



Kurtis Smith, LLC

Audit and Public Company Support

Dallas Life

Financial Statements

With Independent Auditor's Report

For the year ended December 31, 2021



INDEPENDENT AUDITOR’S REPORT

Board of Directors
Dallas Mission for Life d.b.a. Dallas Life
Dallas, Texas

Opinion

I have audited the consolidated financial statements of Dallas Mission for Life, d.b.a. Dallas Life (“Dallas Life”), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dallas Life as of December 31, 2021, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Dallas Life and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

Board of Directors
Dallas Mission for Life d.b.a. Dallas Life

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dallas Life's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Dallas Life'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 consolidated financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dallas Life's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Board of Directors
Dallas Mission for Life d.b.a. Dallas Life

Report on Summarized Comparative Information

The consolidated financial statements and supplementary information of Dallas Life for the year ended December 31, 2020 was previously audited by a predecessor auditor, who expressed an unmodified audit opinion dated May 27, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position and Consolidating Statement of Activities as of and for the year ended December 31, 2021 and 2020 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole for the year ended December 31, 2021.

Kurtis Smith, LLC

Woodland Park, Colorado

April 15, 2022

Dallas Mission for Life (d.b.a. Dallas Life)
Consolidated Statement of Financial Position

As of December 31, 2021, with summarized financial information as of December 31, 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 3,173,676	\$ 6,473,867
Accounts receivable	34,965	62,702
Contributions receivable, net	143,291	272,866
Inventory and supplies	130,106	37,348
Prepaid expenses and other assets	19,574	18,745
Note receivable	6,647,150	6,647,150
Investments	102,533	100,204
Property and equipment, net	12,327,228	11,579,412
Total assets	<u>\$ 22,578,523</u>	<u>\$ 25,192,294</u>
Liabilities		
Accounts payable	\$ 74,225	\$ 93,211
Construction retention and payables	-	1,513,140
Accrued expenses	42,909	48,838
Deferred grant advance	1,800,000	1,800,000
Notes payable, net	8,548,132	9,488,351
Total liabilities	10,465,266	12,943,540
Net assets		
Net assets without donor restrictions	11,867,433	2,237,420
Net assets with donor restrictions	245,824	10,011,334
Total net assets	<u>12,113,257</u>	<u>12,248,754</u>
Total liabilities and net assets	<u>\$ 22,578,523</u>	<u>\$ 25,192,294</u>

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

Dallas Mission for Life (d.b.a. Dallas Life)**Consolidated Statement of Activities****For The Year Ended December 31, 2021,***with summarized financial information for the year ended December 31, 2020*

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Contributed support:				
Contributions	\$ 2,260,972	\$ 257,931	\$ 2,518,903	\$ 3,401,846
Federal contributions	332,896	-	332,896	363,300
Gift-in-kind contributions	244,070	-	244,070	399,655
Special events, net	-	-	-	5,415
Total support	2,837,938	257,931	3,095,869	4,170,216
Revenue:				
Convenience store sales	95,701	-	95,701	202,279
Lodging revenue	299,709	-	299,709	378,561
Interest income	68,391	-	68,391	8,678
Other income	45,251	-	45,251	21,359
Total revenue	509,052	-	509,052	610,877
Total support and revenue	3,346,990	257,931	3,604,921	4,781,093
Net assets released				
Purpose and time restrictions	10,023,441	(10,023,441)	-	-
Expenses				
Program services	2,910,619	-	2,910,619	2,840,681
Supporting activities:				
Management and general	346,222	-	346,222	326,547
Fundraising	483,577	-	483,577	330,814
Total expenses	3,740,418	-	3,740,418	3,498,042
Change in net assets	9,630,013	(9,765,510)	(135,497)	1,283,051
Net assets, beginning of year	2,237,420	10,011,334	12,248,754	10,965,703
Net assets, end of year	\$ 11,867,433	\$ 245,824	\$ 12,113,257	\$ 12,248,754

