# Hope Cottage, Inc.

## Financial Statements
## December 31, 2023 and 2022

SFC
Certified Public Accountants

# Hope Cottage, Inc.

## Contents

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Certified Public Accountants

**Independent Auditors' Report**

To the Board of Directors of
Hope Cottage, Inc.

**Opinion**

We have audited the accompanying financial statements of Hope Cottage, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses 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 Hope Cottage, Inc. 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 to accounting principles generally accepted in the United States of America (GAAP).

**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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope Cottage, Inc. 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.

**Change in Accounting Principle**

As discussed in Note 2 to the financial statements, the Organization changed its method of accounting for the allowance for credit losses effective January 1, 2023 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-03 *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to that matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Hope Cottage, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

SFC LLP
200 E Front Street, Suite 200 Arlington, Texas 76011
www.sfcllp.com
Phone 817.649.8083

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, misrepresentation 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 Hope Cottage Inc.'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 Hope Cottage 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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
August 28, 2024

# Hope Cottage, Inc.
## Statements of Financial Position
## December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash | $ 613,656 | $ 252,940 |
| Accounts receivable, net | 147,723 | 134,937 |
| Pledges receivable, current | 312,500 | 60,000 |
| Investments | 3,776,877 | 3,470,959 |
| Prepaid expenses | 52,212 | 30,638 |
| **Total current assets** | 4,902,968 | 3,949,474 |
| **Noncurrent assets:** | | |
| Pledges receivable, net | 735,606 | - |
| Beneficial interest in charitable trust | 1,367,431 | 1,251,850 |
| Property and equipment, net | 3,260,821 | 3,326,837 |
| Assets restricted for capital expenditures: | | |
| Cash | 101,751 | - |
| Construction in progress | 128,802 | - |
| **Total noncurrent assets** | 5,594,411 | 4,578,687 |
| **Total assets** | $ 10,497,379 | $ 8,528,161 |
| **Liabilities and Net Assets** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 115,529 | $ 17,129 |
| Accrued expenses | 54,161 | 63,188 |
| Deferred revenue | 100,000 | 110,000 |
| **Total current liabilities** | 269,690 | 190,317 |
| **Net assets:** | | |
| Without donor restrictions | 7,194,069 | 6,966,685 |
| With donor restrictions | 3,033,620 | 1,371,159 |
| **Total net assets** | 10,227,689 | 8,337,844 |
| **Total liabilities and net assets** | $ 10,497,379 | $ 8,528,161 |

See notes to financial statements.

# Hope Cottage, Inc.
## Statement of Activities
## Year Ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and revenue:** | | | |
| Contributions and grants | $ 954,377 | $ 1,681,880 | $ 2,636,257 |
| Program service fees | 765,543 | - | 765,543 |
| Contributions of nonfinancial assets | 20,094 | - | 20,094 |
| Net assets released from restrictions | 135,000 | (135,000) | - |
| **Total support and revenue** | 1,875,014 | 1,546,880 | 3,421,894 |
| **Operating expenses:** | | | |
| Program services | 1,490,675 | - | 1,490,675 |
| Management and general | 286,945 | - | 286,945 |
| Fundraising | 182,444 | - | 182,444 |
| **Total operating expenses** | 1,960,064 | - | 1,960,064 |
| **Change in net assets from operating activities** | (85,050) | 1,546,880 | 1,461,830 |
| **Non-operating loss and other income:** | | | |
| Loss on disposal | (1,760) | - | (1,760) |
| Investment income, net | 314,194 | 115,581 | 429,775 |
| **Change in net assets** | 227,384 | 1,662,461 | 1,889,845 |
| **Net assets at beginning of year** | 6,966,685 | 1,371,159 | 8,337,844 |
| **Net assets at end of year** | $ 7,194,069 | $ 3,033,620 | $ 10,227,689 |

See notes to financial statements.

# Hope Cottage, Inc.
## Statement of Activities
## Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and revenue:** | | | |
| Contributions and grants | $ 683,592 | $ 135,000 | $ 818,592 |
| Program service fees | 564,891 | - | 564,891 |
| Contributions of nonfinancial assets | 6,000 | - | 6,000 |
| Net assets released from restrictions | 226,015 | (226,015) | - |
| **Total support and revenue** | 1,480,498 | (91,015) | 1,389,483 |
| **Operating expenses:** | | | |
| Program services | 1,351,020 | - | 1,351,020 |
| Management and general | 280,976 | - | 280,976 |
| Fundraising | 171,473 | - | 171,473 |
| **Total operating expenses** | 1,803,469 | - | 1,803,469 |
| **Change in net assets from operating activities** | (322,971) | (91,015) | (413,986) |
| **Other loss:** | | | |
| Investment loss, net | (587,890) | (201,712) | (789,602) |
| **Total other income** | (587,890) | (201,712) | (789,602) |
| **Change in net assets** | (910,861) | (292,727) | (1,203,588) |
| **Net assets at beginning of year** | 7,877,546 | 1,663,886 | 9,541,432 |
| **Net assets at end of year** | $ 6,966,685 | $ 1,371,159 | $ 8,337,844 |

See notes to financial statements.

