

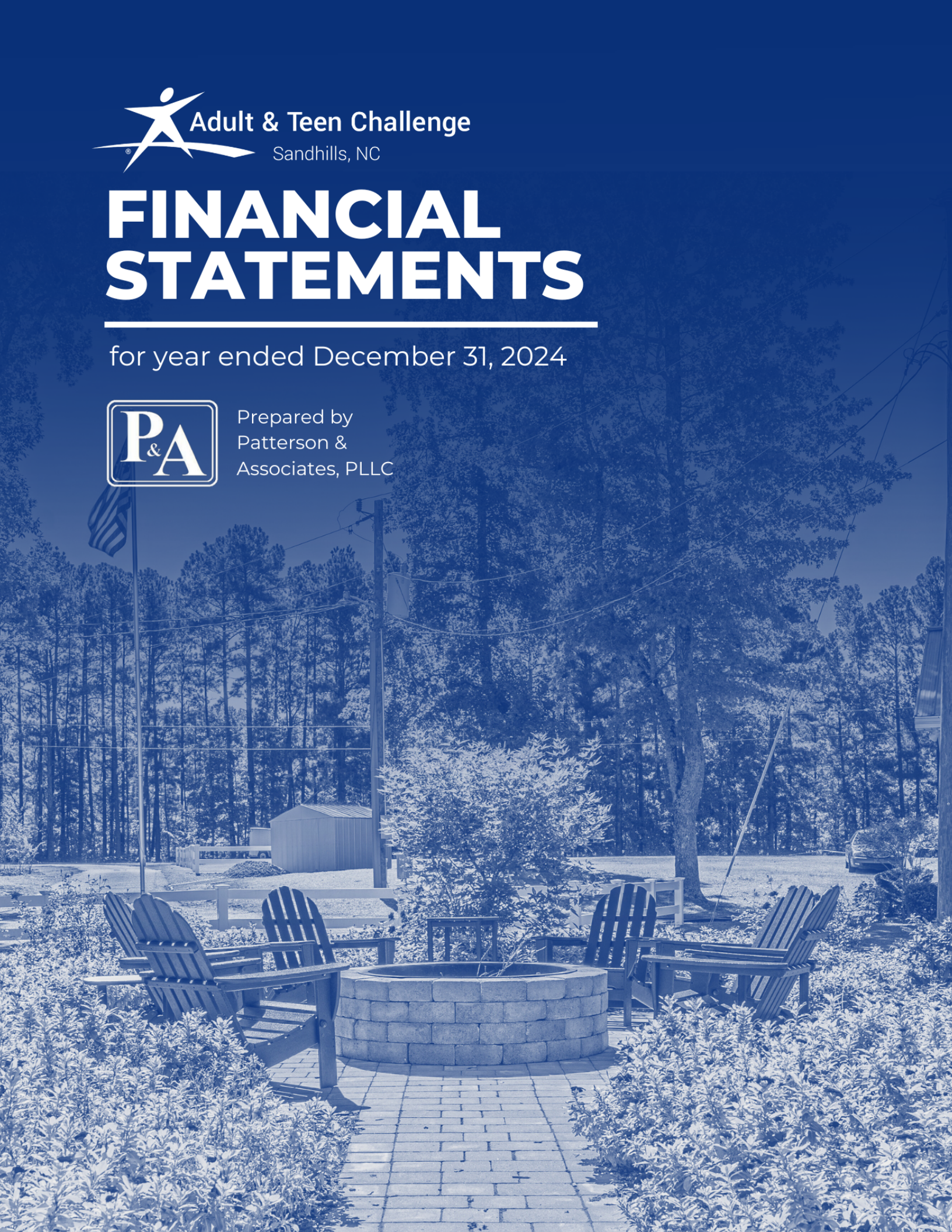


FINANCIAL STATEMENTS

for year ended December 31, 2024



Prepared by
Patterson &
Associates, PLLC



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Adult & Teen Challenge of Sandhills, North Carolina
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Patterson & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of CPAs
NC Association of CPAs

Independent Auditor's Report

To the Board of Directors
Adult & Teen Challenge of Sandhills, North Carolina
Southern Pines, North Carolina 28388

Report on the Audit of the Financial

Statements Opinion

We have audited the financial statements of Adult & Teen Challenge of Sandhills, North Carolina (a non-profit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Adult & Teen Challenge of Sandhills, North Carolina as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Adult & Teen Challenge of Sandhills, North Carolina 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Adult & Teen Challenge of Sandhills, North Carolina

