



Dallas Life
Financial Statements
With Independent Auditors' Report

For the year ended December 31, 2023,
with summarized financial information for the year ended December 31, 2022



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We 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, 2023, 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 our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dallas Life as of December 31, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dallas Life 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 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.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 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 consolidated 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 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 our 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.

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.

Report on Summarized Comparative Information

We have previously audited Dallas Life's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kurtis Smith, LLC

Colorado Springs, Colorado

June 3, 2024

Dallas Mission for Life (d.b.a. Dallas Life)
Consolidated Statement of Financial Position
As of December 31, 2023,
with summarized financial information as of December 31, 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 670,287	\$ 2,404,455
Accounts receivable	79,869	32,248
Contributions receivable, net	18,030	94,548
Inventory and supplies	96,173	95,188
Prepaid expenses and other assets	49,934	22,353
Note receivable	6,647,150	6,647,150
Investments	5,313,909	111,055
Right of use assets, operating leases	111,379	137,210
Property and equipment, net	<u>11,551,423</u>	<u>12,180,636</u>
Total assets	<u>\$ 24,538,154</u>	<u>\$ 21,724,843</u>
Liabilities		
Accounts payable	\$ 120,084	\$ 104,127
Accrued expenses	80,172	79,257
Refundable grant advance	1,800,000	1,800,000
Operating lease liabilities	111,379	137,210
Notes payable, net	<u>8,593,420</u>	<u>8,570,776</u>
Total liabilities	10,705,055	10,691,370
Net assets		
Net assets without donor restrictions	13,386,850	10,675,718
Net assets with donor restrictions	<u>446,249</u>	<u>357,755</u>
Total net assets	<u>13,833,099</u>	<u>11,033,473</u>
Total liabilities and net assets	<u>\$ 24,538,154</u>	<u>\$ 21,724,843</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, 2023,
with summarized financial information for the year ended December 31, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Contributed support:				
Contributions	\$ 1,484,664	\$ 515,939	\$ 2,000,603	\$ 2,383,837
Government contributions	34,018	-	34,018	136,073
Gift-in-kind contributions	756,761	-	756,761	540,121
Total support	2,275,443	515,939	2,791,382	3,060,031
Revenue:				
Convenience store sales	334,466	-	334,466	183,484
Lodging revenue	658,698	-	658,698	530,526
Childcare revenue	386,637	-	386,637	244,765
Investment income	186,111	2,667	188,778	71,952
Other income	12,141	-	12,141	28,007
Total revenue	1,578,053	2,667	1,580,720	1,058,734
Total support and revenue	3,853,496	518,606	4,372,102	4,118,765
Net assets released				
Purpose and time restrictions	430,112	(430,112)	-	-
Expenses				
Program services	4,955,269	-	4,955,269	4,281,133
Supporting activities:				
Management and general	437,435	-	437,435	351,202
Fundraising	663,928	-	663,928	566,214
Total expenses	6,056,632	-	6,056,632	5,198,549
Operating income (loss)	(1,773,024)	88,494	(1,684,530)	(1,079,784)
Non-operating income and expenses				
Gain on land sale	4,484,156	-	4,484,156	-
Total non-operating income	4,484,156	-	4,484,156	-
Change in net assets	\$ 2,711,132	\$ 88,494	\$ 2,799,626	\$ (1,079,784)
Net assets, beginning of year	10,675,718	357,755	11,033,473	12,113,257
Net assets, end of year	\$ 13,386,850	\$ 446,249	\$ 13,833,099	\$ 11,033,473

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, 2023,
with summarized financial information for the year ended December 31, 2022

	2023				2022
	Program Services	Management and General	Fundraising	Total	
Salaries and benefits	\$ 2,078,314	\$ 159,797	\$ 109,453	\$ 2,347,564	\$ 1,988,821
Occupancy	517,479	22,020	11,011	550,510	545,672
Depreciation	808,937	34,423	17,211	860,571	870,333
Operating expenses	1,114,718	25,018	-	1,139,736	935,346
Cost of goods sold	218,310	-	-	218,310	115,582
Communications	66,428	117,923	496,638	680,989	494,040
Professional services	-	71,825	26,400	98,225	88,028
Interest expense	151,083	6,429	3,215	160,727	160,727
	\$ 4,955,269	\$ 437,435	\$ 663,928	\$ 6,056,632	\$ 5,198,549

Dallas Mission for Life (d.b.a. Dallas Life)**Consolidated Statement of Cash Flows****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022*

