

# **The Magdalen House**

**Financial Statements  
December 31, 2024**

# **The Magdalen House**

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## **Independent Auditors' Report**

To the Board of Directors of  
The Magdalen House

### **Opinion**

We have audited the accompanying financial statements of The Magdalen House (a nonprofit organization) (Organization) which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the changes in its net asset and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **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 the Organization 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.

### ***Correction of Errors***

As discussed in Note 2 to the financial statements, certain errors resulting in an overstatement of property and equipment, an understatement of investment in bingo unit, an overstatement of prepaid assets, an overstatement of accrued expenses and an understatement of net assets without donor restrictions previously recorded as of December 31, 2023 were discovered by management of the Organization during the current year. Accordingly, these accounts as of January 1, 2024 have been restated to correct the errors. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in cursive script that reads "Sutton Frost Canyon".

Limited Liability Partnership

Arlington, Texas

July 17, 2025

**The Magdalen House**  
**Statement of Financial Position**  
**December 31, 2024**

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**Assets**

Cash and cash equivalents	\$ 679,873
Unconditional promises to give, net	725,500
Prepaid expenses	4,240
Investments	78,077
Property and equipment, net	<u>2,948,027</u>
<b>Total assets</b>	<u><u>\$ 4,435,717</u></u>

**Liabilities and Net Assets**

**Liabilities:**

Accounts payable and accrued expenses	\$ 109,536
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**Net assets:**

Without donor restrictions	3,501,543
With donor restrictions	<u>824,638</u>

<b>Total net assets</b>	<u>4,326,181</u>
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<b>Total liabilities and net assets</b>	<u><u>\$ 4,435,717</u></u>
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See notes to financial statements.

**The Magdalen House**  
**Statement of Activities**  
**Year Ended December 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions of financial assets	\$ 1,008,636	\$ 1,231,500	\$ 2,240,136
Contributions of nonfinancial assets	538,587	-	538,587
Special events (net of direct costs of \$174,936)	282,871	-	282,871
Investment income	50,108	-	50,108
Other income	4,786	-	4,786
Net assets released from restrictions	753,267	(753,267)	-
<b>Total support and revenue</b>	<b>2,638,255</b>	<b>478,233</b>	<b>3,116,488</b>
<b>Expenses:</b>			
Program	2,128,694	-	2,128,694
General and administrative	270,837	-	270,837
Fundraising	297,882	-	297,882
Expansion	8,048	-	8,048
<b>Total expenses</b>	<b>2,705,461</b>	<b>-</b>	<b>2,705,461</b>
<b>Change in net assets</b>	<b>(67,206)</b>	<b>478,233</b>	<b>411,027</b>
<b>Net assets at beginning of year, as restated</b>	<b>3,568,749</b>	<b>346,405</b>	<b>3,915,154</b>
<b>Net assets at end of year</b>	<b>\$ 3,501,543</b>	<b>\$ 824,638</b>	<b>\$ 4,326,181</b>

See notes to financial statements.

# The Magdalen House

## Statement of Functional Expenses

### Year Ended December 31, 2024

	Program	Supporting Services			Total
		General and Administrative	Fundraising	Expansion	
Employee compensation	\$ 1,237,204	\$ 115,087	\$ 255,882	\$ 3,320	\$ 1,611,493
Advertising and promotion	-	-	13,463	-	13,463
Contract services	99,521	110,697	300	2,228	212,746
Facilities and equipment	287,230	19,886	16,369	-	323,485
Fees	169	5,737	6,432	2,500	14,838
Office	10,903	9,469	4,314	-	24,686
Client services	444,487	-	-	-	444,487
Community events	22,821	-	-	-	22,821
Special events	-	-	174,936	-	174,936
Taxes	26,359	9,961	1,122	-	37,442
<b>Total expenses</b>	<b>2,128,694</b>	<b>270,837</b>	<b>472,818</b>	<b>8,048</b>	<b>2,880,397</b>
<b>Less expenses included with revenues on the statement of activities:</b>					
Direct costs of special events	-	-	(174,936)	-	(174,936)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 2,128,694</b>	<b>\$ 270,837</b>	<b>\$ 297,882</b>	<b>\$ 8,048</b>	<b>\$ 2,705,461</b>

See notes to financial statements.