Independent Auditor's Report

December 31, 2024

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 Adult & Teen Challenge of Sandhills, North Carolina's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Patterson & Associates, PLLC

Lumberton,
NC March 26,
2025

Adult & Teen Challenge of Sandhills, North Carolina

Statement of Financial Position
December 31, 2024

| <u>Assets</u> | |
|---|---------------------|
| Current assets | |
| Cash and cash equivalents | \$ 452,079 |
| Accounts receivable | 62,432 |
| Prepaid expense | <u>5,516</u> |
| Total current assets | <u>520,027</u> |
| Property and equipment | |
| Land | 208,259 |
| Buildings | 881,294 |
| Furniture, fixtures, and equipment | 161,131 |
| Construction in progress | <u>313,540</u> |
| Total | 1,564,224 |
| Accumulated depreciation | <u>(285,883)</u> |
| Net property and equipment | <u>1,278,341</u> |
| Other assets | |
| Security deposits | <u>2,229</u> |
| Total other assets | <u>2,229</u> |
| Total assets | <u>\$ 1,800,597</u> |
| <u>Liabilities and Net Assets</u> | |
| Current liabilities | |
| Accounts payable | \$ 22,569 |
| Accrued payroll and payroll liabilities | 19,271 |
| Other current liabilities | 2,912 |
| Compensated absences | <u>4,687</u> |
| Total current liabilities | <u>49,439</u> |
| Long-term liabilities | |
| Compensated absences | <u>7,030</u> |
| Total long-term liabilities | <u>7,030</u> |
| Total liabilities | <u>56,469</u> |
| Net assets | |
| Without donor restrictions | <u>1,744,128</u> |
| Total net assets | <u>1,744,128</u> |
| Total liabilities and net assets | <u>\$ 1,800,597</u> |

See accompanying notes to financial statements.

Adult & Teen Challenge of Sandhills, North Carolina

Statement of Activities

For the Year Ending December 31, 2024

| Operating revenue | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---|------------------------------------|---------------------|
| Grant income | \$ 645,907 | \$ - | \$ 645,907 |
| Contributions, sponsorships, and scholarships | 846,089 | - | 846,089 |
| Operating | 40,106 | - | 40,106 |
| Investment | 9,673 | - | 9,673 |
| Other revenue | 78,714 | - | 78,714 |
| Fundraising revenues | 229,240 | - | 229,240 |
| Total operating revenue | 1,849,729 | - | 1,849,729 |
| Net assets released from restrictions | - | - | - |
| Total operating revenue | 1,849,729 | - | 1,849,729 |
| Operating expenses | | | |
| Program services | 1,128,273 | - | 1,128,273 |
| Management and general expenses | 202,644 | - | 202,644 |
| Fundraising | 55,546 | - | 55,546 |
| Total operating expenses | 1,386,463 | - | 1,386,463 |
| Increase (decrease) in net assets from operations | 463,266 | - | 463,266 |
| Non-operating revenue (expenses) | | | |
| Gain on sale of fixed assets | 123,557 | - | 123,557 |
| Total non-operating revenue | 123,557 | - | 123,557 |
| Increase (decrease) in net assets | 586,823 | - | 586,823 |
| Net assets as of beginning of year | 1,157,305 | - | 1,157,305 |
| Net assets as of end of year | \$ 1,744,128 | \$ - | \$ 1,744,128 |

See accompanying notes to financial statements.

Adult & Teen Challenge of Sandhills, North Carolina

**Statement of Functional Expenses
For the Year Ending December 31, 2024**

| | Program Services | Management and General Services | Fundraising | Total |
|-----------------------------|-----------------------------|--|--------------------|---------------------|
| Salary and related expenses | \$ 661,983 | \$ - | - | \$ 661,983 |
| Program related services | 219,807 | - | - | 219,807 |
| Advertising | - | 9,406 | - | 9,406 |
| Depreciation | 58,920 | - | - | 58,920 |
| Dues and subscriptions | - | 8,988 | - | 8,988 |
| Insurance | - | 49,078 | - | 49,078 |
| Interest expense | - | 3,979 | - | 3,979 |
| Miscellaneous | - | 1,390 | - | 1,390 |
| Office supplies | | 28,774 | 4,945 | 33,719 |
| Professional fees | - | 57,518 | - | 57,518 |
| Rent expense | 4,100 | - | - | 4,100 |
| Repairs and maintenance | 44,941 | 12,149 | - | 57,090 |
| Supplies | 3,560 | 10,679 | - | 14,239 |
| Travel and training | 44,714 | - | - | 44,714 |
| Utilities | 85,996 | - | - | 85,996 |
| Other | 4,252 | 20,683 | 50,601 | 75,536 |
| | <u>\$ 1,128,273</u> | <u>\$ 202,644</u> | <u>\$ 55,546</u> | <u>\$ 1,386,463</u> |

See accompanying notes to financial statements.