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

Dallas Mission for Life (d.b.a. Dallas Life)
Consolidated Statement of Functional Expenses
For The Year Ended December 31, 2021,
with summarized financial information for the year ended December 31, 2020

	2021				2020
	Program Services	Management and General	Fundraising	Total	
Salaries and benefits	\$ 1,388,917	\$ 136,940	\$ 115,852	\$ 1,641,709	\$ 1,808,883
Occupancy	334,518	21,816	7,272	363,606	388,955
Depreciation	570,663	37,217	12,405	620,285	239,276
Operating expenses	369,432	54,366	6,203	430,001	596,490
Cost of goods sold	55,592	-	-	55,592	118,914
Communications	66,426	2,282	315,522	384,230	254,037
Professional services	-	60,039	23,604	83,643	80,245
Interest expense	125,071	33,562	2,719	161,352	11,242
	<u>\$ 2,910,619</u>	<u>\$ 346,222</u>	<u>\$ 483,577</u>	<u>\$ 3,740,418</u>	<u>\$ 3,498,042</u>

Dallas Mission for Life (d.b.a. Dallas Life)**Consolidated Statement of Cash Flows****For The Year Ended December 31, 2021,***with summarized financial information for the year ended December 31, 2020*

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (135,497)	\$ 1,283,051
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	620,285	239,276
Amortization of debt issuance costs	62,053	11,242
Interest income on endowment assets	(2,329)	-
Contributions for long-term purposes	-	(1,077,781)
Changes in operating assets and liabilities:		
Accounts receivable	27,737	(62,702)
Contributions receivable	129,575	-
Inventory and supplies	(92,758)	(21,753)
Prepaid expenses and other assets	(829)	33,796
Accounts payable and accrued expenses	(24,915)	31,376
Deferred grant advance	-	1,800,000
Net cash provided (used) by operating activities	<u>583,322</u>	<u>2,236,505</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(2,881,241)</u>	<u>(6,090,932)</u>
Net cash provided (used) by investing activities	(2,881,241)	(6,090,932)
Cash flows from financing activities		
Contributions received for long-term purposes	-	3,332,584
Issuance of notes payable	-	9,971,000
Principal payments on note payable	(981,025)	-
Issuance of note receivable	-	(6,647,150)
Capitalized debt issuance costs	<u>(21,247)</u>	<u>(501,676)</u>
Net cash provided (used) by financing activities	<u>(1,002,272)</u>	<u>6,154,758</u>
Net change in cash and cash equivalents	(3,300,191)	2,300,331
Cash and cash equivalents		
Beginning of year	<u>6,473,867</u>	<u>4,173,536</u>
End of year	<u>\$ 3,173,676</u>	<u>\$ 6,473,867</u>
Supplemental data		
Interest paid in cash	<u>\$ 95,141</u>	<u>\$ 30,348</u>

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

Dallas Mission for Life (d.b.a Dallas Life)

Notes to financial statements

For the year ended December 31, 2021,

with summarized financial information for the year ended December 31, 2020

1. Nature of Operations

Dallas Mission for Life d.b.a. Dallas Life (“we”, “us”, or “our”) was formed to serve the homeless community of Dallas and the surrounding area with a mission to be a place where homeless men, women, and children can receive help and hope during their time of need, to be a path to recovery and self-sufficient living, and to be a promise that there is a way to begin again. To fulfill this mission, we have different recovery programs to meet the needs of individuals, couples, teens, children, families, those with disabilities, and the elderly. Through these recovery programs we provide vocational, educational, and spiritual growth opportunities, in addition to providing food, clothing, and shelter.

Our facilities include housing for up to 700 men, women, and children per day, kitchen and dining areas providing 3 balanced meals per day, every day of the year, chapel with daily services, library, computer training center, convenience store, and medical and dental clinics where individuals receive not only treatment but are also offered wellness classes on hygiene, nutrition, infections, and health. We assist with employment referrals, graduate equivalency diploma (G.E.D.) classes, counseling services, and more.

