

THE TWELFTH STEP MINISTRY, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2024 AND 2023

THE TWELFTH STEP MINISTRY, INC.

DECEMBER 31, 2024 AND 2023

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Independent Auditors' Report

To the Board of Directors of
The Twelfth Step Ministry, Inc.

Opinion

We have audited the accompanying financial statements of The Twelfth Step Ministry, Inc. (a nonprofit corporation) (the "Organization"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 the Organization as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

Orta & Choate, P.C.

Dallas, Texas
August 12, 2025

The Twelfth Step Ministry, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 990,090	\$ 526,323
Contributions receivable	-	10,000
Accounts receivable - net of allowance for credit losses	-	-
Due From Lovers Lane United Methodist Church	55,372	20,039
Investments funds held in guardianship by Foundation	773,770	-
Other assets	445	-
Total current assets	1,819,677	556,362
 CASH AND CASH EQUIVALENTS - RESTRICTED FOR CAPITAL EXPENDITURES	-	454,961
 INVESTMENT FUNDS HELD IN GUARDIANSHIP BY FOUNDATION - RESTRICTED FOR CAPITAL EXPENDITURES	1,998,515	4,592,547
 PROPERTY, PLANT AND EQUIPMENT - NET	8,383,727	2,312,374
 TOTAL ASSETS	\$ 12,201,919	\$ 7,916,244
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,318	\$ 4,200
Accrued expenses	1,778,695	-
Total current liabilities	1,783,013	4,200
 NET ASSETS		
Without donor restrictions		
Undesignated	1,936,992	2,351,361
Board designated	25,000	25,000
Total without donor restrictions	1,961,992	2,376,361
With donor restrictions	8,456,914	5,535,683
Total net assets	10,418,906	7,912,044
 TOTAL LIABILITIES AND NET ASSETS	\$ 12,201,919	\$ 7,916,244

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

The Twelfth Step Ministry, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 88,654	\$ 2,683,077	\$ 2,771,731
Rental fees	60,028	-	60,028
Special events	81,394	-	81,394
Less: direct expenses	(19,185)	-	(19,185)
Net special events	62,209	-	62,209
Change in investment funds held in guardianship by Foundation	-	240,586	240,586
In-kind goods and services	6,886	-	6,886
Other	9,226	-	9,226
Net assets released from restrictions	2,432	(2,432)	-
Total support and revenues	229,435	2,921,231	3,150,666
EXPENSES			
Program services			
Twelfth Step Program	225,858	-	225,858
Supporting services			
General and administrative	401,214	-	401,214
Fundraising	16,732	-	16,732
Total supporting services	417,946	-	417,946
Total expenses	643,804	-	643,804
CHANGE IN NET ASSETS	(414,369)	2,921,231	2,506,862
NET ASSETS, at beginning of year	2,376,361	5,535,683	7,912,044
NET ASSETS, at end of year	\$ 1,961,992	\$ 8,456,914	\$ 10,418,906

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

The Twelfth Step Ministry, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 141,249	\$ 3,178,406	\$ 3,319,655
Rental fees	53,753	-	53,753
Special events	98,105	-	98,105
Less: direct expenses (includes in-kind of \$5,000)	(23,374)	-	(23,374)
Net special events	74,731	-	74,731
Change in investment funds held in guardianship by Foundation	-	26,826	26,826
In-kind goods and services	6,886	-	6,886
Other	9,744	-	9,744
Net assets released from restrictions	1,371	(1,371)	-
Total support and revenues	287,734	3,203,861	3,491,595
EXPENSES			
Program services			
Twelfth Step Program	192,665	-	192,665
Supporting services			
General and administrative	43,114	-	43,114
Fundraising	43,189	-	43,189
Total supporting services	86,303	-	86,303
Total expenses	278,968	-	278,968
CHANGE IN NET ASSETS	8,766	3,203,861	3,212,627
NET ASSETS, at beginning of year	2,367,595	2,331,822	4,699,417
NET ASSETS, at end of year	\$ 2,376,361	\$ 5,535,683	\$ 7,912,044