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 2,799,626	\$ (1,079,784)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	860,571	870,333
Gain on land sale	(4,484,156)	-
Amortization of debt issuance costs	22,644	22,644
Investment income on endowment assets	(115,012)	(327)
Changes in operating assets and liabilities:		
Accounts receivable	(47,621)	2,717
Contributions receivable	76,518	48,743
Inventory and supplies	(985)	34,918
Prepaid expenses and other assets	(27,581)	(2,779)
Accounts payable and accrued expenses	16,872	111,577
Net cash provided (used) by operating activities	<u>(899,124)</u>	<u>8,042</u>
Cash flows from investing activities		
Purchases of investments	(5,087,842)	(8,195)
Proceeds received from the sale of land	4,506,963	-
Purchases of property and equipment	<u>(254,165)</u>	<u>(769,068)</u>
Net cash provided (used) by investing activities	<u>(835,044)</u>	<u>(777,263)</u>
Net change in cash and cash equivalents	(1,734,168)	(769,221)
Cash and cash equivalents		
Beginning of year	<u>2,404,455</u>	<u>3,173,676</u>
End of year	<u>\$ 670,287</u>	<u>\$ 2,404,455</u>
Supplemental data		
Interest paid in cash	<u>\$ 160,727</u>	<u>\$ 160,727</u>
New operating leases	<u>\$ -</u>	<u>\$ 147,452</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, 2023,

with summarized financial information for the year ended December 31, 2022

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, 2023,***with summarized financial information for the year ended December 31, 2022*

Revenue Recognition

We earn revenue from products sold at our convenience store and for lodging and childcare 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. Revenue from childcare services is recognized over time as services are provided.

Contact assets amounted to \$79,869, \$32,248, and \$34,965 in accounts receivable as of December 31, 2023, 2022, and 2021, respectively. There were no significant contract liabilities. For the year ended December 31, 2023, revenue recognized for goods transferred at a point in time and for services transferred over time totaled \$334,466 and \$1,045,335, respectively. For the year ended December 31, 2022, revenue recognized for goods transferred at a point in time and for services transferred over time totaled \$183,484 and \$775,291, respectively.

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, 2023 and 2022. 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, 2023 and 2022, we received \$756,761 and \$540,121, respectively, of donated clothing and food, 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, 2023,***with summarized financial information for the year ended December 31, 2022*

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.

Accounts Receivable

Accounts receivable is comprised of amounts due primarily for lodging revenue. Credit losses are measured based on historical collection rates and current conditions affecting collection. Based on our analysis, no credit loss reserves were necessary as of December 31, 2023 and 2022.

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.

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 as of December 31, 2023 and 2022.

Investments

Investments are comprised of endowment funds and unrestricted resources. Investments and investment cash are reported at fair value.

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

Notes to financial statements

For the year ended December 31, 2023,

with summarized financial information for the year ended December 31, 2022

Endowments

We have interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of original gifts as of the gift dates of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as net assets with donor restrictions in perpetuity the (a) original value of the gifts donated to permanent endowments, (b) original value of subsequent gifts to permanent endowments, and (c) accumulated allocations required to be held in perpetuity by the gift instruments or UPMIFA.

Our endowment funds are comprised of those with donor restrictions and board designated funds (without donor restrictions). Investment gains are recorded in net assets without donor restrictions if there are no donor restrictions on the income and in net assets with donor restrictions if the donors 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, 2023 and 2022, 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 the endowments while seeking to maintain the purchasing power of such endowment assets. 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.

Leases

For leases with terms greater than 12 months, we record the initial related assets and obligations at the present value of lease payments over the lease term. Leases are classified as operating or finance leases. Lease expense for operating leases is recognized on a level basis over the term of the leases.

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.
- *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, 2023,

with summarized financial information for the year ended December 31, 2022

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.

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.

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022*

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.

Subsequent Events

Subsequent events have been evaluated for potential recognition or disclosure through June 3, 2024, which is the date the financial statements were available to be issued.

3. Contributions Receivable

Contributions receivable consisted of the following, at:

	December 31,	
	2023	2022
Unconditional contributions receivable before unamortized discount	\$ 34,406	\$ 95,924
Less amortized discount	(1,376)	(1,376)
	33,030	94,548
Less allowance for doubtful accounts	(15,000)	-
	18,030	94,548
Pledges are due to be collected as follows:		
Less than one year	\$ 34,406	\$ 75,924
One to four years	-	20,000
	\$ 34,406	\$ 95,924

4. Note Receivable

We have a note receivable due from DML Investment Fund, LLC (“DML Fund”) at December 31, 2023 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 for the years ended December 31, 2023 and 2022. No credit loss was necessary at December 31, 2023 and 2022.