# Hope Cottage, Inc.
## Statement of Functional Expenses
## Year Ended December 31, 2023

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 824,139 | $ 150,125 | $ 131,650 | $ 1,105,914 |
| Payroll taxes | 55,299 | 17,400 | 9,678 | 82,377 |
| Employee benefits | 51,085 | 7,040 | 1,773 | 59,898 |
| Contract services | 81,255 | 6,930 | 14,989 | 103,174 |
| Advertising | 24,863 | 6,000 | 1,351 | 32,214 |
| Bank charges | 10,679 | 2,352 | 150 | 13,181 |
| Communications | 12,201 | 2,071 | 521 | 14,793 |
| Conferences and training | 5,437 | 3,172 | 258 | 8,867 |
| Depreciation | 68,576 | 11,979 | 6,250 | 86,805 |
| Direct client assistance | 58,956 | - | - | 58,956 |
| Dues and subscriptions | 725 | 2,274 | 1,971 | 4,970 |
| Foster care | 134,113 | - | - | 134,113 |
| General and office supplies | 60,322 | 3,254 | 531 | 64,107 |
| Insurance | 15,712 | 14,300 | 941 | 30,953 |
| Legal and professional | 12,118 | 16,700 | - | 28,818 |
| Miscellaneous | 254 | 16,774 | - | 17,028 |
| Occupancy | 31,502 | 24,632 | 2,867 | 59,001 |
| Printing and postage | 4,803 | 1,855 | 8,664 | 15,322 |
| Travel and transportation | 38,636 | 87 | 850 | 39,573 |
| **Total expenses** | $ 1,490,675 | $ 286,945 | $ 182,444 | $ 1,960,064 |

See notes to financial statements.

# Hope Cottage, Inc.
## Statement of Functional Expenses
## Year Ended December 31, 2022

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 797,348 | $ 139,138 | $ 110,452 | $ 1,046,938 |
| Payroll taxes | 57,466 | 21,259 | 7,887 | 86,612 |
| Employee benefits | 69,376 | 8,492 | 9,036 | 86,904 |
| Contract services | 55,810 | 42,429 | 12,094 | 110,333 |
| Advertising | 4,622 | 640 | 474 | 5,736 |
| Bank charges | - | 1,281 | - | 1,281 |
| Communications | 13,574 | 1,063 | 1,062 | 15,699 |
| Conferences and training | 4,841 | 1,894 | 2,148 | 8,883 |
| Depreciation | 62,245 | 10,861 | 8,622 | 81,728 |
| Direct client assistance | 23,182 | - | - | 23,182 |
| Dues and subscriptions | 5,984 | 6,067 | 329 | 12,380 |
| Foster care | 106,358 | - | - | 106,358 |
| General and office supplies | 44,166 | 4,836 | 1,688 | 50,690 |
| Insurance | 25,257 | 4,408 | 3,498 | 33,163 |
| Legal and professional | 8,538 | 15,700 | - | 24,238 |
| Miscellaneous | 2,269 | 14,818 | 109 | 17,196 |
| Occupancy | 37,736 | 7,085 | 5,013 | 49,834 |
| Printing and postage | 3,988 | 1,005 | 8,104 | 13,097 |
| Travel and transportation | 28,260 | - | 957 | 29,217 |
| **Total expenses** | $ 1,351,020 | $ 280,976 | $ 171,473 | $ 1,803,469 |

See notes to financial statements.

