COMPASSION UNITED, INC.

FINANCIAL STATEMENTS
December 31, 2023 and 2022

COMPASSION UNITED, INC.
Conroe, Texas

FINANCIAL STATEMENTS
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CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Compassion United, Inc.
Conroe, Texas

Opinion

We have audited the financial statements of Compassion United, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Compassion United, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Compassion United, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the December 31, 2022 financial statements have been restated to correct a misstatement. 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Compassion United, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Crowe LLP

Crowe LLP

The Woodlands, Texas
September 19, 2024

COMPASSION UNITED, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 373,709	$ 412,602
Restricted cash for Miracle City	207,300	121,024
Total cash, cash equivalents, and restricted cash	581,009	533,626
Prepaid expenses	1,889	7,955
Property and equipment, net (as restated)	1,606,756	1,365,822
Total assets	$ 2,189,654	$ 1,907,403
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 22,171	$ 6,572
Total liabilities	22,171	6,572
Net assets		
Without donor restrictions	1,804,914	1,704,398
With donor restrictions (as restated)	362,569	196,433
Total net assets	2,167,483	1,900,831
Total liabilities and net assets	$ 2,189,654	$ 1,907,403

See notes to financial statements.

COMPASSION UNITED, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 551,281	$ 302,870	$ 854,151
Contributions – grant revenue	-	69,540	69,540
Program service fees	15,425	-	15,425
In-kind donations	1,605,298	-	1,605,298
Special event income	131,706	-	131,706
Net assets released from restrictions	206,274	(206,274)	-
Total support and revenue	2,509,984	166,136	2,676,120
Expenses			
Program services	2,023,731	-	2,023,731
Supporting services			
General and administrative	150,753	-	150,753
Fundraising	234,984	-	234,984
Total expenses	2,409,468	-	2,409,468
Change in net assets	100,516	166,136	266,652
Net assets, beginning of year (as restated)	1,704,398	196,433	1,900,831
Net assets, end of year	$ 1,804,914	$ 362,569	$ 2,167,483

See notes to financial statements.

COMPASSION UNITED, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 562,419	$ 129,066	$ 691,485
Contributions – grant revenue	16,627	32,250	48,877
Program service fees	18,620	-	18,620
In-kind donations	1,287,197	-	1,287,197
Special event income	187,592	-	187,592
Net assets released from restrictions	681,368	(681,368)	-
Total support and revenue	2,753,823	(520,052)	2,233,771
Expenses			
Program services	1,715,852	-	1,715,852
Supporting services			
General and administrative	165,613	-	165,613
Fundraising	196,896	-	196,896
Total expenses	2,078,361	-	2,078,361
Change in net assets	675,462	(520,052)	155,410
Net assets, beginning of year	1,028,936	934,285	1,963,221
Prior period adjustment (Note 8)	-	(217,800)	(217,800)
Net assets, beginning of year (as restated)	1,028,936	716,485	1,745,421
Net assets, end of year	$ 1,704,398	$ 196,433	$ 1,900,831

COMPASSION UNITED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2023

	Program Services		Total	Supporting Services		
	Empowerment	Outreach and Relief	Program Services	General and Administrative	Fundraising	Total Expenses
Compensation	$ 110,930	$ 105,440	$ 216,370	$ 48,473	$ 88,002	$ 352,845
Payroll taxes and benefits	7,926	7,881	15,807	2,806	7,293	25,906
Advertising	-	539	539	1,122	4,680	6,341
Curriculum and technology	8,603	5,017	13,620	260	200	14,080
Depreciation	13,349	27,070	40,419	3,104	7,680	51,203
Dues and subscriptions	668	1,417	2,085	10,986	3,339	16,410
Food and nutrition	18,878	42,799	61,677	5,932	570	68,179
In-kind dental care	-	37,000	37,000	-	-	37,000
In-kind food and services	-	1,423,419	1,423,419	-	-	1,423,419
In-kind shower rental and vehicle expenses	1,251	18,000	19,251	-	-	19,251
Insurance	7,167	15,749	22,916	5,416	4,237	32,569
Meetings and events	13,634	-	13,634	2,602	1,585	17,821
Mileage, meals, and entertainment	1,402	-	1,402	59	-	1,461
Missions and support	-	8,141	8,141	1,706	-	9,847
Printing and postage	440	1,274	1,714	3,093	6,677	11,484
Professional fees	-	-	-	56,462	37,533	93,995
Program support services	81	12,870	12,951	250	2,103	15,304
Rent	23,250	-	23,250	50	-	23,300
Repairs and maintenance	8,833	23,348	32,181	269	6,264	38,714
Service charges and fees	117	298	415	360	7,811	8,586
Special events facility rental and catering	-	-	-	-	56,444	56,444
Supplies	2,935	1,160	4,095	1,531	35	5,661
Transportation	6,019	6,048	12,067	1,195	531	13,793
Utilities	32,580	27,553	60,133	5,077	-	65,210
Other	195	450	645	-	-	645
Totals	$ 258,258	$ 1,765,473	$ 2,023,731	$ 150,753	$ 234,984	$ 2,409,468

See notes to financial statements.