This note receivable is part of the New Market Tax Credit (“NMTC”) program described in Note 12.

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022*

5. 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, 2023:

	Level 1	Level 2	Level 3	Balance
Equities and mutual funds	\$ 15,775	\$ -	\$ -	\$ 15,775
Money market accounts	5,298,134	-	-	5,298,134
Total	\$ 5,313,909	\$ -	\$ -	\$ 5,313,909

The following table presents our assets that are measured at fair value categorized in accordance with the fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Balance
Equities and mutual funds	\$ 8,195	\$ -	\$ -	\$ 8,195
Money market accounts	102,860	-	-	102,860
Total	\$ 111,055	\$ -	\$ -	\$ 111,055

Investment income is comprised of the following for the years ended December 31:

	2023	2022
Net gain on equities and mutual funds	\$ 7,578	\$ 124
Interest income on endowment funds	107,432	327
Interest income on general assets	7,297	5,030
Interest income on note receivable	66,471	66,471
Total investment income	\$ 188,778	\$ 71,952

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022***6. Endowments**

Our endowments are comprised of an endowment with donor restrictions and funds set aside by the Board of Directors to function as endowments commonly referred to as “funds functioning as an endowment” (“FFE”). Net assets associated with endowment funds, including funds functioning as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Children’s endowment:			
Historical gift value	\$ -	\$ 100,000	\$ 100,000
Appreciation	-	5,527	5,527
Total Children’s endowment	-	105,527	105,527
Board endowment	5,192,607	-	5,192,607
Total endowments	<u>\$ 5,192,607</u>	<u>\$ 105,527</u>	<u>\$ 5,298,134</u>

Changes in endowment net assets for the year ended December 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments, January 1, 2023	\$ -	\$ 102,860	\$ 102,860
Contributions	5,087,842	-	5,087,842
Investment income	104,765	2,667	107,432
Endowments, December 31, 2023	<u>\$ 5,192,607</u>	<u>\$ 105,527</u>	<u>\$ 5,298,134</u>

The endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Children’s endowment:			
Historical gift value	\$ -	\$ 100,000	\$ 100,000
Appreciation	-	2,860	2,860
Total endowment	<u>\$ -</u>	<u>\$ 102,860</u>	<u>\$ 102,860</u>

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022*

Changes in endowment net assets for the year ended December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments, January 1, 2022	\$ -	\$ 102,533	\$ 102,533
Investment income	-	327	327
Endowments, December 31, 2022	\$ -	\$ 102,860	\$ 102,860

7. Property and Equipment

Property and equipment, consisted of the following at:

	December 31,	
	2023	2022
Land	\$ 242,659	\$ 265,466
Buildings and improvements	16,586,882	16,013,732
Equipment, furniture, and fixtures	447,544	753,125
Vehicles	184,340	189,940
	17,461,425	17,222,263
Construction in progress	54,901	62,705
	17,516,326	17,284,968
Accumulated depreciation	(5,964,903)	(5,104,332)
	\$ 11,551,423	\$ 12,180,636

Depreciation expense was \$860,571 and \$870,333 for the years ended December 31, 2023, and 2022, respectively.

8. Refundable Grant Advance

We received a grant of \$1,800,000 ("Grant") in 2020 from the Federal Home Loan Bank of San Francisco in accordance with the Affordable Housing Program. The terms of the Grant require that it be used for investment in our facilities and that we comply with related terms and conditions. The Grant was provided in the form of a promissory note with no stated interest rate that is secured by real estate and matures on October 1, 2035. We are not required to repay the promissory note if we comply with the terms and conditions of the Grant in accordance with the Affordable Housing Program and related agreements. The promissory note does not amortize and does not require periodic installment payments. We did not impute interest for the promissory note as the substance of this transaction is a contribution. We accounted for this as a conditional contribution in accordance with GAAP. Although we anticipate compliance with all applicable terms and conditions, the conditional nature of the Grant requires that it be treated as a liability in its entirety until such point that it becomes unconditional on October 1, 2035.