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

The Twelfth Step Ministry, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ 2,506,862	\$ 3,212,627
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	66,504	66,504
Allowance for credit losses	(352,526)	-
Contributions restricted for investment in building and land	(2,693,077)	(3,168,406)
Net change in investment funds held in guardianship by Foundation	(240,586)	(26,826)
Changes in operating assets and liabilities, net		
Contributions receivable	10,000	-
Other asset	(445)	-
Accounts receivable	352,526	-
Accounts payable	118	2,645
Accrued expenses	1,778,695	-
Due (to) from Lovers Lane United Methodist Church	(35,333)	(62,580)
Net cash provided by (used in) operating activities	1,392,738	23,964
Cash flows from investment activities:		
Acquisition of property, plant and equipment	(6,137,857)	(38,215)
Distributions of funds held in guardianship by Foundation	2,060,848	-
Contribution received for investment funds held in guardianship by Foundation	-	(2,930,550)
Net cash used in investment activities	(4,077,009)	(2,968,765)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in building and land	2,693,077	3,158,406
Net cash provided by financing activities	2,693,077	3,158,406
INCREASE IN CASH AND CASH EQUIVALENTS	8,806	213,605
Cash and cash equivalents, at beginning of year	981,284	767,679
Cash and cash equivalents, at end of year	\$ 990,090	\$ 981,284
Supplemental disclosure of investing and financing non-cash activities:		
Acquisition of property, plant and equipment via accrued expenses	\$ 1,778,695	\$ -
Donations of stock	\$ -	\$ 1,505,550
Reconciliation of cash and cash equivalents reported within the statements of financial position to the statements of cash flows:		
Cash and cash equivalents	\$ 990,090	\$ 526,323
Cash and cash equivalents - restricted for capital expenditures	-	454,961
Total cash and cash equivalents shown in the statements of cash flows	\$ 990,090	\$ 981,284

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

The Twelfth Step Ministry, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	Supporting Services				Total
	Twelfth Step Program	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 102,375	\$ 20,475	\$ 13,650	\$ 34,125	\$ 136,500
Rent and administrative services (includes in-kind of \$6,886)	40,600	11,886	-	11,886	52,486
Depreciation expense	61,849	3,990	665	4,655	66,504
Technology	8,924	574	97	671	9,595
Office expense	4,368	283	46	329	4,697
Professional services	-	5,682	-	5,682	5,682
Utilities	5,525	357	59	416	5,941
Conference and sponsorship	225	-	-	-	225
Other	-	2,860	-	2,860	2,860
Credit losses (Note 1)	-	352,526	-	352,526	352,526
Repairs and maintenance	1,992	129	21	150	2,142
Fees	-	2,452	-	2,452	2,452
Advertising	-	-	2,194	2,194	2,194
	<u>\$ 225,858</u>	<u>\$ 401,214</u>	<u>\$ 16,732</u>	<u>\$ 417,946</u>	<u>\$ 643,804</u>

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

The Twelfth Step Ministry, Inc.
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2023

	Supporting Services				Total
	Twelfth Step Program	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 101,962	\$ 20,393	\$ 13,595	\$ 33,988	\$ 135,950
Rent and administrative services (includes in-kind of \$6,886)	639	6,240	7	6,247	6,886
Depreciation expense	61,849	3,990	665	4,655	66,504
Technology	5,637	362	61	423	6,060
Office expense	2,907	188	31	219	3,126
Professional services	-	3,909	21,000	24,909	24,909
Utilities	10,303	666	111	777	11,080
Conference and sponsorship	541	-	-	-	541
Other	-	5,388	-	5,388	5,388
Repairs and maintenance	8,827	573	94	667	9,494
Late fees and fines	-	1,405	-	1,405	1,405
Advertising	-	-	7,625	7,625	7,625
	<u>\$ 192,665</u>	<u>\$ 43,114</u>	<u>\$ 43,189</u>	<u>\$ 86,303</u>	<u>\$ 278,968</u>

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

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Organization was formed in 1991 and incorporated in 2005. The Organization is a Texas nonprofit corporation dedicated to establishing, developing and promoting an improved way of life for members of the recovery community. The Organization offers a safe environment at the Center for Spiritual Development where healing can lead to preparation for returning to family, friends, and professions. The Organization's sole member is Lovers Lane United Methodist Church (the "Church"). The Organization's program is as follows:

Twelfth Step Program – Peer-led support groups to help individuals continue to remain free of substance abuse and behavioral issues. A place where individuals can find sponsors, families and peer support.