Adult & Teen Challenge of Sandhills, North Carolina

Statement of Cash Flows
For the Year Ending December 31, 2024

Cash flows from operating activities

Increase (decrease) in net assets \$ 586,823

Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities

Depreciation expense 58,920
(Increase) decrease in accounts receivable (25,133)
(Increase) decrease in other assets (6,091)
Increase (decrease) in accounts payable 22,569
Increase (decrease) in accrued liabilities 28,430
(Gain) loss on disposal of fixed assets (123,557)
Net cash provided (used) by operating activities 541,961

Cash flows from investing activities

Net fixed asset purchases (438,575)
Proceeds from sales of property and equipment 124,049
Net cash provided (used) by investing activities (314,526)

Cash flows from financing activities

Repayment of borrowings (237,127)
Net cash provided (used) by financing activities (237,127)

Net increase (decrease) in cash, cash equivalents and restricted cash (9,692)

Cash, cash equivalents, and restricted cash - beginning of year 461,771

Cash, cash equivalents, and restricted cash - end of year \$ 452,079

Supplemental disclosure

Cash paid for interest \$ 3,979
Cash paid for income taxes \$ -

See accompanying notes to financial statements.

Adult & Teen Challenge of Sandhills, North Carolina

Notes to Financial Statements December 31, 2024

Summary of Significant Accounting Policies

Organizational Purpose and Major Activities

Adult & Teen Challenge of Sandhills, North Carolina, (the "Organization") began in 1987, in Carthage, NC, for the purpose of providing a long-term residential faith-based recovery program for men over the age of 17 with substance abuse problems. The Organization's programs offer Bible-based addiction recovery teaching in a classroom setting, vocational training, life skills training, kitchen and dining facilities, and recreational areas. In 2014, the Organization expanded into Kannapolis, NC and then again in 2021 to Elizabethtown, NC. The Organization is committed to rekindling hope, renewing life, and restoring families by reaching out to men, women, and youth struggling with life-controlling problems. The Organization relies on contributions and grants from the community, local governments, and local, state, and federal agencies.

Program Results

The recovery program is 9 months long and is divided into three phases. Phase 1 starts at the Carthage campus to begin the program, Phase 2 (Induction Phase) takes place at either the Kannapolis or Elizabethtown locations before returning to the Carthage campus to complete the final phase (Phase 3). The Training Center (located at the Carthage campus) is designed for clients to continue growing in their relationships with God, each other, and family members. While enrolled in the third and final phase of the program, clients will continue group therapy sessions and complete various series. Also, in this phase, they will begin working on an exit strategy to ensure success.

The Carthage campus sits on 31 acres and has three dormitories that can house up to 38 men. In 2024, the Carthage campus served a total of 136 people. Of the people served, 85% completed the first 30 days of the program. 34 students were able to graduate from the program and 24 are on track to graduate at year-end. Of the 34 graduates, 68% entered into the Emerging Leaders Program (ELP).

The Kannapolis campus sits on 2 acres where it has one dormitory that can house up to 10 men and has a multipurpose meeting room, with the capacity to provide daily chapel services, weekly support group meetings, and a public meeting space. For the men that participate in the program at this campus, they are there for 4 to 6 months and then transferred to the Carthage campus to finish out the remaining 5 months. In 2024, 51 students were enrolled in the Kannapolis program. Of the 51 students, 21 were discharged early. The remaining 30 students completed the induction, resulting in a 59% completion rate.

In 2021, the Organization expanded to Elizabethtown, NC. That facility serves as their Military Specialization Program (MSP). This campus can house up to 10 veterans where they can undergo a 16-week treatment program, while active duty soldiers participate in a 28-day program before they can return to base. These veterans have trauma specific curriculum designed to address their complex trauma. They are in this program for a total of 4 months before transferring to the training center in Carthage for 5 months to complete the program. In 2024, 39 people (veterans and nonveterans) participated in the program. Of the 39 participants, 10 veterans, 1 court ordered veteran, and 14 nonveterans completed the program. This resulted in a 64% completion rate.

The accompanying financial statements are summaries of the financial position, results of operations, net assets classifications, and cash flows of the Organization.

Notes to Financial Statements (continued)
December 31, 2024

Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting. Under this method, revenue is recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when paid. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP), and they have been consistently applied in the preparation of the financial statements.