Contributed support is primarily received from the general public, private foundations, corporations, and Churches.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”). Our significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the reader.

Basis of Consolidation

These consolidated financial statements include the financial statements of Dallas Life and Dallas Life Support Corporation (“DLSC”). The purpose of DLSC is to own and provide financing for real estate facilities used by Dallas Life. Dallas Life is the sole member of DLSC and appoints a majority of its directors. Intercompany transactions and balances have been eliminated for consolidated financial statement purposes.

Dallas Mission for Life (d.b.a Dallas Life)

Notes to financial statements

For the year ended December 31, 2021,

with summarized financial information for the year ended December 31, 2020

Revenue Recognition

We earn revenue from products sold at our convenience store and for lodging services. Revenue is recognized when control of the promised goods is transferred in an amount that reflects the consideration we are entitled to in exchange for those goods or services (transaction price). Our convenience store sells products to residents and employees, such as snacks, drinks, and food items. Convenience store sales are recognized when the products are sold. We earn lodging revenue for residents seeking residence services. We recognize lodging revenue over time based on daily rates. Residents pay for lodging in short increments. Government agencies and other third-party payors paying lodging for certain residents generally pay after the end of each month. Contact assets amounted to \$34,965 in accounts receivable at December 31, 2021. There were no significant contract liabilities.

Contributions and Promises to Give

Contributions are recorded when received, which may be when cash or other assets are received or unconditionally promised. We report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

We report gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, we report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services are recorded at the fair values of the services received. GAAP requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. We benefit from services of a substantial number of volunteers that donate their time and efforts generously. There were no significant contributed services that met the requirements above to be recognized in our consolidated financial statements during the years ended December 31, 2021 and 2020.

We also receive a significant amount of donated clothing and food. We use donated food to provide meals to residents and those in recovery programs. We record donated clothing and food at their estimated fair value. For the years ended December 31, 2021 and 2020, we received \$244,070 and \$399,655, respectively, of these items, which is included in gift-in-kind contributions on the Consolidated Statements of Activities.

Dallas Mission for Life (d.b.a Dallas Life)

Notes to financial statements

For the year ended December 31, 2021,

with summarized financial information for the year ended December 31, 2020

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts, and certificates of deposits with an original maturity of less than 90 days. These accounts may, at times, exceed federally insured limits. We have not experienced any losses on such accounts and believe we are not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable is comprised of amounts due primarily for lodging revenue. Accounts receivable is reported at its net realizable value. We use an allowance for doubtful accounts to measure net realizable value based on historical collection experience and other factors anticipated to affect collections. We did not deem it necessary to record an allowance for doubtful accounts at December 31, 2021 and 2020.

Contributions Receivable

Contributions receivable consists of unconditional promises to give that are recognized when the promise is made. Such amounts are reported at their net realizable value. We provide for an allowance for doubtful accounts based on donor communication, historical collections, and other evidence. Due to uncertainties of collections, it is reasonably possible that our estimate may change by a material amount in the subsequent year.

Inventory and Supplies

Inventory and supplies consist of donated clothing, convenience store inventory, and other supplies used by our programs. All such inventory is recorded at its estimated fair value when donated and cost if purchased. Inventory and supplies are expensed if they become unusable or damaged.

Property and Equipment

Property and equipment are initially recorded at cost if purchased and fair value if donated. Purchases or donations in excess of \$5,000 are capitalized with lesser amounts expensed. Property and equipment, other than land, are depreciated using the straight-line method with useful lives ranging from 3-40 years.

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, the impairment loss recognized is the amount by which the asset's net carrying value exceeds its estimated fair value. We did not observe any conditions that would necessitate an impairment review, nor did we record an impairment at December 31, 2021 and 2020.