# Hope Cottage, Inc.
## Statements of Cash Flows
## Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 1,889,845 | $ (1,203,588) |
| Adjustments to reconcile change in net assets | | |
| to net cash provided (used) by operating activities: | | |
| Depreciation | 86,805 | 81,728 |
| Allowance for credit losses | (939) | 939 |
| Discount for pledges receivable | 201,894 | - |
| Net realized and unrealized (gains) losses on investments | (251,088) | 650,640 |
| Loss on disposal of assets | 1,760 | - |
| Change in value of beneficial interest in charitable trust | (115,581) | 200,509 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (11,847) | (63,266) |
| Pledges receivable | (1,190,000) | (27,231) |
| Prepaid expenses | (21,574) | 335 |
| Accounts payable | 98,400 | (31,276) |
| Accrued expenses | (9,027) | 5,011 |
| Deferred revenue | (10,000) | (10,000) |
| **Net cash provided (used) by operating activities** | 668,648 | (396,199) |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (151,351) | - |
| Purchases of investments | (929,784) | (621,546) |
| Proceeds from sales of investments | 874,954 | 826,177 |
| **Net cash provided (used) by investing activities** | (206,181) | 204,631 |
| **Net change in cash** | 462,467 | (191,568) |
| **Cash at beginning of year** | 252,940 | 444,508 |
| **Cash at end of year** | $ 715,407 | $ 252,940 |
| **Reconciliation of cash reported within the statements of financial position to the statements of cash flows:** | | |
| Cash | $ 613,656 | $ 252,940 |
| Restricted cash | 101,751 | - |
| **Total cash shown on the statements of cash flows** | $ 715,407 | $ 252,940 |

See notes to financial statements.

## 1. Organization

Hope Cottage, Inc. (Organization) is the oldest nonprofit, non-faith based adoption agency in Dallas and has been serving North Texas since 1918. The Organization nurtures and builds families through education, counseling and adoption services. The Organization is supported primarily through contributions, grants, fees and fundraising activities.

## 2. Summary of Significant Accounting Policies

***Basis of Accounting***

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

***Financial Statement Presentation***

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

> *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of December 31, 2023 and 2022, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

***Financial Instruments and Credit and Market Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash, pledges receivable, accounts receivable and investments in marketable securities. The Organization maintains cash balances at several financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2023, the Organization had $451,524 in uninsured balances.

Accounts receivable are unsecured and are due from government agencies, other organizations and clients of the Organization. Pledges receivable are unsecured and are due from various donors. The Organization continually evaluates the collectability of accounts and pledges receivable and maintains allowances for potential losses, if considered necessary.

An allowance for credit losses is an estimate based upon historical account write-off trends, facts about the current financial condition of the customer, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of customers. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The allowance for credit losses for accounts receivable was $3,545 and $4,484 at December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, 100% of pledges receivable are due from one and two donors, respectively. At December 31, 2023 and 2022, 91% and 90% of accounts receivable are due from four agencies.

The Organization’s investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization’s financial position and the level or risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

***Investments***

The investments of the Organization consist of money market funds, corporate bonds, common stock, a real estate investment trust, a beneficial interest in charitable trust and mineral interests and are stated at fair value in the statements of financial position. The Organization classifies money market accounts held by external investment managers as investments as these funds are not readily available for operations.

### *Property and Equipment*

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $5,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of 25 to 40 years for buildings and improvements and 2 to 10 years for furniture and equipment, computer hardware and software and website.

### *Impairment of Long-Lived Assets*

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. No such losses were recognized during the years ended December 31, 2023 and 2022.

### *Revenue Recognition*

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Program service fees are recognized as revenues when the service is performed. Adoption fees are recognized as revenue when the child is placed with a family. Deposits received for adoption services are deferred, and 50% of all adoption fee deposits are nonrefundable.

Donated materials and services are reflected as contributions of nonfinancial assets at their estimated fair values at date of receipt. The Organization recognizes contributions of nonfinancial assets for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

***Federal Income Taxes***

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended December 31, 2023 and 2022. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

***Allocation of Functional Expenses***

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various functions benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated based on building usage, as well as salaries and payroll related costs, which is allocated based on estimates of time and effort. Insurance and depreciation are allocated based on building usage which is in alignment with staff's time and effort. All other expenses have been directly allocated.

***Estimates and Assumptions***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

***Accounting Pronouncement Adopted***

The Organization adopted ASU 2016-03, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

## 3. Pledges Receivable

Pledges receivable are expected to be collected as follows at December 31:

| | 2023 | 2022 |
|---|---|---|
| Contributions due in one year or less | $ 312,500 | $ 60,000 |
| Receivable between one to five years | 937,500 | - |
| | 1,250,000 | 60,000 |
| Less: discount to present value | (201,894) | - |
| | $ 1,048,106 | $ 60,000 |

Long-term pledges receivable for the year ended December 31, 2023 are discounted using a rate of 8.5%. The Organization did not have any long-term pledges at December 31, 2022.

