Still | Burton LLP
CERTIFIED PUBLIC ACCOUNTANTS

THE MAGDALEN HOUSE

Financial Statements
(With Independent Auditor's Report Thereon)

December 31, 2020 and 2019

THE MAGDALEN HOUSE
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December 31, 2020 and 2019

Still | Burton LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
The Magdalen House

Report on the Financial Statements

We have audited the accompanying financial statements of The Magdalen House (the "Organization"), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.[3] Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

13465 Midway Road | Suite 475 | Farmers Branch | Texas | 75244 | T 469.701.1710 | F 972.692.7795 | StillBurton.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Magdalen House as of December 31, 2020, 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.

Other Matter

The financial statements of The Magdalen House as of and for the year ended December 31, 2019, were audited by another auditor, who expressed an unmodified opinion on those statements on August 26, 2020. The summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it was derived.

STILL BURTON LLP

Still Burton LLP

Farmers Branch, Texas
September 16, 2021

THE MAGDALEN HOUSE
Statements of Financial Position
December 31, 2020 and 2019

		2020		2019
ASSETS				
Cash and cash equivalents	$	571,688	$	323,548
Restricted cash		221,769		1,088,778
Pledges receivable, net		64,670		841,202
Promotional items on hand		6,478		5,639
Prepaid expenses		23,336		17,893
Investment in bingo unit		68,599		61,135
Debt issuance cost		-		19,100
Fixed assets, net		2,964,158		1,055,361
Total assets	$	3,920,698	$	3,412,656
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	$	68,964	$	1,621
Net Assets:				
Without donor restrictions		2,627,398		547,434
With donor restrictions		1,224,336		2,863,601
Total net assets		3,851,734		3,411,035
Total liabilities and net assets	$	3,920,698	$	3,412,656

THE MAGDALEN HOUSE
Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions and grants	$ 30,124	$ 995,431	$ 1,025,555	$ 328,221	$ 1,223,266	$ 1,551,487
Special events	11,707	-	11,707	518,945	399,258	918,203
Donated materials and services	357,637	-	357,637	266,890	-	266,890
Investment earnings	58,292	-	58,292	60,965	-	60,965
Gain on sale of property	309,806	-	309,806	-	-	-
Other income	49,112	-	49,112	9,015	-	9,015
	816,678	995,431	1,812,109	1,184,036	1,622,524	2,806,560
Net Assets Released-Purpose Restrictions:	2,634,696	(2,634,696)	-	244,551	(244,551)	-
Total support and revenue	3,451,374	(1,639,265)	1,812,109	1,428,587	1,377,973	2,806,560
Expenses:						
Program services:						
Social detox	485,130	-	485,130	464,470	-	464,470
Peer recovery	227,054	-	227,054	214,119	-	214,119
Community outreach	174,969	-	174,969	37,970	-	37,970
Total program expenses	887,153	-	887,153	716,559	-	716,559
Supporting services:						
General and administrative	142,892	-	142,892	93,394	-	93,394
Capital campaign	159,399	-	159,399	166,144	-	166,144
Fundraising	181,966	-	181,966	299,798	-	299,798
Total supporting services	484,257	-	484,257	559,336	-	559,336
Total expenses	1,371,410	-	1,371,410	1,275,895	-	1,275,895
Change in net assets	2,079,964	(1,639,265)	440,699	152,692	1,377,973	1,530,665
Net assets at beginning of year	547,434	2,863,601	3,411,035	394,742	1,485,628	1,880,370
Net assets at end of year	$ 2,627,398	$ 1,224,336	$ 3,851,734	$ 547,434	$ 2,863,601	$ 3,411,035