**The Magdalen House**  
**Statement of Cash Flows**  
**Year Ended December 31, 2024**

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**Cash flows from operating activities:**

Change in net assets	\$ 411,027
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	134,920
Donated stock	(65,088)
Realized gains on investments	(582)
Unrealized gain on investment in bingo unit	(29,996)
Changes in assets and liabilities:	
Unconditional promises to give	(670,000)
Prepaid expenses	4,204
Promotional items on hand	6,478
Accounts payable and accrued expenses	47,449
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<b>Net cash used by operating activities</b>	<b>(161,588)</b>

**Cash flows from investing activities:**

Sales of investments	61,089
Distributions received from bingo unit	25,662
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<b>Net cash provided by investing activities</b>	<b>86,751</b>

**Net change in cash and cash equivalents** (74,837)

**Cash and cash equivalents at beginning of year** 754,710

**Cash and cash equivalents at end of year** \$ 679,873

**Supplemental cash flow information:**

Cash paid during the year for taxes	<u><u>\$ 9,349</u></u>
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**Noncash investing activities:**

During the year ended December 31, 2024, the Organization received donated stock with a total value of \$65,088.

See notes to financial statements.

# **The Magdalen House**

## **Notes to Financial Statements**

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### **1. Organization**

The Magdalen House (Organization) is a Texas 501(c)(3) nonprofit corporation formed in 1987. The Organization operates in Dallas, Texas to help individuals achieve sobriety and sustain recovery from alcoholism based on the 12-step model of recovery at no cost. This is implemented by means of the First Step, Next Step, Community and Outreach programs, which are funded primarily from contributions.

The First Step program is a residential 14-day, non-medical detox offered at no cost to individuals of all backgrounds who want to withdraw from alcohol in a safe environment. Next Step is a three-phase nonresidential recovery program offered at no cost, which lasts approximately 3 months, and provides structure and education on foundational tools to any alcoholic individuals seeking to sustain and grow in their recovery. The Community 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 individuals who may need these services so that they do not go unserved. The 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.

### **2. Restatement of Previously Audited Financial Statements**

During 2024, the Organization became aware of errors in its 2023 financial statements that were determined to be material and relate to an overstatement of property and equipment, an overstatement of prepaid expenses, an overstatement of accrued expenses, an understatement of investment in bingo unit and an overstatement of net assets with donor restrictions. The Organization restated its net assets as of January 1, 2024 to reflect the modifications to correct the errors, resulting in an increase to net assets without donor restrictions of \$903,914 and a decrease to net assets with donor restrictions of \$1,073,670.

### **3. Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

## **The Magdalen House**

### **Notes to Financial Statements**

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#### ***Financial Statement Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* – Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* – Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of December 31, 2024, no such net asset restrictions existed.

Revenues are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Contributions with donor restrictions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

#### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments, which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, investments and unconditional promises to give. The Organization maintains cash balances at a high credit quality financial institution to minimize risk. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2024, the Organization's cash balances were fully insured by the FDIC.

At December 31, 2024, 91% of total unconditional promises to give was due from one donor.

For the year ended December 31, 2024, one donor accounted for 30% of total contributions of financial assets.

# **The Magdalen House**

## **Notes to Financial Statements**

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The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

The Organization operates mainly in the Dallas, Texas area. Therefore, results of operations are also subject to economic conditions of the area.

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less.

### ***Unconditional Promises to Give***

Unconditional promises to give are recorded at the estimated fair value when made. The collectability of the Organization's receivables is reviewed on an ongoing basis, using assessment of the current status of individual accounts and current economic conditions. At December 31, 2024, the Organization had an allowance for doubtful accounts totaling \$20,000. All unconditional promises to give are expected to be collected within one year.

### ***Investments***

Investments are recorded at fair value in the accompanying statement of financial position. Changes in the fair values are reported in the statement of activities. Purchases and sales are reflected on a trade-date basis. Gains or losses on sales of securities are included in the statement of activities.

### ***Investment in Bingo Unit***

The Organization has a passive interest in a bingo unit whose net earnings are split among several local nonprofit organizations. 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 nonprofit organizations.

### ***Property and Equipment***

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 5 to 39 years for buildings and improvements, 3 to 5 years for equipment and furniture and fixtures.

# **The Magdalen House**

## **Notes to Financial Statements**

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### ***Impairment of Long-Lived Assets***

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. There was no impairment loss during the year ended December 31, 2024.

### ***Revenue Recognition***

The Organization recognizes contributions of financial assets when cash, securities, or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions of financial assets are considered available for unrestricted use unless specifically restricted by the donor.

Donated space, food and goods are reflected as contributions of nonfinancial assets at the estimated fair value at date of receipt. The Organization recognizes donated services received that require specialized skills or that would create or enhance nonfinancial assets, which would have been purchased if not acquired through donation.

Numerous volunteers have donated significant time to the Organization's program activities. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition under GAAP have not been satisfied. Although no amounts have been reflected in the financial statements, management estimates that approximately 20,658 volunteer hours with an estimated value of \$330,826 were provided to the Organization for substance abuse counseling and home health aiding to those in need during the year ended December 31, 2024.