In accordance with ASU 2016-14, the Organization reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net assets without donor restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net assets with donor restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (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. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accrual-based accounting for Not-for-Profit entities and are generally consistent with the policies appearing in the “Audit and Accounting Guide Not-for-Profit Organizations” prepared by the American Institute of Certified Public Accountants.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Summary of Significant Accounting Policies (continued)

Net Assets

As noted above, the Organization reports two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net assets without donor restriction consist of resources available for the general operations and administration of the Organization which have not been restricted by a donor.
- Net assets with donor restriction consist of resources whose use is limited by donor-imposed time and/or purpose restrictions. At December 31, 2024, there was \$0 in temporarily restricted net assets.

Revenue and Expenses

Revenue is recognized when earned and support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership or other assets is transferred to the Organization.

Support and revenues are reported as increases in net assets without donor restriction unless the use of the related asset is limited by donor-imposed restrictions that are not fulfilled in the accounting period. Satisfaction of temporary restrictions on net assets, that is, the satisfaction of the donor imposed stipulated purpose or the elapsing of the specified time period, are reported as reclassifications of net assets. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as restricted income at the time of receipt.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefitted.

Restricted Contributions

Contributions subject to donor-imposed restrictions are recorded as net assets with donor restriction and are reclassified as net assets without donor restriction when the donor restriction has been fulfilled or the stipulated time period has elapsed. Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in net assets with donor restriction and are reclassified to net assets without donor restriction when the purpose or time restriction is met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restriction. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the risk-free rate. Amortization of the discount is recorded as contribution revenue.

Adult & Teen Challenge of Sandhills, North Carolina

**Notes to Financial Statements (continued)
December 31, 2024**

Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents, and Restricted Cash

At December 31, 2024, cash consists of monies held in two accounts of which up to \$250,000 is insured by the FDIC. Further detail is provided in the Net Asset section of these notes.

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash subject to donor-imposed restrictions is separately identified in the statement of financial position as temporarily restricted.

Accounts Receivable

At December 31, 2024, the balance in accounts receivable was \$62,432. This represents \$8,957 in sales tax refunds from the State of North Carolina, \$50,602 in grant monies, and \$2,873 in other monies. All of these monies are deemed collectible; therefore, no allowance for doubtful accounts is considered necessary.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value if contributed. Depreciation is calculated using the straight-line method based on the following estimated useful lives.

| | |
|-------------------------|------------|
| Buildings | 39 years |
| Vehicles | 5 years |
| Furniture and equipment | 5-10 years |

Land is not considered a depreciable asset; therefore, no provision for depreciation of land has been made.

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income. The costs of asset additions and improvements that extend the useful lives of property and equipment are capitalized. Routine maintenance and repairs are charged to current operations.

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying value of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the year ended December 31, 2024, management determined that no impairment loss needs to be recognized.

Income Taxes

The Adult & Teen Challenge of Sandhills, North Carolina is exempt from income taxation under Section 501(c)(3) as an entity described in Section 501(c)(3) of the Internal Revenue Code. The Organization files an informational form 990. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense.

Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress. Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment or disclosure to the financial statements to comply with the provisions of the accounting guidance for income taxes. The tax returns filed by the Organization are subject to examination, generally for three years after they are filed. As of December 31, 2024, there are no audits in process by federal agencies.

Pension Plans

There is no pension or retirement plan for the Organization.

Compensated Absences

Per the Organization's vacation policy, employees earn vacation leave based on their number of years of service. The accumulation of time is unlimited; however, at December 31, a total of 10 days (80 hours) combined (PTO/STO) can be carried forward to the next year. A liability for accrued vacation has been established.

Employees earn 5 days of sick leave per year. Accumulation of sick leave is unlimited; however, the time does not vest and is not payable upon termination of employment. Since the Organization has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

At December 31, 2024, \$11,717 is owed for accrued vacation leave.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended December 31, 2024, were \$9,406.

Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

Notes to Financial Statements (continued)
December 31, 2024

Summary of Significant Accounting Policies (continued)

Accounting Pronouncements (continued)

In 2016, the FASB issued its leasing standard in ASU 2016-02, Leases, for both lessees and lessors. Under its core principle, a lessee will recognize right-to-use assets and related lease liabilities on the statements of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, this standard takes effect for fiscal years beginning after December 15, 2021.

See further information regarding the Organization's accounting for leases in Note 12 – Accounting for Leases.