THE MAGDALEN HOUSE
Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Social Detox	Peer Recovery	Community Outreach	General & Administrative	Capital Campaign	Other Fundraising	Total 2020	Total 2019
Employee compensation	$ 248,382	$ 183,558	$ 75,823	$ 15,775	$ 83,343	$ 147,900	$ 754,781	$ 554,036
Contract service fees	107,207	13,899	7,195	79,278	31,000	7,195	245,774	123,763
Supplies	84,398	1,717	84,356	2,583	346	536	173,936	164,044
Occupancy	17,054	3,502	775	2,223	42,301	1,795	67,650	76,190
Information technology	8,369	20,576	1,440	1,906	-	4,844	37,135	29,689
Conferences, meetings, travel	2,314	975	1,556	26,687	2,241	2,279	36,052	15,780
Depreciation	15,993	3,239	405	202	-	405	20,244	20,102
Special events	475	-	-	-	-	10,933	11,408	237,389
Office	413	82	320	2,480	93	5,907	9,295	32,935
Unrelated business income tax	-	-	-	7,311	-	-	7,311	16,257
Insurance	-	-	-	3,541	-	-	3,541	3,221
Advertising and promotion	525	(494)	3,099	-	75	172	3,377	1,445
Other	-	-	-	906	-	-	906	1,044
TOTAL EXPENSES 2020	$ 485,130	$ 227,054	$ 174,969	$ 142,892	$ 159,399	$ 181,966	$ 1,371,410	
TOTAL EXPENSES 2019	$ 464,470	$ 214,119	$ 37,970	$ 93,394	$ 166,144	$ 299,798		$ 1,275,895

See accompanying notes and independent auditor's report.

THE MAGDALEN HOUSE
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 440,699	$ 1,530,665
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities		
Depreciation and amortization	20,244	20,102
Contributions restricted for new facility	(542,375)	(975,645)
Gain on sale of fixed assets	(309,806)	-
Non-cash fixed asset additions	-	1,086
Non-cash write off of debt issuance costs	19,100	-
Unrealized gains for long-term investment in bingo unit	(65,756)	(50,903)
(Increase) decrease in		
Contributions receivable	776,532	(608,808)
Inventory	(839)	(2,812)
Prepaid expenses	(5,443)	(15,122)
Increase (decrease) in		
Accounts payable and accrued expenses	67,343	(30,669)
Net cash provided by (used in) operating activities	399,699	(132,106)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,969,235)	(341,411)
Sales proceeds from sale of fixed assets	350,000	-
Distributions received from bingo unit	58,292	54,373
Net cash used in investing activities	(1,560,943)	(287,038)
Cash Flows from Financing Activities:		
Receipt of contributions restricted for facility construction	542,375	975,645
Payment of debt issuance costs	-	(19,100)
Net cash provided by financing activities	542,375	956,545
Net (decrease) increase in cash and cash equivalents	(618,869)	537,401
Cash and cash equivalents at beginning of year	1,412,326	874,925
Cash and cash equivalents at end of year	$ 793,457	$ 1,412,326
Supplemental Disclosure:		
Non-cash additions to fixed asset via donation	$ -	$ 19,400
Cash paid for unrelated business income taxes	$ 7,311	$ 9,453
Cash paid for interest	$ 130	$ 368

See accompanying notes and independent auditor's report.

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Magdalen House (the "Organization") is a Texas nonprofit corporation formed in 1987. The Organization operates in Dallas, Texas to help women achieve sobriety and sustain recovery from alcoholism at no cost and based on the 12-step model of recovery. This is implemented by means of the social detox, peer recovery, and community outreach programs, which are funded primarily from contributions.

The social detox program is a residential 14-day, non-medical detox offered at no cost to women of all backgrounds who want to withdraw from alcohol in a safe environment. The peer recovery program provides recovery meetings conducted by volunteers to both those in recovery and their families and friends. A significant aspect of both of these programs involves reaching out to women who may need these services so that they do not go unserved. The community outreach program consists of efforts by the Organization to create a stronger community response by collaborating with local and national agencies to provide reciprocal services which complement each other.

Basis of Presentation and Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP), consistently applied. Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording depreciation, the collectability of accounts receivable, and the functional allocation of expenses. Actual results could differ from those estimates.

Income Tax

The Organization has been determined by the Internal Revenue Service to be a 501(c)(3) charitable organization exempt from federal income taxes. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. During the years ended December 31, 2020 and 2019, the Organization had net unrelated business income of approximately $58,000 and $51,000, respectively, derived from its investment in a bingo unit, which resulted in taxes of approximately $7,000 and $10,000, respectively.

Management has concluded that any tax positions which would not meet the more-likely-than-not criterion of financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, Accounting for Income Taxes, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded or accrued. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date on which the returns are filed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, pledges receivable and investments. At times, the Organization had cash on deposit with financial institutions and brokerages that exceeded federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position.