The Organization's primary sources of revenue are contributions from donors who have a common desire to promote recovery, capital campaign contributions, and from rental fees collected from those who meet at the Organization's Center for Spiritual Development ("CSD").

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").

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 restrictions. See Note 5.

Net Assets With Donor Restrictions – Net assets 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, where the donor stipulates that resources be maintained in perpetuity. 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. See Note 6.

Gifts of long-lived assets with explicit restrictions and gifts of cash that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The Organization reports expirations of such donor restrictions when the donated assets are placed in service, unless donor restrictions indicate otherwise.

Liquidity and Availability

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. See Note 2.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits up to \$250,000 per depositor, per insured bank, for each ownership category. At December 31, 2024 and 2023, there were approximately \$381,000 and \$321,000 of uninsured balances, respectively.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents – With Donor Restrictions

At December 31, 2024 and 2023, cash and cash equivalents – restricted for capital expenditures represents donor-restricted contributions for the CSD building fund.

Allowance for Credit Losses

In May 2024, the Organization became aware of a fraud incident involving a phishing scheme. The fraud resulted in the misdirection of approximately \$485,000 intended for payment for a construction contractor. The Organization is actively pursuing all possible avenues to recover the funds, including working with financial institutions and law enforcement. As of December 31, 2024, the Organization has recovered approximately \$133,000. The Organization recorded an accounts receivable and a corresponding allowance for credit losses of \$352,526 for the remaining balance. The Organization had the following activity for its allowance for credit losses for accounts receivable for the year ended December 31, 2024:

Beginning balance	\$ -
Provision for expected credit losses	352,526
Ending balance	<u>\$ 352,526</u>

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, contributions receivables, amounts due to/from the Church, other assets, accounts payable, and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities.

Beneficial Interest in Assets Held by Foundation

The Organization is the specified beneficiary of a guardianship held by Lovers Lane United Methodist Church Foundation (the “Foundation”). For those assets to which the Organization has an unconditional right to receive all or a portion of the specified cash flows from the charitable trust or pooled assets, the Organization records the beneficial interest, measuring it at the net present value of the expected remainder at year end. The beneficial interest in assets held by other is subsequently re-measured at the present net value of the remainder at each year end, using current discount rates with the change in valuation reflected in the statements of activities and changes in net assets for the year. At December 31, 2024 and 2023, the Organization had \$2,772,285 and \$4,592,547, respectively in investments held in guardianship by the Foundation.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, if purchased or at estimated fair value at the date of donation. The Organization capitalizes expenditures for property, plant and equipment in excess of \$5,000 and with an estimated useful life greater than one year. Maintenance and repairs are charged to expense as incurred. Depreciation of property plant and equipment is computed on a straight-line basis over the estimated useful life.

	<u>Estimated Useful Lives</u>
Building	40 years
Parking lot	15 years

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.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Amounts received prior to the conditions being met are reported as refundable advances in the statements of financial position.

Special event revenue is recognized at the date the event occurs. Advanced payments for special events are reported as deferred revenue until the date of the event.

Rental fees are recognized in the period the classes occur and is included in the statements of activities and changes in net assets.

In-kind Goods and Services

In-kind goods are reflected as contributions in the accompanying financial statements at their estimated values on the dates of receipt. In-kind services are reflected in the financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind goods and services are donated to the Organization by various individuals and other organizations. See Note 4.