Dallas Mission for Life (d.b.a Dallas Life)

Notes to financial statements

For the year ended December 31, 2021,

with summarized financial information for the year ended December 31, 2020

Investments

Investments are comprised of investment cash held for our endowment. Investments and investment cash is reported at fair value.

Endowments

We have interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as net assets with donor restrictions in perpetuity (a) the original value of the gift donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. This will then cause the net assets with donor restrictions in perpetuity to reflect the historical cost value of the endowment.

Investment gains are recorded in net assets without donor restrictions if there is no donor restriction on the income and in net assets with donor restrictions if the donor placed a restriction on the income. If there are capital losses on donor restricted income, those losses will go first against the endowment funds with donor restrictions and then be recorded in the unrestricted net asset category. All future gains will go first to cover these previously recorded losses before returning to the originally intended net asset category.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires us to retain as a fund of perpetual duration. As of December 31, 2021 and 2020, there were no deficiencies of this nature.

We have adopted investment and spending policies designed to provide a future stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of such endowment assets. Endowment assets include those assets of donor-restricted funds that we must hold in perpetuity. Under this policy, the endowment assets will be invested in a manner that is intended, over the long-term, to provide sufficient growth to offset inflation. The actual return in any given year may vary from these amounts.

Net Assets

The consolidated financial statements report amounts by class of net assets:

- *Net assets without donor restrictions* are currently available for operations under the direction of the board of directors and resources invested in property and equipment.
- *Net assets with donor restrictions* are stipulated by donors for specific operating purposes or for the acquisition of property and equipment. These include donor restrictions requiring the net assets to be held in perpetuity or for a specified term.

Dallas Mission for Life (d.b.a Dallas Life)

Notes to financial statements

For the year ended December 31, 2021,

with summarized financial information for the year ended December 31, 2020

Use of Estimates

We use estimates and assumptions in preparing financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could vary from the estimates that were used in preparing the financial statements. The most significant use of estimates relates to useful lives assigned to property and equipment for purposes of depreciation and review of property and equipment for impairment.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized in the Consolidated Statements of Activities and Functional Expenses. Accordingly, certain costs, such as depreciation and payroll, have been allocated among program services and supporting activities. We allocate salaries and benefits and professional services based on the approximate time spent. Other expenses are allocated based on a percentage of time or resources used.

Income Taxes

Dallas Life and Dallas Life Support Corporation are entities exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and are not private foundations under Section 509(a) of the Code.

Fair Value Measurements

GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

Fair value is defined as the exit price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy that prioritizes and ranks inputs in valuation techniques used to measure fair value. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Inputs using quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities in markets that are not active, or unobservable inputs that are corroborated by market data.

Dallas Mission for Life (d.b.a Dallas Life)

Notes to financial statements

For the year ended December 31, 2021,

with summarized financial information for the year ended December 31, 2020

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. This includes discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. Because of the long-term nature of certain assets and liabilities measured at fair value as well as differences in the availability of market prices and market liquidity over their terms, inputs for some assets and liabilities may fall into any one of the three levels in the fair value hierarchy. GAAP requires us to classify these assets and liabilities in the lowest level in the hierarchy for which inputs are significant to the fair value measurement. A portion of that measurement may be determined using inputs from a higher level in the hierarchy.

Change in Presentation

Certain prior year amounts have been changed to conform with the current year presentation. This is primarily comprised of the categories used in our Consolidated Statement of Functional Expenses.