The Organization monitors the credit worthiness of each pledge receivable account and records an allowance for estimated bad debts based on accounts that are determined to be uncollectible. At December 31, 2020, At December 31, 2020, approximately 52% of the Organization's receivables were due from one donor. The maximum amount of loss that the Organization would incur if the party to these receivables failed to pay would be approximately $33,000. At December 31, 2019, approximately 30% of the Organization's receivables were due from one donor. The maximum amount of loss that the Organization would incur if the party to these receivables failed to pay would be approximately $250,000. The Organization has not experienced any losses on pledges receivable.

Cash, Cash Equivalents, and Restricted Cash

For purposes of the statements 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.

Amounts included in restricted cash represent those required to be set aside for the construction of the Organization's new facility in accordance with donor-imposed restrictions on donations.

The following provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position which sums to the total for the same amounts shown in the statements of cash flows:

	2020	2019
Cash and cash equivalents	$ 571,688	$ 323,548
Restricted cash	221,769	1,088,778
	$ 793,457	$1,412,326

Pledges Receivable

Pledges receivable are for the capital campaign and are included in the statement of financial position net of any allowance for doubtful accounts. The Organization periodically assesses the collectability of outstanding receivables and determines the allowance for estimated losses based on factors such as historical collection experience, age of the receivable, and current credit worthiness of the donor. The Organization writes off receivables when they are deemed uncollectible by management.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Property and equipment are stated at historical cost. Expenditures which substantially improve or extend the useful life of property are capitalized if such costs exceed $500 and have a useful life of over a year. Routine maintenance and repair costs are expensed as incurred. Depreciation is calculated using the straight-line method over the established useful lives of the individual assets: buildings 10-39 years and furniture and equipment 3-5 years.

Long-Lived Assets

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Organization compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of the assets and is recorded in the period in which the determination was made. No indicators of impairment existed during the year ended December 31, 2020 or 2019.

Investment in Bingo Unit

The Organization has a passive interest in a bingo unit whose net earnings are split among several local nonprofits. It is measured at net asset value per share as a practical expedient to fair value. There are no unfunded commitments related to it, and the organization's interest may be redeemed at any time upon transfer to the other nonprofits.

Fair Value Measurements

The carrying amounts for cash equivalents, pledges receivable and accrued expenses approximate fair value due to the short-term nature of those instruments.

Net Asset Classification

The Organization classifies its net assets into two categories as follows:

> *Without Donor Restrictions* – Net assets which are not subject to donor-imposed stipulations. These may be used for any purpose or designated for specific purposes by action of the Board of Directors.
>
> *With Donor Restrictions* – (1) Net assets which are subject to donor-imposed purpose restrictions or which expire by the passage of time. (2) Net assets subject to donor-imposed stipulations that the corpus be maintained permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. These are often referred to as endowments. The Organization records donor restricted contributions received and expended in the same year as being without donor restrictions.

Revenue Recognition for Contributions

Contributions are received from individuals, groups and foundation grants. Contributions are recognized when the donor makes an unconditional promise to give (pledge) to the Organization. Grants are recognized when notice is received. Contributions that are restricted by the donor, for either purpose or time, are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition for Contracts with Customers

The Organization assesses obligations promised in contracts and identifies performance obligations for each promise to transfer goods or services. To identify the performance obligations, the Organization considers all promise in contracts, whether explicitly stated or implied, based on customary business practices. Revenue is recognized when a performance obligation is satisfied by transferring control of promised goods or services to customers, which can occur over time or at a point in time. Associated contract revenue disaggregated based on the timing of the transfer of goods or services was as follows for the year ended December 31, 2019:

Fundraising event (exchange portion)	2019
Upon delivery	$ 56,335
Upon shipment	-
As service is rendered	-
Upon completion of service	207,123
Total	$263,458

The Organization has elected to apply the practical expedient provided in FASB ASC 606-10-32-18 and therefore does not adjust the promised amount of consideration for the effects of significant financing components if it is expected, at contract inception, that the period between when the Organization transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Organization has also elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Fundraising event income (exchange portion) represents the portion of ticket prices for the Organization's annual fundraising gala for which attendees receive direct benefits, such as food and entertainment, as well as auction and raffle ticket sales. Performance obligations are generally met throughout the entire event. Payments consist of fixed fees and are due in advance. Revenue is recognized upon completion of the event. There were no unsatisfied performance obligations as of December 31, 2019.