COMPASSION UNITED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	Program Services		Total	Supporting Services		
	Empowerment	Outreach and Relief	Total Program Services	General and Administrative	Fundraising	Total Expenses
Compensation	$ 120,728	$ 36,592	$ 157,320	$ 69,472	$ 70,636	$ 297,428
Payroll taxes and benefits	8,074	3,023	11,097	5,208	5,067	21,372
Advertising	-	-	-	338	4,333	4,671
Curriculum and technology	-	851	851	150	151	1,152
Depreciation	9,562	24,132	33,694	2,224	7,113	43,031
Dues and subscriptions	608	1,604	2,212	10,107	2,935	15,254
Food and nutrition	20,527	26,755	47,282	2,721	605	50,608
In-kind food and services	-	1,281,897	1,281,897	-	2,500	1,284,397
Insurance	7,557	15,193	22,750	9,022	642	32,414
Meetings and events	5,991	38	6,029	401	3,101	9,531
Mileage, meals, and entertainment	1,054	-	1,054	92	-	1,146
Missions and support	-	-	-	5,437	-	5,437
Printing and postage	203	924	1,127	1,663	11,160	13,950
Professional fees	-	-	-	49,939	33,725	83,664
Program support services	1,003	4,624	5,627	1,702	-	7,329
Rent	31,609	19,375	50,984	-	-	50,984
Rent, in-kind	1,000	-	1,000	-	-	1,000
Repairs and maintenance	3,141	12,871	16,012	623	430	17,065
Service charges and fees	30	50	80	1,003	4,800	5,883
Special events facility rental and catering	-	-	-	-	49,400	49,400
Supplies	1,072	585	1,657	2,450	287	4,394
Transportation	5,145	3,772	8,917	1,253	11	10,181
Utilities	28,665	35,950	64,615	1,808	-	66,423
Other	1,572	75	1,647	-	-	1,647
Totals	$ 247,541	$ 1,468,311	$ 1,715,852	$ 165,613	$ 196,896	$ 2,078,361

See notes to financial statements.

COMPASSION UNITED, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

		2023		2022
Cash flows from operating activities				
Change in net assets	$	266,652	$	155,410
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation		51,203		43,031
In-kind donations of property and equipment		(120,000)		(1,800)
Contributions and grants restricted for long-term purposes		(206,240)		(15,000)
Changes in operating assets and liabilities:				
Prepaid expenses		6,066		2,506
Accounts payable and accrued liabilities		15,599		(726)
Net cash from operating activities		13,280		183,421
Cash flows from investing activities				
Purchase property and equipment		(172,137)		(597,824)
Net cash from investing activities		(172,137)		(597,824)
Cash flows from financing activities				
Contributions and grants restricted for long-term purposes		206,240		15,000
Net cash from financing activities		206,240		15,000
Net change in cash, cash equivalents, and restricted cash		47,383		(399,403)
Cash, cash equivalents, and restricted cash, beginning of year		533,626		933,029
Cash, cash equivalents, and restricted cash, end of year	$	581,009	$	533,626
Supplemental disclosure				
Non-cash contribution of property and equipment	$	120,000	$	1,800

See notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compassion United, Inc. (CU or the "Organization") is a nonprofit organization of local churches, businesses, and individuals who partner to provide empowerment, outreach and relief in the lives of poor, homeless, addicted, and outcast individuals.

Support for CU is generated from fundraising events and contributions.

Through several community projects, CU addresses a broad spectrum of needs in Montgomery County. Many of these projects are initiated by CU and are fully supported with CU leaders and volunteers. These projects are reflected in the financial statements in two broad categories: Outreach and Relief, and Empowerment.

The Empowerment programs include the following:

- *Fresh Start* – Fresh Start is the empowerment portion of CU's transition program. The Organization has developed a course program to be used in its housing programs, to help their residents escape lives of poverty and overcome their obstacles, limitations, or unhealthy habits. Additionally, Fresh Start facilitates one-on-one mentorship for each resident of the transition program.

- *Freedom House* – A sober living home from which CU provides a six to twelve-month individualized program for men struggling with addiction. Men living in the home participate in the Fresh Start Empowerment program learning healthy personal responsibility, life-skill development, and spiritual growth cultivation during their stay.