3. Contributions Receivable

Contributions receivable consisted of the following, at:

	December 31,	
	2021	2020
Unconditional contributions receivable before unamortized discount	\$ 149,456	\$ 279,031
Less amortized discount	-	(6,165)
	149,456	272,866
Less allowance for doubtful accounts	(6,165)	-
	143,291	272,866
Pledges are due to be collected as follows:		
Less than one year	\$ 120,000	\$ 165,450
One to four years	29,456	107,416
	<u>\$ 149,456</u>	<u>\$ 272,866</u>

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2021,***with summarized financial information for the year ended December 31, 2020***4. Note Receivable**

We have a note receivable due from DML Investment Fund, LLC (“DML Fund”) at December 31, 2021 in the amount of \$6,647,150 (“DML Loan”). The loan accrues interest at an annual rate of 1% and requires quarterly interest payments. Quarterly principal and interest payments of \$117,626 begin on March 10, 2028 until the maturity date of March 31, 2043. This loan is secured by the membership interests of DML Fund. Interest income was \$66,471 and \$8,678 for the years ended December 31, 2021 and 2020, respectively. No credit loss was necessary at December 31, 2021 and 2020.

This note receivable is part of the New Market Tax Credit (“NMTC”) program described in Note 11.

5. Endowments

We have an endowment that is restricted for our children’s ministry. Our endowment assets are comprised of a money market account. The endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		
		Accumulated Gains (Losses)	Original Gift Amount	Total
Children’s endowment funds	\$ -	\$ 2,533	\$ 100,000	\$ 102,533

Changes in endowment net assets for the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		
		Accumulated Gains (Losses)	Original Gift Amount	Total
Endowment net assets, beginning of year	\$ -	\$ 204	\$ 100,000	\$ 100,204
Investment income	-	2,329	-	2,329
Endowment net assets, end of year	\$ -	\$ 2,533	\$ 100,000	\$ 102,533

The endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		
		Accumulated Gains (Losses)	Original Gift Amount	Total
Children’s endowment funds	\$ -	\$ 204	\$ 100,000	\$ 100,204

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2021,***with summarized financial information for the year ended December 31, 2020*

Changes in endowment net assets for the year ended December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains (Losses)	Original Gift Amount	
Endowment net assets, beginning of year	\$ -	\$ 204	\$ 100,000	\$ 100,204
Investment income	-	204	-	204
Release of restrictions	-	(204)	-	(204)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 100,000</u>	<u>\$ 100,204</u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA for both the years ended December 31, 2021 and 2020, was \$100,000.

6. Fair Value Measurements

The following table presents our assets that are measured at fair value categorized in accordance with the fair value hierarchy as of December 31, 2021:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Money market investment cash, held in endowments	\$ 102,533	\$ -	\$ -	\$ 102,533
Total	<u>\$ 102,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,533</u>

The following table presents our assets that are measured at fair value categorized in accordance with the fair value hierarchy as of December 31, 2020:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Money market investment cash, held in endowments	\$ 100,204	\$ -	\$ -	\$ 100,204
Total	<u>\$ 100,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,204</u>

Dallas Mission for Life (d.b.a Dallas Life)
Notes to financial statements
For the year ended December 31, 2021,
with summarized financial information for the year ended December 31, 2020

7. Property and Equipment

Property and equipment, consisted of the following at:

	December 31,	
	2021	2020
Land	\$ 265,466	\$ 265,466
Buildings and improvements	15,352,696	3,689,665
Equipment, furniture, and fixtures	753,125	1,180,910
Vehicles	189,940	189,940
	<u>16,561,227</u>	<u>5,325,981</u>
Construction in progress	-	9,848,873
	<u>16,561,227</u>	<u>15,174,854</u>
Accumulated depreciation	<u>(4,233,999)</u>	<u>(3,595,442)</u>
	<u>\$ 12,327,228</u>	<u>\$ 11,579,412</u>

Depreciation expense was \$620,285 and \$239,276 for the years ended December 31, 2021, and 2020, respectively.

8. Deferred Grant Advance

During 2020, we received a grant of \$1,800,000 from the Federal Home Loan Bank of San Francisco. The grant carries with it certain conditions that, if not met, will result in a repayment requirement. Although we anticipate compliance with grant terms, the conditional nature of the grant requires that it be treated as a liability until such point that it becomes unconditional at the end of the 15-year term (October 2035). The agreement has a 15-year term and is non-interest bearing. Because similar programs do not bear interest, it is not necessary to impute interest on this agreement.