1. Cash, Cash Equivalents, and Restricted Cash

At December 31, 2024, the Organization had a total of \$425,921 on deposit in two accounts in the bank. The book balance was \$452,079 for these accounts. The account is insured by federal depository insurance up to \$250,000 or the bank account balance at year end, whichever is less. \$0 is considered donor restricted. The total amount of cash that is FDIC insured is \$295,992. The total amount that is not FDIC insured is \$129,929.

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit, with an original maturity date of three months or less when purchased. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows.

| <u>Description</u> | <u>Amount</u> |
|--------------------|-------------------|
| Cash | <u>\$ 452,079</u> |

2. Liquidity and Availability

The organization has \$514,511 of financial assets available within one year of the balance sheet date, consisting of \$452,079 in cash and \$62,432 in accounts receivable, to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. The organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to these financial assets available to meet general expenditures over the next year, the organization anticipates collecting sufficient revenue to cover general expenditures.

3. Prepaid Expenses

At December 31, 2024, the Organization had prepaid expenses totaling \$5,516, consisting of the following:

| <u>Description</u> | <u>Amount</u> |
|--------------------|-----------------|
| Virtuous Software | <u>\$ 5,516</u> |

Adult & Teen Challenge of Sandhills, North Carolina

**Notes to Financial Statements (continued)
December 31, 2024**

4. Property and Equipment

At December 31, 2024, the Organization had the following property and equipment:

| | |
|--------------------------------|---------------------|
| Land | \$ 208,259 |
| Buildings | 881,294 |
| Vehicles | 113,471 |
| Furniture & equipment | 42,182 |
| Intangibles | 5,478 |
| Construction in progress | <u>313,540</u> |
| Total Property and equipment | 1,564,224 |
| Less: Accumulated depreciation | <u>(285,883)</u> |
| Property and equipment, net | <u>\$ 1,278,341</u> |

In the current year, a building (valued at \$313,540) was purchased by the Organization, but has not been placed in service due to future renovation plans.

5. Long Term Debt

In the current year, the Organization paid off the remaining balance of their loan with HIS Fund by using funds received from the NC General Assembly. No new debt was acquired during the year.

The entire loan balance is considered to be paid off at year-end. Interest expense for the year ended December 31, 2024, was \$3,979.

6. Net Assets with Donor Restriction

At December 31, 2024, none of the Organization's net assets have donor restrictions. There were no net assets released from restriction at December 31, 2024.

7. Revenue Concentration

The Organization relies on contributions, grants, and fundraisers to fund its programs. The implications of this concentration are recognized by the members of the Organization.

For the year ended December 31, 2024, the Organization received \$846,089 in contributions, \$645,907 in grant monies, and \$229,240 from various fundraisers. These dollar amounts are shown on the Statement of Activities. Costs related to fundraisers totaled \$55,546 and are shown in the Fundraising section in the Statement of Functional Expenses.

8. Donated Services and In-Kind Support

The Organization may receive services, equipment, and material without payment or compensation. Donated services are recognized as contributions if the services (a) create or enhance the nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year, the Organization did not receive any non-cash donations.

Adult & Teen Challenge of Sandhills, North Carolina

Notes to Financial Statements (continued) December 31, 2024

9. Financial Instruments

The carrying value of the Organization's financial instruments approximates the estimated fair values shown in the financial statements.

10. Effect of Current Economic Conditions on Contributions

The Organization depends heavily on contributions from grants and the community for its revenue. The ability of the Organization's contributors to continue giving amounts comparable with prior years may be dependent upon current and future economic conditions and the continued deductibility of for income tax purposes of contributions to the Organization. While the Organization believes that economic conditions such as tax deductibility are stable enough for the Organization to continue its operations, its ability to do so and the extent to which it continues may be dependent on the above factors.

11. Accounting for Leases

The Organization leases office space in Southern Pines, North Carolina, for \$500 per month. In addition, the Organization leases a copier for \$246.72 per month. The office space lease is for 12 months and the copier lease is for 60 months. Both leases are renewable upon the agreement of both parties. Renewal of leases is dependent upon continued program funding. Total cost for both leases for the year ended December 31, 2024, is \$5,961. This amount is included in rent expense and office supplies in the Statement of Functional Expenses.

12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential disclosure through March 26, 2025, the date the financial statements were issued. From this evaluation the following is noted; the Organization is in the process of opening its first Woman's long- term residential recovery program in Sanford, NC. This facility is expected to open in March 2025 and is currently in the process of being renovated. The Organization also has an induction center in Georgetown, SC.

13. Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. Fair value is defined 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 three levels of fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash, cash equivalents, and restricted cash totaling \$452,079 are considered Level 1.