During the year ended December 31, 2020, the gala event was not held.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Liquidity and Availability of Resources

The financial assets of the Organization available within one year of the balance sheet date for general expenditures are as follows as of December 31:

	2020	2019
Cash and cash equivalents	$ 581,688	$ 323,548
Restricted cash	221,769	1,088,778
Pledges receivable, net (current)	51,227	150,000
Pledges receivable-restr facility	-	621,092
Financial assets available at year	854,684	2,183,418
Less unavailable within one year:		
Restricted for new facility	(1,223,917)	(1,709,870)
Restricted for programs	(419)	-
Financial assets available to meet cash needs for general expenditures within one year	$ (369,652)	$ 473,548

The Organization's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. Additionally, the Organization had a $1.5 million construction loan available August 2020 through February 2021, which was not needed to fund the new facility construction. The Organization also has a line of credit with a bank for $150,000 through June 2021, which was renewed until June 2022 and increased to $300,000.

Functional Allocation of Expenses

The costs of program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Many costs are identified with a specific program or supporting function when incurred and are reported accordingly. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the functions benefited on a reasonable and consistent basis. As such, conference, contract service, employee compensation, insurance, travel, and other expenses are allocated based on estimates of time and effort, and depreciation and occupancy expenses are allocated based on estimates of usage.

Implementation of Accounting Pronouncement

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, representing a converged standard on revenue recognition between the FASB and the International Accounting Standards Board. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles to determine the measurement of revenue and the timing of revenue recognition. The Organization adopted ASU 2014-09 during the year ended December 31, 2019. The implementation of this ASU had no effect on the manner of revenue recognition previously applied.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Implementation of Accounting Pronouncement - Continued

In 2019, the Organization adopted the FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents and requires a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the total of the same such amounts shown on the statement of cash flows. It was issued in November 2016 and is effective for annual periods beginning after December 15, 2018. Adoption resulted in no significant financial effects other than reclassification of certain items on the statement of cash flows and an additional disclosure of the reconciliation.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provide which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. The Organization has adopted ASU 2018-08 during the year ended December 31, 2019. The implementation of this ASU had no effect on the manner of revenue recognition previously applied.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for periods beginning after December 15, 2021. Early adoption is permitted. The Organization has elected not to early adopt this ASU as of December 31, 2020. The Organization is required to implement this ASU for the year ended December 31, 2022.

In September 2020, the FASB issued *ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities, The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization has elected not to early adopt this ASU as of December 31, 2020. The Organization is required to implement this ASU for the year ended December 31, 2022. Management is currently evaluating impact, if any, on its financial statements.

Certain Reclassifications

Special events revenue has been reclassed to show gross revenue rather than net revenue. The related expenses are included in the appropriate functional expense category, specifically fundraising.

NOTE 2: PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

Expected to be collected in:	2020	2019
Less than one year	$ 51,227	$771,092
One to five years	16,666	73,333
	67,893	844,425
Less unamortized discount	(3,223)	(3,223)
	$ 64,670	$841,202

Discount rates between 3.54% to 3.74% were used for long-term pledges receivable, which are based on the 10-year average performance of the total bond market at the date of the pledge. No allowance for uncollectible accounts has been recorded because the full amounts are estimated to be collectable based upon historical experience.

NOTE 3: FIXED ASSETS

Fixed assets consisted of the following:

	2020	2019
Building and improvements	$ 778,008	$ 924,127
Furniture and equipment	154,620	95,520
Land improvements	56,887	59,030
Land	132,000	146,121
Construction in progress	1,910,135	-
	3,031,650	1,224,798
Less accumulated depreciation	(67,492)	(169,437)
	$2,964,158	$1,055,361

Depreciation expense was $20,244 and $20,102 for the years ended December 31, 2020 and 2019, respectively.

