivable

Restricted contributions are recorded at their estimated fair value when received or made rather than in the period for which the promises to give are designated. Unconditional promises to give are recorded as revenue when the promise is made.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Investments in U.S. Treasury Securities

CHAI's investments in U.S Treasury Bill securities are classified as held to maturity as CHAI has the ability and intent to hold the security until maturity. These securities are recorded at approximate amortized cost, adjusted for the accretion of purchase discounts. Discounts are accreted over the life of the related security. Securities maturing over one year from the financial statement date are considered noncurrent assets.

Property and Equipment

Property and equipment are carried at cost as of the date of acquisition or at fair market value as of the date of donation, less accumulated depreciation and amortization. Depreciation is provided in amounts sufficient to allocate the cost of depreciable assets over their estimated useful lives on a straight-line basis. CHAI's policy is to expense repairs and maintenance and all items under \$2,000. Repairs and maintenance expense for the years ended October 31, 2023 and 2022 were approximately \$98,000 and \$93,000, respectively.

Income Taxes

CHAI is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code according to the United States Internal Revenue Service (IRS) determination letter dated August 25, 1971, except to the extent that it has unrelated business income. For the years ended October 31, 2023 and 2022, unrelated business income did not result in any material net taxable income; therefore no provision for income tax has been provided in the accompanying financial statements.

Community Homes for Adults, Inc. Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

CHAI reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-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, such as those that the donor stipulates that resources be maintained in perpetuity. However, if a restriction is fulfilled in the same fiscal period in which the contribution is received, CHAI reports the support as net assets without donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of CHAI, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Revenue Recognition

Client fees revenue and payments under various contracts are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, CHAI recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

Community Homes for Adults, Inc. Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Client fees revenue is reported at the amount that reflects the consideration CHAI expects to be entitled for providing services to the client. These amounts are due from clients, third-party payers (including managed care payers and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. CHAI bills the clients and third-party payers after the services are performed. Client fees revenue is recognized as performance obligations are satisfied, which occurs at a point in time when the related service is completed.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Leases

CHAI leases certain office space, office equipment and a property currently in use as a group home under lease agreements. Management determines if an agreement is a lease and whether the lease is an operating or finance lease at inception. In evaluating contracts to determine if they qualify as a lease, management considers factors such as if CHAI has obtained substantially all of the rights to the underlying asset through exclusivity, if CHAI can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights.

This evaluation may require significant judgment. To date all leases have been determined to be operating leases. Leases meeting applicable criteria are included in operating lease right-of-use (ROU) assets and operating lease liabilities in CHAI's statement of financial position.

ROU assets represent CHAI's right to use underlying assets for the lease term, and lease liabilities represent CHAI's obligation to make lease payments arising from the leases. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease terms. Certain leases provide that the lease payments may be increased annually based on the fixed rate terms or adjustable terms such as the Consumer Price Index. Future base rent escalations that are not contractually quantifiable as of the lease commencement date are not included in the lease liability. In determining the discount rate used to measure the right-of-use asset and lease liability, CHAI uses rates implicit in the lease, or if not readily available, management uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocations of Expenses

The expenses of CHAI are reported in the accompanying statements of activities by their functional and natural classifications. Functional classification is a method of reporting expenses according to the purpose for which costs are incurred. Natural classification is a method of grouping expenses according to the kinds of economic benefits received in incurring those expenses. The majority of CHAI's expenses can be directly assigned to their functional classifications. Some expenses must be allocated because they benefit more than one functional classification such as salaries and related costs which are allocated on the basis of estimates of time and effort.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 1, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued guidance under ASC 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet when applicable.

Most prominent among the changes required by the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Effective November 1, 2022, CHAI adopted ASC 842 and evaluated leases existing at, or entered into after, November 1, 2022, (the beginning of the period of adoption) to determine whether such leases require measurement and recognition under the new standard. Management considered the enforceable terms and conditions under its existing lease arrangements and concluded that certain leases required measurement and recognition. Lease disclosures for the year ended October 31, 2022 are made under the prior lease guidance in ASC 840 *Leases*.

As a result of the adoption of the new lease accounting guidance, CHAI recognized on November 1, 2022, operating lease liabilities of \$462,775, which represents the present value of the remaining operating lease payments of \$520,316, discounted using the risk-free rate of 4.18% to 4.48%, and operating ROU assets of \$462,351.