## 4. Fair Value Measurements

The Organization records financial instruments at estimated fair value. Fair value accounting defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market date for substantially the full term of the assets;

Level 3: Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

| | |
|---|---|
| Money market funds: | Valued using $1 for the net asset value (NAV). |
| Common stock: | Valued at closing prices reported in active markets in which the individual securities are traded. |
| Real estate investment trust: | Valued at the closing price reported in an active market in which the security is traded. |
| Corporate bonds: | Valued based on market price quotes corroborated by recently executed transactions observable in the market. |
| Mineral interests: | Valued based on industry standards of 48 months of undiscounted income based on the most recent 12 month income history. |
| Beneficial interest in charitable trust: | Valued based on the fair values of the underlying investments in the trust, which are quoted prices in an active market. |

The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future 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.

The following schedule sets forth by level, within the fair value hierarchy, the Organization's financial instruments at estimated fair value as of December 31, 2023:

| Financial instruments | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 26,734 | $ - | $ - | $ 26,734 |
| Common stock | 2,254,331 | - | - | 2,254,331 |
| Real estate investment trust | 39,938 | - | - | 39,938 |
| Corporate bonds | - | 1,412,634 | - | 1,412,634 |
| Mineral interests | - | - | 43,240 | 43,240 |
| Total investments | 2,321,003 | 1,412,634 | 43,240 | 3,776,877 |
| Beneficial interest in charitable trust | - | - | 1,367,431 | 1,367,431 |
| Total | $ 2,321,003 | $ 1,412,634 | $ 1,410,671 | $ 5,144,308 |

The following schedule sets forth by level, within the fair value hierarchy, the Organization's financial instruments at estimated fair value as of December 31, 2022:

| Financial instruments | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 98,075 | $ - | $ - | $ 98,075 |
| Common stock | 1,954,311 | - | - | 1,954,311 |
| Real estate investment trust | 39,194 | - | - | 39,194 |
| Corporate bonds | - | 1,330,493 | - | 1,330,493 |
| Mineral interests | - | - | 48,886 | 48,886 |
| Total investments | 2,091,580 | 1,330,493 | 48,886 | 3,470,959 |
| Beneficial interest in charitable trust | - | - | 1,251,850 | 1,251,850 |
| Total | $ 2,091,580 | $ 1,330,493 | $ 1,300,736 | $ 4,722,809 |

The following schedule summarizes investment income for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Interest and dividends | $ 74,368 | $ 67,909 |
| Net realized and unrealized gains (losses) | 251,088 | (650,640) |
| Mineral interest income | 8,277 | 17,381 |
| Change in value of beneficial interest in charitable trust | 115,581 | (200,509) |
| Investment fees | (19,539) | (23,743) |
| | $ 429,775 | $ (789,602) |

The following is a reconciliation of the beginning and ending balances of mineral interests and the interest in the charitable trust measured at fair value using significant unobservable inputs (Level 3).

| | Beneficial Interest in Charitable Trust | Mineral Interest | Total |
|---|---|---|---|
| Balance at December 31, 2021 | 1,452,359 | 78,096 | 1,530,455 |
| Change in value | (200,509) | (29,210) | (229,719) |
| Balance at December 31, 2022 | $ 1,251,850 | $ 48,886 | $ 1,300,736 |
| Change in value | 115,581 | (5,646) | 109,935 |
| Balance at December 31, 2023 | $ 1,367,431 | $ 43,240 | $ 1,410,671 |

| | 2023 | 2022 |
|---|---|---|
| The amount of total gains (losses) for the year included in change in net assets attributable to the change in unrealized gains (losses) relating to Level 3 financial instruments still held at the reporting date | $ 109,935 | $ (229,719) |

## 5. Interest in Charitable Trust

The Organization is the sole beneficiary of the L. Storey Stemmons and Grace Stemmons Kepler Charitable Trust (Charitable Trust). The Charitable Trust agreement provides that the trust property shall be held, administered and distributed exclusively for the benefit of the Organization. The purpose of the Charitable Trust is to provide funding for tuition, tutoring and other educational needs for persons receiving benefits from the Organization. Funds expended for persons receiving benefits from Our Friends Place (a nonprofit organization) are considered to be used for the benefit of the Organization. Both income and principal may be distributed in such amounts as necessary to carry out the exclusively charitable purposes of the Charitable Trust.

Under the Charitable Trust arrangement, the Organization has recorded the asset at the fair value of its beneficial interests in the trust's assets. Charitable Trust income is recognized as income with donor restrictions in the statements of activities. Subsequent changes in fair value of beneficial interests in trust assets are recorded as changes in value of beneficial interests in charitable trust in the net assets without donor restrictions class.