NOTE 4: LINES OF CREDIT

The Organization had a revolving line of credit from a bank of up to $1,500,000 for construction and improvements of its new facility. Payments of interest at 4% are due monthly beginning September 2019 for one year. Beginning September 2020, 48 monthly principal and interest (5%) payments of $9,960 are due. Beginning September 2024, 59 monthly principal and interest payments of $9,428 are due, interest based on the 5-year Treasury Constant Maturity (0.36% as of December 31, 2020) plus a margin of 2.75%. A final balloon payment of all outstanding principal and interest of approximately $999,990 is due in August 2029. The line is secured by real property with a book value of about $970,000 as of December 31, 2019. Covenants prohibit the Organization from obtaining any additional loans and require it to work with a specific general contractor. The line expired February 2021 as it was unused for the construction.

The Organization also has a revolving line of credit from a bank of $150,000 which matured in June 2021, and was renewed until June 2022 and increased to $300,000. This line is secured by certain real estate. There was no outstanding balance at December 31, 2020 or 2019.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	2020	2019
New facility (purpose)	$ 698,515	$2,333,601
New facility (purpose and time)	525,402	380,000
Social detox/peer recovery (time)	419	150,000
	$1,224,336	$2,863,601

NOTE 6: DONATED MATERIALS AND SERVICES

The Organization recognized the following donations received during the years ended December 31:

	2020	2019	Purpose
Food	$143,223	$ 129,385	Social detox
Overnight and facilitator services	106,367	87,306	Social detox
Artwork and house furnishings	22,000	22,077	New facility
Supplies	19,224	17,950	Program/support
Supplies	-	17,024	Fundraising
Legal services	-	6,813	Program/support
Marketing services	26,000	600	Fundraising
Marketing services	36,323	-	Program/support
Computers	1,200	-	Program/support
Online raffle items	3,300	-	Fundraising
Handyman services	-	500	Program/support
Janitorial services	-	350	Program/support
	357,637	282,005	
Less: Amounts within special events	-	(15,115)	
Total	$357,637	$ 266,890	

Additionally, during the years ended December 31, 2020 and 2019, respectively, the Organization benefited from about 5,900 and 5,500 hours' worth of services from various volunteers who transported and sorted donated food, planned the fundraising event (in 2019), and provided other assistance throughout the year. The value of their services has not been recognized in the accompanying financial statements because such services do not meet the criteria for recognition.

NOTE 7: RELATED PARTIES

Pledge receivables as of December 31, 2020 and 2019 included $0 and $120,000, respectively, from board members and top management, including relevant family members and associated entities, and contributions and event revenue for the year then ended included approximately $64,000 and $257,000 from such related parties, respectively.

NOTE 8 – COMMITMENTS

In December 2020, the Organization sold its primary location on Redwood in Dallas, Texas in anticipation of occupation of the newly renovated facility on Gaston in Dallas, Texas. The Organization temporarily leased back the Redwood location from the buyer at the rate of $58 per day until the Gaston location was ready for occupation in April 2021.

The renovations of the Gaston property were still in progress at December 31, 2020. The remaining estimated commitment to finish the project was approximately $641,000.

NOTE 9 – CONCENTRATIONS

The Organization maintains cash in bank accounts which, at times, may exceed federally insured limits. As of December 31, 2020 and 2019, uninsured deposits totaled approximately $502,000 and $68,000, respectively. At December 31, 2019, $1,088,778 of cash reserved for facility acquisition and construction exceeded insured limits. Cash is placed in established financial institutions to minimize any associated risk. Additionally, in 2019, approximately 27% of reported revenue was derived from one fundraising event.

NOTE 10 – IMPACT OF COVID-19 AND THE PAYCHECK PROTECTION PROGRAM LOAN

During the spring of 2020, a worldwide pandemic related to the coronavirus virtually shut down the U.S. economy for several months. During this time, the Organization had to cancel its annual fundraising gala event. The Organization experienced a reduction in donations. Additionally, a significant disruption in its peer recovery program resulted from the need to adhere to social distancing rules (intakes to social detox were still being accepted), so the Organization pivoted to offer this program remotely.

In April 2020, the Organization obtained $109,564 from the federal government's payroll protection program ("PPP") as part of the relief efforts related to COVID-19 and administered by the Small Business Administration to mitigate the lost revenues and keep employees on the payroll. In April 2021, the Small Business Administration forgave the entire loan balance. The amount forgiven is shown as contribution income on the statement of activities.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated for potential recognition or disclosure through September 16, 2021, which is the date the financial statements were available to be issued.

During April 2021, the renovations of the Gaston property were completed and the Organization moved into its new location.