As most of the leases do not provide an implicit rate, CHAI has elected to use a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

CHAI has elected the practical expedient to account for any lease and non-lease components as a single lease component by asset class. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, insurance and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

CHAI elected not to apply the hindsight practical expedient under ASC 842-10-65-1(g) to determine the lease term for existing leases. As a result, CHAI has elected to retain the amortization periods for existing leasehold improvements (which could be longer than the lease term) until the respective leases are derecognized. For improvements under leases entered into after the adoption date, amortization periods will be based on the shorter of the expected useful life of the improvements, or the lease terms.

The most significant impact to the financial statements was the recognition of ROU assets and lease liabilities for operating leases.

NOTE 3: FINANCIAL ASSET AVAILABILITY

The following reflects CHAI's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>October 31,</i>	2023	2022
Financial assets available within one year		
Cash and cash equivalents	\$ 418,913	\$ 1,360,120
Certificates of deposit	363,197	-
Accounts receivable, net	185,562	351,445
Contributions receivable, net	170,802	95,536
Investments in U.S. treasury securities, current	317,957	-
Total financial assets available within one year	1,456,431	1,807,101
Less amounts unavailable for general expenditures		
Net assets with donor restrictions	(296,429)	(297,511)
Board designated net assets	(779,673)	(692,903)
Total financial assets available to management for general expenditures within one year	\$ 380,329	\$ 816,687

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 3: FINANCIAL ASSET AVAILABILITY (Continued)

CHAI is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CHAI must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of CHAI'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, CHAI invests cash in excess of daily requirements in highly liquid interest-bearing accounts. In the event of an unanticipated liquidity need, CHAI would draw from its operating reserve or seek additional support from its supporting organization discussed in Note 14 or from other sources.

NOTE 4: CONTRIBUTIONS RECEIVABLE

To determine the net realizable value of contributions, an allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, the credit standing of applicable donors and nature of fundraising activity. If actual collection results differ significantly from expectations, contributions in a subsequent period may be adjusted accordingly.

Unconditional promises to give consisted of the following:

<i>October 31,</i>	2023	2022
Receivable in less than one year	\$ 170,802	\$ 97,536
Receivable in one to five years	75,000	-
Receivable in more than five years	-	-
Total	245,802	97,536
Allowance for uncollectible promises	(2,000)	(2,000)
Total	243,802	95,536
Contributions receivable, current, net	170,802	95,536
Contributions receivable, non-current, net	73,000	-
Contributions receivable, net	\$ 243,802	\$ 95,536

Unconditional promises to give are reflected at the present value of future cash flows using the treasury discount rate.

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 4: CONTRIBUTIONS RECEIVABLE (Continued)

As of October 31, 2023, \$62,500 of the balance of unconditional promises to give is also restricted for the purpose of nursing-related expenses and \$25,000 of the balance is also restricted for the Uta Maintenance Fund.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<i>October 31,</i>	2023	2022	Estimated useful lives
Land	\$ 274,953	\$ 274,953	
Buildings and improvements	1,124,659	1,082,197	15-39 years
Furniture fixtures and equipment	150,661	150,661	5-10 years
Vehicles	312,389	260,502	5 years
	1,862,662	1,768,313	
Accumulated depreciation	(1,241,042)	(1,205,339)	
Property and equipment, net	\$ 621,620	\$ 562,974	

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

<i>October 31,</i>	2023	2022
Accounts payable	\$ 82,990	\$ 69,367
Deferred rent	-	3,784
Payroll liabilities	79,079	66,704
	\$ 162,069	\$ 139,855

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

<i>October 31,</i>	2023	2022
Subject to the passage of time	\$ 20,000	\$ 20,000
Subject to expenditure for specified purpose		
Carmen & Ludwig Michael Maintenance Fund	166,750	166,750
Lois Toub House Maintenance Fund	22,179	22,179
Hirsch Family Foundation	-	10,000
Wish List - multiple donors	-	1,082
Legacy Heritage Fund	-	2,500
Total subject to expenditure for specified purpose	188,929	202,511
Subject to the passage of time and expenditure for specified purpose		
Nurse employment	62,500	75,000
Utay Maintenance Fund	25,000	-
Total subject to expenditure for specified purpose	87,500	75,000
Total net assets with donor restrictions	\$ 296,429	\$ 297,511

Net assets were released from donor restrictions by incurring expense satisfying the restricted purpose or by occurrence of the passage of time or other events specific by the donors for the years ended:

<i>For the years ended October 31,</i>	2023	2022
Expiration of time restrictions	\$ 20,000	\$ 40,521
Satisfaction of purpose restrictions		
Wish List - multiple donors	1,082	4,004
Vehicle Purchase - Bauer Foundation	-	866
Legacy Heritage Fund	2,500	7,500
Hirsch Family Foundation	10,000	-
Total subject to expenditure for specified purpose	13,582	12,370
Expiration of time and satisfaction of purpose restrictions		
Nurse employment	75,000	80,000
Volunteer Program	-	849
Total subject to expenditure for specified purpose	75,000	80,849
Net assets released from restrictions	\$ 108,582	\$ 133,740

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 8: REVENUE

CHAI is a provider of Home and Community-Based Services (HCS), a program funding providers of services for people with intellectual disabilities. It allows people with these disabilities to receive service in the community rather than in state institutions. It is a federal Medicaid program (not entitlement) with state matched funds and has agreements with other third-party payers that provide payments to CHAI at established rates.

Contract Assets and Liabilities

Contract assets and liabilities consisted of the following:

<i>October 31,</i>	2023	2022
Receivable from contracts, beginning of year	\$ 351,445	\$ 132,891
Receivable from contracts, end of year	\$ 185,562	\$ 351,445
Contract liabilities, beginning of year	\$ -	\$ -
Contract liabilities, end of year	\$ -	\$ -

Disaggregated revenue

<i>For the years ended October 31,</i>	2023	2022
Contracts with customers subject to Topic 606		
Recognized at a point in time		
Client fees	\$ 2,466,023	\$ 2,479,384
Revenue and other support not subject to Topic 606		
Contributions	1,288,322	1,079,771
Special event income	304,001	277,554
Contributions of non-financial assets	2,801	37,523
Other income	22,652	2,887
Interest income	38,819	310
	\$ 4,122,618	\$ 3,877,429

NOTE 9: CONTRIBUTIONS IN-KIND

All donated space and goods were utilized by the Organization's program and supporting services. There were no donor-imposed restrictions remaining at October 31, 2023 or October 31, 2022, associated with the contributed space or goods.

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 9: CONTRIBUTIONS IN-KIND (Continued)

The components of donated space and goods contributed to the Organization consisted of the following:

<i>For the year ended October 31, 2023</i>	Donated space	Donated goods	Total
Program services			
Group homes	\$ -	\$ 2,801	\$ 2,801
Supporting services			
Fundraising	-	-	-
	\$ -	\$ 2,801	\$ 2,801

<i>For the year ended October 31, 2022</i>	Donated space	Donated goods	Total
Program services			
Group homes	\$ -	\$ 3,998	\$ 3,998
Supporting services			
Fundraising	33,525	-	33,525
	\$ 33,525	\$ 3,998	\$ 37,523

Donated space is valued at fair market value, determined based on the standard rental rate. Donated goods are valued at the wholesale prices that would be received for selling similar products.

NOTE 10: CONCENTRATIONS

Two donors are responsible for the contributions receivable at October 31, 2023 and 2022. The majority of CHAI's operations are within the North Texas area. Therefore, results of operations and collectability of receivables are subject to economic conditions of the area.

NOTE 11: PENSION PLAN

CHAI has a defined contribution pension plan under United States Internal Revenue Code Section 403(b) for employees meeting minimum age and service requirements. Contributions to the plan by CHAI are wholly at management's discretion, and for the years ended October 31, 2023 and 2022, there were no contributions by CHAI.

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 12: LEASES

In the normal course of business, CHAI enters into various operating leases for CHAI's central office, office equipment and a property currently in use as a group home. Certain office equipment operating leases were deemed insignificant and are included in leases qualifying for the short term lease exception under ASC 842 *Leases*.

The components of lease expense were as follows:

<i>For the year ended October 31,</i>	2023
Operating lease cost	\$ 81,788
Short-term lease cost	\$ 31,730

Other information related to leases were as follows:

<i>For the year ended October 31,</i>	2023
Operating leases	
Right-of-use assets obtained in exchange for lease obligations	\$ 462,351
Weighted average remaining lease term	4.61 years
Weighted average discount rate	4.21%
Supplemental Cash Flow Information	
Lease liability arising from recognition of operating lease right-of-use-assets	\$ 462,775
Cash paid for amounts included in the measurement of lease liabilities for operating cash flows from operating leases	\$ 85,049

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 12: LEASES (Continued)

Future minimum lease payments under non-cancellable operating leases under ASC 842 as of October 31, 2023 are as follows:

<i>For the years ending October 31,</i>	
2024	\$ 96,630
2025	99,272
2026	80,914
2027	81,556
2028	76,896
<hr/>	
Total future minimum lease payments	435,268
Less imputed interest	(40,957)
<hr/>	
Present value of lease liabilities	<u>\$ 394,311</u>

Future minimum lease payments under non-cancellable operating leases under previous ASC 840 guidance as of October 31, 2022, were as follows:

<i>For the years ending October 31,</i>	
2023	\$ 97,000
2024	99,000
2025	81,000
2026	82,000
<hr/>	
	<u>\$ 359,000</u>

NOTE 13: RELATED PARTY TRANSACTIONS

CHAI received donations from its board members and their immediate household families for each of the years ended October 31, 2023 and 2022, totaling approximately \$34,000 and \$144,000, respectively. CHAI also receives certain client fees from board members and their families related to care of relatives. These client fees are not significant.

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 14: COMMUNITY HOMES FOR ADULTS ENDOWMENT FOUNDATION SUMMARIZED AND CONSOLIDATING FINANCIAL STATEMENT INFORMATION

The Community Homes for Adults Endowment Foundation (CHAEF), a Texas nonprofit organization, was incorporated in 1992 as a separate corporation and operates as a supporting organization of CHAI within the meaning of the Internal Revenue Code. CHAEF was organized specifically for the purpose of receiving and raising funds for endowment purposes, investing those funds, and distributing funds to organizations engaged in operating and maintaining group homes and other facilities, under Jewish auspices, and to provide services on a non-sectarian basis for adults with cognitive disabilities in North Texas.

CHAI received cash contributions from CHAEF in the amounts of \$551,000 and \$485,000, respectively, during the years ended October 31, 2023 and 2022. CHAEF will continue to make contributions as needed on an ongoing basis to support operations and to cover government agency funding reductions and for unanticipated emergency expenditures. CHAI provides CHAEF with office space and administrative services. The value of such services and facility space is not material and has not been reflected in the accompanying financial statements.

CHAI has control through its ability to select a majority of CHAEF's Board of Directors and has an economic interest in CHAEF. Accounting principles generally accepted in the United States of America require consolidated financial statements of CHAI and CHAEF.

If the financial statements of CHAI had been consolidated with those of CHAEF for the years ended October 31, 2023 and 2022, summarized consolidating financial information would be presented as follows:

<i>For the year ended October 31,</i>	2023			
	CHAI	CHAEF	Eliminations	Total
Total assets	\$ 2,980,511	\$ 12,569,275	\$ -	\$ 15,549,786
Total liabilities	\$ 556,380	\$ -	\$ -	\$ 556,380
Net assets	2,424,131	12,569,275	-	14,993,406
Total liabilities and net assets	\$ 2,980,511	\$ 12,569,275	\$ -	\$ 15,549,786
Total operating support and revenue	\$ 4,122,618	\$ 1,261,136	\$ (551,238)	\$ 4,832,516
Total operating expenses	4,003,209	559,389	(551,238)	4,011,360
Change in net assets	119,409	701,747	-	821,156
Net assets, beginning of year	2,304,722	11,867,528	-	14,172,250
Net assets, end of year	\$ 2,424,131	\$ 12,569,275	\$ -	\$ 14,993,406

Community Homes for Adults, Inc.
Notes to Financial Statements

NOTE 14: COMMUNITY HOMES FOR ADULTS ENDOWMENT FOUNDATION SUMMARIZED AND CONSOLIDATING FINANCIAL STATEMENT INFORMATION (Continued)

<i>For the year ended October 31,</i>	<i>2022</i>			
	CHAI	CHAEF	Eliminations	Total
Total assets	\$ 2,444,577	\$ 11,867,528	\$ -	\$ 14,312,105
Total liabilities	\$ 139,855	\$ -	\$ -	\$ 139,855
Net assets	2,304,722	11,867,528	-	14,172,250
Total liabilities and net assets	\$ 2,444,577	\$ 11,867,528	\$ -	\$ 14,312,105
Total operating support and revenue	\$ 3,877,429	\$ (143,751)	\$ (484,608)	\$ 3,249,070
Total operating expenses	3,790,659	489,732	(484,608)	3,795,783
Change in net assets	86,770	(633,483)	-	(546,713)
Net assets, beginning of year	2,217,952	12,501,011	-	14,718,963
Net assets, end of year	\$ 2,304,722	\$ 11,867,528	\$ -	\$ 14,172,250