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2021,***with summarized financial information for the year ended December 31, 2020***9. Notes Payable**

Notes payable consists of the following at:

	December 31,	
	<u>2021</u>	<u>2020</u>
Dallas LIFE:		
Note payable to a financial institution consisting of a line of credit of \$2,400,000 that accrues interest at the Wall Street Journal Rate plus 1.75% (5.0% at December 31, 2021 and 2020). The note is collateralized by a first lien and deed of trust on real property and assignment of capital pledges and matured on April 23, 2022.	\$ -	\$ 981,025
Dallas Life Support Corporation:		
Note payable with quarterly interest payments until December 31, 2027, followed by principal and interest payments of \$89,103. Unpaid principal and interest is due December 2049. Interest is fixed at 1.53% and is secured by the assets of Dallas Life. This is part of the NMTC program described in Note 11.	6,647,150	6,647,150
Note payable with quarterly interest payments until December 31, 2027, followed by principal and interest payments of \$29,964. Unpaid principal and interest is due December 2049. Interest is fixed at 1.53% and is secured by the assets of Dallas Life. This is part of the NMTC program described in Note 11.	<u>2,377,850</u>	<u>2,377,850</u>
	9,025,000	10,006,025
Unamortized debt issuance costs, net	<u>(476,868)</u>	<u>(517,674)</u>
	<u>\$ 8,548,132</u>	<u>\$ 9,488,351</u>

Interest expense was \$161,352 and \$11,242 for the years ended December 31, 2021 and 2020, respectively. Interest capitalized was \$46,028 and \$30,300 for the years ended December 31, 2021 and 2020, respectively. Future maturities are as follows:

Year Ending December 31,	Amount
2022	\$ -
2023	-
2024	-
2025	-
Thereafter	<u>9,025,000</u>
	<u>\$ 9,025,000</u>

Dallas Mission for Life (d.b.a Dallas Life)
Notes to financial statements
For the year ended December 31, 2021,
with summarized financial information for the year ended December 31, 2020

10. Net Assets

Net assets consisted of the following at:

	December 31,	
	2021	2020
Net assets without donor restrictions:		
Undesignated	\$ 11,867,433	\$ 2,237,420
Board designated	-	-
	<u>11,867,433</u>	<u>2,237,420</u>
Net assets with donor restrictions:		
Time restricted	143,291	272,866
Purpose restricted	2,533	204
Equity in property and equipment	-	9,638,264
Restricted in perpetuity – children’s ministry	100,000	100,000
	<u>245,824</u>	<u>10,011,334</u>
	<u>\$ 12,113,257</u>	<u>\$ 12,248,754</u>

11. New Market Tax Credit Transactions

In November 2020, we entered into a financial arrangement to help fund the cost of the renovations of our building facilities with the New Market Tax Credit program. Under this arrangement, DLSC received two loans totaling \$9,025,000 from Urban Development Fund 59, LLC (“UDF Loans”). Refer to Note 9 for the terms of the loan agreements. In conjunction with this financing arrangement, Dallas Life provided a loan of \$6,647,150 to DML Fund, an unaffiliated investment structure.

As part of the NMTC program, there is an option agreement that provides us with the option and may require that we purchase equity interests in the DML Fund for \$1,000 plus fees and certain indemnities. The option agreement could be exercised in November 2027. This provides for a process to net the UDF Loans with the DML Loan and for us to recognize the net amount as income. The NMTC program has conditions and program requirements that may affect this process.