The Organization receives a substantial amount of services donated by individuals in carrying out the Organization's mission. In accordance with ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*, the value of the contributed time is not reflected in the accompanying financial statements because it does not meet the above criteria.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets for the years ended December 31, 2024 and 2023. Accordingly, certain costs have been allocated among the programs and services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Rent expense, interest expense, depreciation, utilities, and repairs and maintenance	Square footage

In 2024, the Organization's program expenses represented a lower percentage of total expenses compared to prior years. This decrease was due to a significant credit losses expense recognized during the year, which was classified as a management and general expense. Excluding the impact of this nonrecurring item, the Organization's program expense percentage would have remained consistent with prior years.

CSD Building Fund

The Organization is in the construction phase of rebuilding its CSD building located at 5324 West Northwest Highway in Dallas. The Organization is currently raising funds to cover the new center, and has approximately \$77,000 and \$200,000 of intentions to give at December 31, 2024 and 2023, respectively. These donor intentions do not meet the criteria to record until received. See Note 12.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code, except to the extent it has unrelated business income. For the years ended December 31, 2024 and 2023, the Organization had no material unrelated business income. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Organization has concluded that it does not have any unrecognized tax benefits resulting from the current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding ASC 740, *Income Taxes*. The Organization does not have any outstanding interest or penalties, and none have been recorded in the statements of activities and changes in net assets for the years ended December 31, 2024 and 2023. The Organization's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Organization is no longer subject to income tax examination by tax authorities for years prior to 2021.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

2. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general use because of donor-imposed restrictions and board designations within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 990,090	\$ 526,323
Investment funds held in guardianship	773,770	-
Due from the Church	54,871	20,039
Total financial assets	1,818,731	546,362
Less amounts not available to be used within one year, due to		
Designated by Board for operating reserve	(25,000)	(25,000)
Financial assets available to meet general expenditures within one year	\$ 1,793,731	\$ 521,362

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives contributions without donor restrictions and with donor restriction, which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. In addition, the Board designates a portion of any operating surplus to its operating reserve, which was \$25,000 and \$25,000 as of December 31, 2024 and 2023, respectively. See Note 5.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31,:

	2024	2023
Building	\$ 1,637,491	\$ 1,637,491
Land	249,496	249,496
Parking lot	383,498	383,498
Furniture and fixtures	64,950	-
Construction in progress	6,458,399	385,492
	8,793,834	2,655,977
Accumulated depreciation	(410,107)	(343,603)
Total	\$ 8,383,727	\$ 2,312,374

Depreciation expense was \$66,504 for the years ended December 31, 2024 and 2023.

The Organization leases certain property, plant and equipment under a capital lease obligation expiring on October 31, 2068. See Note 4. Property, plant and equipment includes the following lease that has been capitalized at December 31,:

	2024	2023
Building and parking lot	\$ 2,268,141	\$ 2,268,141
Accumulated depreciation	(409,745)	(343,300)
Total	\$ 1,858,396	\$ 1,924,841

For the years ended December 31, 2024 and 2023, depreciation on leased assets of \$66,445 is included in depreciation expense.

In January 2024, the Organization entered into a construction management services agreement with a project manager to oversee construction of the new CSD building. The Organization will pay the project manager \$6,000 per month. This agreement was terminated in April 2024.

In January 2024, the Church entered into a construction agreement on behalf on the Organization with a general contractor for construction of the new CSD building in the aggregate amount of approximately 7.2 million. The contract is billed to the Organization as the work is completed. As of December 31, 2024, the Organizations has been billed approximately \$6 million. Construction is expected to be completed in early 2025. At December 31, 2024, there was \$1,778,695 accrued construction costs and retainage included in accrued expenses. See Note 12.

4. IN-KIND GOODS AND SERVICES

The value of in-kind goods and services is as follows for the years ended December 31,:

	2024	2023
Shared services from affiliate	\$ 6,886	\$ 6,886

Based on the current market rates, the Organization would have paid \$6,886 and \$6,886 for the non-cash contributions for the years ended December 31, 2024 and 2023, respectively. The Organization utilizes non-cash contributions from various donors to carry out the mission of the Organization. If a non-cash contribution is provided that does not allow the Organization to utilize it in its normal course of business, the non-cash contribution will be sold at its fair market value as determined by appraisal or specialist depending on the type of non-cash contribution.