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022***9. Notes Payable**

Notes payable consists of the following at:

	December 31,	
	2023	2022
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, 2023 and 2022). The note was collateralized by a first lien and deed of trust on real property and assignment of capital pledges and matured on April 23, 2022.	\$ -	\$ -
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 in 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 12.	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 in 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 12.	2,377,850	2,377,850
	9,025,000	9,025,000
Unamortized debt issuance costs, net	(431,580)	(454,224)
	<u>\$ 8,593,420</u>	<u>\$ 8,570,776</u>

Interest expense was \$160,727 for each of the years ended December 31, 2023 and 2022. Future maturities are as follows:

Year Ending December 31,	Amount
2024	\$ -
2025	-
2026	-
2027	9,025,000
	<u>\$ 9,025,000</u>

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022*

10. Leases

We adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases, and related amendments (“ASC 842”). ASC 842 requires that lease right-of-use assets and lease liabilities be recorded in the statement of financial position. We implemented ASC 842 using the effective date method as of January 1, 2022. We recognized a right-of-use asset and lease liability of \$75,288 on January 1, 2022, for operating leases associated with office copier equipment.

We also lease land for parking pursuant to a month-to-month lease agreement. We did not record a right-of-use asset or lease liability for this contract as either party can terminate the lease with no significant penalties. We modified our copier equipment leases during 2022. Lease expense for the years ended December 31, 2023, and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Operating leases	\$ 34,416	\$ 27,192
Short-term leases	14,160	14,160
	<u>\$ 48,576</u>	<u>\$ 41,352</u>

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2023:

<u>Year Ending</u>	<u>Amounts</u>
2024	\$ 34,416
2025	33,366
2026	31,896
2027	26,581
2028	-
	<u>126,259</u>
Less Imputed Interest	<u>(14,880)</u>
	<u>111,379</u>

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022*

11. Net Assets

Net assets consisted of the following at:

	December 31,	
	2023	2022
Net assets without donor restrictions:		
Undesignated	\$ 8,194,243	\$ 10,675,718
Funds functioning as endowments	5,192,607	-
	<u>13,386,850</u>	<u>10,675,718</u>
Net assets with donor restrictions:		
Time and purpose restricted	18,030	94,548
Purpose restricted	322,692	160,347
Endowment accumulated earnings	5,527	2,860
Endowment restricted in perpetuity	100,000	100,000
	<u>446,249</u>	<u>357,755</u>
	<u>\$ 13,833,099</u>	<u>\$ 11,033,473</u>

12. 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, 2023,***with summarized financial information for the year ended December 31, 2022*

13. Financial Liquidity

The following reflects our financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of these dates:

	December 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 670,287	\$ 2,404,455
Accounts receivable	79,869	32,248
Contributions receivable, net	18,030	94,548
Note receivable	6,647,150	6,647,150
Investments	5,313,909	111,055
Financial assets, at year-end	<u>12,729,245</u>	<u>9,289,456</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)
Funds functioning as an endowment	(5,192,607)	-
Restrictions by donors with time and purpose restrictions	(18,030)	(94,548)
Restrictions by donors with purpose restriction	(322,692)	(160,347)
Endowment accumulated earnings	(5,527)	(2,860)
Restrictions by donors in perpetuity for endowment	<u>(100,000)</u>	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 443,239</u>	<u>\$ 2,284,551</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 to retain three months of operating expenses in cash and cash equivalents.

14. 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 for different classes of employees. Employer contributions for the years ended December 31, 2023 and 2022, were \$24,798 and \$22,079, respectively.

Dallas Mission for Life (d.b.a Dallas Life)**Notes to financial statements****For the year ended December 31, 2023,***with summarized financial information for the year ended December 31, 2022*

15. Government Contributions

We received government grants of \$34,018 and \$136,073 in 2023 and 2022, respectively, related to Covid support for our childcare center. These amounts are accounted for as contributions and are reflected as government contributions in our Consolidated Statement of Activities.

16. Land Sale

The State of Texas initiated an eminent domain process to take control of 4,620 square feet of our land for public use as part of the Dallas Area Rapid Transit system. We engaged an attorney to represent Dallas Life through this process. We were awarded \$6,569,299 in compensation in exchange for the land. We received \$4,506,963 on June 5, 2023, net of attorney fees of \$2,062,336. We recognized \$4,484,156 as a gain on the sale of land net of our cost basis of in our Consolidated Statement of Activities for the year ended December 31, 2023.

17. Risks and Uncertainties**Concentrations of Credit Risk**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents. We maintain cash deposits with banks that, at times, may exceed federally insured limits. We periodically assess the financial condition of our financial institutions.

Contingencies

We are subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of our activities. We do not believe that there are any matters that would have a material adverse effect on our financial condition.

Employee Retention Tax Credit

We applied for an Employee Retention Tax Credit in the amount of \$551,888 in October 2022. This is accounted for as a contribution conditioned upon review by the IRS. The IRS has not reviewed this as of the date of this report.