The Charitable Trust settlement document requires a minimum annual distribution to Our Friends Place of 1% of the fair value of the Charitable Trust as of the beginning of the year. Distributions totaling $13,673 and $12,518 were made to Our Friends Place during the years ended December 31, 2023 and 2022, respectively.

## 6. Property and Equipment

Property and equipment at December 31, 2023 and 2022 consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 812,244 | $ 812,244 |
| Building and improvements | 2,983,609 | 2,984,637 |
| Furniture and equipment | 103,344 | 98,528 |
| Computer hardware and software | 16,133 | 16,133 |
| Construction in progress | 128,802 | - |
| | 4,044,132 | 3,911,542 |
| Accumulated depreciation | (654,509) | (584,705) |
| Total | $ 3,389,623 | $ 3,326,837 |

Depreciation expense totaled $86,805 and $81,728 for the years ended December 31, 2023 and 2022, respectively.

## 7. Adoption Fee Revenue

The following table provides information about significant changes in adoption fees paid in advance as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Adoption fees paid in advance, beginning of year | $ 110,000 | $ 120,000 |
| Revenue recognized that was included in adoption fees at the beginning of the year | (45,000) | (60,000) |
| Increase in adoption fees due to cash received during the period | 35,000 | 50,000 |
| Adoption fees paid in advance, end of year | $ 100,000 | $ 110,000 |

## 8. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2023:

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Services | $ - | $ 15,094 | $ - | $ 15,094 |
| Goods | 5,000 | - | - | 5,000 |
| | $ 5,000 | $ 15,094 | $ - | $ 20,094 |

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2022:

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Services | $ - | $ 6,000 | $ - | $ 6,000 |
| | $ - | $ 6,000 | $ - | $ 6,000 |

***Services***

Contributed services are valued based on the rate that would have been charged by the donor.

***Goods***

Contributed goods are valued at the fair market value of similar items.

There were no donor restrictions on contributions of nonfinancial assets received during the years ended December 31, 2023 and 2022.

## 9. Retirement Plan

The Organization established a SIMPLE IRA plan for its employees. Substantially all employees with two years of service are covered by the plan. The Organization (at its discretion) makes a dollar-for-dollar matching contribution up to 3% of an eligible employee's compensation or $12,000, whichever is less. The Organization's matching contributions for the years ended December 31, 2023 and 2022 totaled $6,588 and $9,611, respectively.

## 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Education and time | $ - | $ 75,000 |
| Portion of beneficial interest in charitable trust restricted | - | - |
| for tuition, tutoring and other educational needs | 1,338,067 | 1,236,159 |
| Pregnancy case manager | 140,000 | - |
| Time restricted | 1,250,000 | 60,000 |
| Pregnancy Center | 230,553 | - |
| Maternal health services - Carrollton | 50,000 | - |
| Maternal health clinic | 25,000 | - |
| | $ 3,033,620 | $ 1,371,159 |

Net assets with donor restrictions at December 31, 2023 and 2022 include the Organization's beneficial interest in the charitable trust (see Note 5). Net assets released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors during the years ended December 31, 2023 and 2022 totaled $135,000 and $226,015, respectively.

## 11. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 613,656 | $ 252,940 |
| Accounts receivable, net | 147,723 | 134,937 |
| Pledges receivable | 312,500 | 60,000 |
| Investments | 3,776,877 | 3,470,959 |
| Beneficial interest in charitable trust | 1,367,431 | 1,251,850 |
| Total financial assets | 6,218,187 | 5,170,686 |
| Less amounts not available to management: | | |
| Portion of beneficial interest in charitable trust restricted for tuition, tutoring and other educational needs | (1,338,067) | (1,236,159) |
| Total financial assets available to meet cash needs for general expenditures within one year | $ 4,880,120 | $ 3,934,527 |

The Organization has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which for the years ending December 31, 2023 and 2022, average $162,000 and $156,000 per month, respectively. The Organization manages its financial assets to meet its operating expenditures, liabilities and other obligations as they come due.

## 12. Related Party Transactions

Contributions from board members of the Organization totaled $1,500 and $8,212 during the years ended December 31, 2023 and 2022, respectively.

## 13. Subsequent Events

In February 2024, construction in progress of the pregnancy center was completed and placed in service subsequent to year end.

Management has evaluated subsequent events through August 28, 2024, the date the financial statements were available to be issued and concluded that no additional disclosures are required.