All non-cash contributions received by the Organization for the years ended December 31, 2024 and 2023 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

5. BOARD DESIGNATED NET ASSETS

The Board has designated \$25,000 from net assets without donor restrictions as an operating reserve at December 31, 2024 and 2023. The operative reserve is to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose at December 31,:

	2024	2023
Subject to expenditures for specified purpose:		
CSD building fund	\$ 8,456,914	\$ 5,535,683

Released from net assets with donor restrictions consisted of the following for the years ended December 31,:

	2024	2023
Satisfaction of purpose restrictions:		
CSD building fund	\$ 2,432	\$ 1,371

7. RELATED PARTY

The Organization also maintains cash balances which are comingled with the Church. The Church processes cash receipts and disbursements for the Organization. At December 31, 2024, the Church owed the Organization \$54,871 for excess receipts over disbursements. At December 31, 2023, the Organization owed the Church \$20,039 for excess disbursements over receipts.

The Church provides administrative services, including but not limited to: financial reporting, human resources, information systems, facilities, insurance, communications services and legal support. For the year ended December 31, 2024, related party services were \$6,886 for the use of space and for administrative services, including \$6,886 of in-kind shared services in accordance with ASC 958-720-25-9 *Not-for-Profit Entities – Other Expenses*. For the year ended December 31, 2023, related party services were \$6,886 for the use of space and for administrative services, including \$6,886 of in-kind shared services in accordance with ASC 958-720-25-9 *Not-for-Profit Entities – Other Expenses*. The Organization recognizes shared services received from personnel of the Church as in-kind administrative services. Shared services generally refers to services provided by a central function of one or more individuals within an affiliate group that the Organization would otherwise need to purchase or have donated. The value of the contributed time is reflected in the financial statements.

8. EMPLOYEE RETIREMENT PLAN

The Organization has adopted a defined contribution retirement plan, administered by the Wespath Benefits and Investments. This plan is for the benefit of all full time employees, including ordained ministerial staff. To participate, employees must contribute at least three percent of their eligible compensation. The Organization contributes six percent of eligible employee compensation. For the years ended December 31, 2024 and 2023, there were \$6,313 and \$5,266, respectively of employer contributions to the plan.

The Twelfth Step Ministry, Inc.
NOTES TO FINANCIAL STATEMENTS

9. ENDOWMENT FUND

In 2019, the Phillips Family Fund endowment was established with the Foundation to benefit the Organization. The Foundation is a Texas non-profit corporation formed to provide financial support to the Church and its ministries. The Foundation was granted variance power over these funds, and they are under the ultimate control of the Foundation's Board of Directors.

Pursuant to ASC 948, "*Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Hold Contributions for Others*" due to the Foundation being granted variance power, the funds are not reflected in the financial statements of the Organization. As of December 31, 2024, the total estimated value of the endowment fund held by the Foundation was approximately \$852,000, of which approximately \$150,000 is available upon request. As of December 31, 2023, the total estimated value of the endowment fund held by the Foundation was approximately \$637,000, of which approximately \$125,000 is available upon request.

10. FINANCIAL CONDITION

The Organization depends heavily on contributions from donors, rental fees and net special events for its revenue. The ability of the donors to continue giving may be dependent, among other things, upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization. While management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

11. CONCENTRATIONS

At December 31, 2024, approximately \$1,500,000 or 53% of the Organization's contributions and special event revenue was from one donor.

At December 31, 2023, approximately \$1,600,000 or 47% of the Organization's contributions and special event revenue were from board members.

12. SUBSEQUENT EVENTS

Subsequent to year-end, the Organization completed constructions of its new CSD building and resumed operations at the location in 2025.

In preparing financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 12, 2025, the date the financial statements were available to be issued and determined that there were no additional such events or transactions that require disclosure for the year ended December 31, 2024.