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2021,***with summarized financial information for the year ended December 31, 2020*

12. Financial Liquidity

The following reflects our financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of these dates:

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 3,173,676	\$ 6,473,867
Accounts receivable	34,965	62,702
Contributions receivable, net	143,291	272,866
Note receivable	6,647,150	6,647,150
Investments	102,533	100,204
Financial assets, at year-end	<u>10,101,615</u>	<u>13,556,789</u>
Less those not available for general expenditure within one year, due to:		
Note receivable, due in more than one year	(6,647,150)	(6,647,150)
Restrictions by donor with purpose restriction	(2,533)	(204)
Restrictions by donor with time restriction	(143,291)	(272,866)
Restrictions by donor in perpetuity	(100,000)	(100,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,208,641</u>	<u>\$ 6,536,569</u>

As part of our liquidity management, we have a policy to structure our financial assets to be available as general expenditures, liabilities, and other obligations come due. We have an informal policy is to retain three months of operating expenses in cash and cash equivalents.

13. Retirement Plan

We offer a defined contribution plan. Full-time employees are eligible to participate in the plan after one year of service and may contribute amounts subject to IRS limitations. We match 5% to 7.5% of eligible compensation. Employer contributions for the years ended December 31, 2021 and 2020, were \$25,066 and \$23,958, respectively.

Dallas Mission for Life (d.b.a Dallas Life)

Notes to financial statements

For the year ended December 31, 2021,

with summarized financial information for the year ended December 31, 2020

14. Federal Contribution

We received a Paycheck Protection Program loan of \$332,896 and \$363,300 in 2021 and 2020, respectively. Our loans were fully forgiven based on qualifying expenditures for payroll and other operating costs. These amounts are reflected as federal contributions in our Consolidated Statements of Activities.

15. Risks and Uncertainties

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus as a “Public Health Emergency of International Concern,” ultimately classifying the resulting COVID-19 as a pandemic. Federal, state, and local governments have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home advisories, and quarantining of people who may have been exposed to the virus.

The duration of disruption and related impact cannot be reasonably estimated at this time. We are monitoring contributions and mission critical expenditures. Expenditures may be reduced as necessary. To this point, contributions and cash on hand have been adequate to fund ongoing essential activities through this time of uncertainty and any long-term impacts cannot yet be determined.

16. Subsequent Events

Subsequent events have been evaluated through April 15, 2022, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

Dallas Mission for Life (d.b.a. Dallas Life)
Consolidating Statement of Financial Position

As of December 31, 2021, with summarized financial information as of December 31, 2020

	2021				2020			
	Dallas Life	Dallas Life Support Corporation	Eliminations	Consolidated Totals	Dallas Life	Dallas Life Support Corporation	Eliminations	Consolidated Totals
Assets								
Cash and cash equivalents	\$ 3,104,186	\$ 69,490	\$ -	\$ 3,173,676	\$ 3,527,657	\$ 2,946,210	\$ -	\$ 6,473,867
Accounts receivable	34,965	-	-	34,965	1,846,949	50,000	(1,834,247)	62,702
Contributions receivable, net	143,291	-	-	143,291	272,866	-	-	272,866
Inventory and supplies	130,106	-	-	130,106	37,348	-	-	37,348
Prepaid expenses and other assets	19,574	-	-	19,574	18,745	-	-	18,745
Note receivable	6,647,150	-	-	6,647,150	6,647,150	-	-	6,647,150
Investments	102,533	-	-	102,533	100,204	-	-	100,204
Property and equipment, net	863,753	11,463,475	-	12,327,228	516,426	11,062,986	-	11,579,412
Total assets	<u>\$ 11,045,558</u>	<u>\$ 11,532,965</u>	<u>\$ -</u>	<u>\$ 22,578,523</u>	<u>\$ 12,967,345</u>	<u>\$ 14,059,196</u>	<u>\$ (1,834,247)</u>	<u>\$ 25,192,294</u>
Liabilities								
Accounts payable	\$ 74,225	\$ -	-	\$ 74,225	\$ 93,211	\$ 1,834,247	\$ (1,834,247)	\$ 93,211
Construction retention and payables	-	-	-	-	-	1,513,140	-	1,513,140
Accrued expenses	42,909	-	-	42,909	48,838	-	-	48,838
Deferred grant advance	1,800,000	-	-	1,800,000	1,800,000	-	-	1,800,000
Intercompany (receivable) payable	(1,797,021)	1,797,021	-	-	-	-	-	-
Notes payable, net	-	8,548,132	-	8,548,132	962,863	8,525,488	-	9,488,351
Total liabilities	<u>120,113</u>	<u>10,345,153</u>	<u>-</u>	<u>10,465,266</u>	<u>2,904,912</u>	<u>11,872,875</u>	<u>(1,834,247)</u>	<u>12,943,540</u>
Net assets								
Without donor restrictions	10,679,621	1,187,812	-	11,867,433	9,689,363	(7,451,943)	-	2,237,420
With donor restrictions	245,824	-	-	245,824	373,070	9,638,264	-	10,011,334
Total net assets	<u>10,925,445</u>	<u>1,187,812</u>	<u>-</u>	<u>12,113,257</u>	<u>10,062,433</u>	<u>2,186,321</u>	<u>-</u>	<u>12,248,754</u>
Total liabilities and net assets	<u>\$ 11,045,558</u>	<u>\$ 11,532,965</u>	<u>\$ -</u>	<u>\$ 22,578,523</u>	<u>\$ 12,967,345</u>	<u>\$ 14,059,196</u>	<u>\$ (1,834,247)</u>	<u>\$ 25,192,294</u>