Special event income is recognized when the event occurs.

### ***Federal Income Taxes***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had unrelated business income totaling \$29,996 for the year ending December 31, 2024. Accordingly, a \$9,349 provision has been made for federal income tax in the accompanying financial statements.

# **The Magdalen House**

## **Notes to Financial Statements**

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GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2024, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

### ***Functional Allocation of Expenses***

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort and utilization of facilities.

### ***Advertising and Promotion***

The Organization expenses advertising and marketing costs as they are incurred. These costs totaled \$13,463 for the year ended December 31, 2024.

### ***Estimates and Assumptions***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

## **4. Investments**

Fair value accounting defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1	Quoted prices in active markets for identical assets or liabilities as of the reporting date;
Level 2	Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets;

# The Magdalen House

## Notes to Financial Statements

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Level 3            Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

### ***Investment in Bingo Unit***

The interest in the bingo unit is valued using the net asset value per share as a practical expedient to fair value.

### ***Common Stock***

Common stock is valued at closing prices reported in active markets in which the individual securities are traded.

Below are the Organization's financial instruments as of December 31, 2024 carried at fair value on a recurring basis by fair value hierarchy levels described above:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 4,581	\$ -	\$ -	\$ 4,581
Investment in bingo unit	-	-	73,496	73,496
	<u>\$ 4,581</u>	<u>\$ -</u>	<u>\$ 73,496</u>	<u>\$ 78,077</u>

Investment income consists of the following for the year ended December 31, 2024:

Interest	\$ 19,530
Realized gains on investments	582
Unrealized gain on investment in bingo unit	<u>29,996</u>
	<u>\$ 50,108</u>

# The Magdalen House

## Notes to Financial Statements

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### 5. Property and Equipment

Property and equipment consist of the following at December 31, 2024:

Building and improvements	\$ 2,997,443
Furniture and equipment	260,120
Land and improvements	<u>188,887</u>
	3,446,450
Less accumulated depreciation	<u>(498,423)</u>
	<u><u>\$ 2,948,027</u></u>

Depreciation expense for the year ended December 31, 2024 totaled \$134,920.

### 6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2024:

Subject to the passage of time and expenditure for specified purpose:	
Expansion Men's Program	\$ 675,000
Subject to expenditure for specified purpose:	
First Step, Community, Next Step and Outreach	83,144
Men's Program	<u>66,494</u>
	<u>149,638</u>
	<u><u>\$ 824,638</u></u>

### 7. Contributions of Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2024:

	Program	Fundraising	Total
Venue	\$ 5,000	\$ -	\$ 5,000
Food	120,435	-	120,435
Goods	305,311	46,520	351,831
Services	<u>36,321</u>	<u>25,000</u>	<u>61,321</u>
	<u><u>\$ 467,067</u></u>	<u><u>\$ 71,520</u></u>	<u><u>\$ 538,587</u></u>



# The Magdalen House

## Notes to Financial Statements

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### ***Venue***

Donated venue space was valued at its estimated fair value based on the market rates for similar venue spaces.

### ***Food***

Donated food was valued at its estimated fair value based on the market rates for similar food.

### ***Goods***

Donated goods were valued at their estimated fair values based on the market rates for similar goods.

### ***Services***

Donated services were valued at their estimated fair values based on the market rates for similar services.

Donor restrictions on contributions of nonfinancial assets for the Men's Program consist of the following for the year ended December 31, 2024:

Food	\$	28,710
Goods		4,792
Services		438
		<hr/>
	\$	<u>33,940</u>

## **8. Related Party Transactions**

During the year ended December 31, 2024, the Organization received contributions totaling \$165,132 from members of its board of directors, employees and family members of employees.

**The Magdalen House**  
**Notes to Financial Statements**

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**9. Liquidity and Availability of Resources**

The Organization's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date are as follows at December 31, 2024:

Cash and cash equivalents	\$ 679,873
Unconditional promises to give, net	<u>725,500</u>
Total financial assets	1,405,373
Less amounts unavailable for general expenditures within one year due to:	
Time and donor-imposed purpose restrictions	<u>(824,638)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 580,735</u></u>

The Organization operates under a budget, and its board of directors is responsible for monitoring the liquidity necessary to meet the Organization's operating needs and meets periodically throughout the year to evaluate actual results of financial operations versus the budget. Additionally, at times, the Organization maintains donor-restricted funds purposed for various other activities consistent with its mission.

**10. Subsequent Events**

On June 20, 2025, the Organization purchased property for a new men's home totaling \$1,101,705.

Management has evaluated subsequent events through July 17, 2025, the date the financial statements were available to be issued and concluded that no additional disclosures are required.