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

Dallas Mission for Life (d.b.a. Dallas Life)

Consolidating Statement of Activities

For The Year Ended December 31, 2021, with summarized financial information for the year ended December 31, 2020

	2021				2020			
	Dallas Life	Dallas Life Support Corporation	Eliminations	Consolidated Totals	Dallas Life	Dallas Life Support Corporation	Eliminations	Consolidated Totals
Support and revenues								
Contributed support:								
Contributions	\$ 2,513,502	\$ -	\$ 5,401	\$ 2,518,903	\$ 3,401,846	\$ -	\$ -	\$ 3,401,846
Federal contributions	332,896	-	-	332,896	363,300	-	-	363,300
Intercompany grants	513,024	(507,623)	(5,401)	-	7,372,238	9,617,618	(16,989,856)	-
Gift-in-kind contributions	244,070	-	-	244,070	399,655	-	-	399,655
Special events, net	-	-	-	-	5,415	-	-	5,415
Total support	3,603,492	(507,623)	-	3,095,869	11,542,454	9,617,618	(16,989,856)	4,170,216
Revenue:								
Convenience store sales	95,701	-	-	95,701	202,279	-	-	202,279
Lodging revenue	299,709	-	-	299,709	378,561	-	-	378,561
Interest income	68,391	-	-	68,391	8,678	-	-	8,678
Other income	32,938	154,834	(142,521)	45,251	21,359	532	(532)	21,359
Total revenue	496,739	154,834	(142,521)	509,052	610,877	532	(532)	610,877
Total support and revenue	4,100,231	(352,789)	(142,521)	3,604,921	12,153,331	9,618,150	(16,990,388)	4,781,093
Expenses								
Program services	2,448,842	592,896	(131,119)	2,910,619	12,406,612	7,423,925	(16,989,856)	2,840,681
Supporting activities:								
Management and general	314,838	39,935	(8,551)	346,222	319,175	7,904	(532)	326,547
Fundraising	473,539	12,889	(2,850)	483,577	330,814	-	-	330,814
Total expenses	3,237,219	645,720	(142,521)	3,740,418	13,056,601	7,431,829	(16,990,388)	3,498,042
Change in net assets	863,012	(998,509)	-	(135,497)	(903,270)	2,186,321	-	1,283,051
Net assets, beginning of year	10,062,433	2,186,321	-	12,248,754	10,965,703	-	-	10,965,703
Net assets, end of year	\$ 10,925,445	\$ 1,187,812	\$ -	\$ 12,113,257	\$ 10,062,433	\$ 2,186,321	\$ -	\$ 12,248,754

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