- *Joy House* – CU supports a home to shelter and support women during crisis pregnancies to provide an alternative to abortion. The women are given access to a wide variety of resources to assist them with their pregnancy and participate in the Fresh Start Empowerment program.

- *Hosanna House* – A six to twelve-month individualized program for women escaping unsafe living conditions. The women live in the home provided by CU and participate in the Fresh Start Empowerment program with a one-on-one mentor, to teach and empower them to lead themselves out of their unhealthy living situation.

- *Miracle City* – Once complete, Miracle City will be a unique, innovative, whole-person transformation community consisting of transitional and supportive short and long-term housing with built-in support services and empowerment opportunities for people needing spiritual, emotional, and occupational guidance.

The Outreach and Relief programs include the following:

- *Breakfast in the Park* – CU partners with approximately 50 churches, businesses, and organizations to serve meals to approximately 100 homeless or poor individuals every Saturday morning in a park located in Conroe.

- *Food Pantry* – A CU program that stocks and provides groceries for the housing programs of the Organization and for the needy in communities of east Montgomery County.

- *Compassion Coatrack* – Partnering with churches and businesses, CU provides donated cold-weather clothing and gear for the homeless community at their daily outreach events.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Conroe House of Prayer (CHOP)* – Every weekday morning, CU hosts a Christian worship service geared towards homeless people. During weekday mornings, this facility is used for resource distribution, providing clothing and otherwise assessing and assisting the needs of the individuals who attend. CHOP also serves as part of the intake process for the Empowerment programs.

- *Programs for Children and Youth* – Destiny Kids and City of Light programs exist to bring life skills, fun activities, positive relationships, and provide hope for youth and children within the city of Conroe. In an effort to help these youth and children reach their full potential, volunteers and staff members provide programs for youth and children two nights a week during the school year.

- *Compassion Community Care Center (C4)* – The community care center, located in east Montgomery County, provides individuals in need with non-emergency healthcare services and referrals to partner healthcare organizations through Interfaith of The Woodlands, and the Community Assistance Center serving Montgomery County.

Basis of Accounting: The Organization maintains its accounting records on an accrual basis of accounting. Revenues are recognized in the period they are earned, and expenditures are recognized in the period they are incurred.

Basis of Presentation: The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of CU's management and the Board of Directors.

- *Net Assets With Donor Restrictions* – Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CU or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Fair Value of Financial Instruments: The carrying amounts reported in the statements of financial position for cash, cash equivalents, and restricted cash approximates their fair value.

Advertising: Advertising costs are charged to operations when incurred. Advertising expense was $6,341 and $4,671 for 2023 and 2022, respectively.

Property and Equipment: Acquisitions of property and equipment in excess of $2,500 are capitalized. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over estimated useful lives, which range from three to thirty-nine years. Maintenance and repairs are charged to expense. Major improvements are capitalized. Any gain or loss on retirement, sale, or other disposition of the equipment is recognized as revenue or expense. Donated equipment is valued at fair market value and its related depreciation is computed using the straight-line method.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value.

Contributions: Contributions received are recorded as support with or without restrictions depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Contributions of assets other than cash are recorded at estimated fair value. For the years ended December 31, 2023 and 2022, the Organization had contributions from board members of $43,561 and $48,300, respectively.

Unless donor stipulations limit the use of the assets for a period of time or for a particular purpose, donor restrictions on long-lived assets, if any, or cash to acquire or construct long-lived assets are considered to have expired when the assets are placed in service.

Contributions – Grant Revenue: In response to the coronavirus pandemic, the United States Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020 and the Economic Aid Act in December 2020. The CARES Act provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes subject to certain criteria and limits through December 31, 2021. During 2022, CU received an ERC payment of $16,627 from the Internal Revenue Service. CU applied for the refundable tax credit because it sustained partial suspension of operations due to COVID-19 as a result of restrictions by Montgomery County and the City of Conroe during the second quarter of 2020. CU continued to pay all of its employees during this period.

Program Service Fees: Program service fees contain a single performance obligation and revenue is recognized at a single point in time when the ownership, risks, and rewards transfer to the buyer, and the performance obligation is satisfied.

Contributed Nonfinancial Assets - Donated Goods: Individuals and Organizations make significant contributions of goods in the forms of food and clothing to CU. Donated goods of sufficient quality are given away through its resource distribution programs. Donated food supplies consist primarily of canned goods, produce, and other food items. Donated goods are recorded at fair value.

Contributed Nonfinancial Assets - Donated Services: During 2023 and 2022, CU received various services, including engineering, fundraising, photography services, and rent. Other volunteers have made significant contributions of their time in furtherance of the Organization’s mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under U.S. GAAP.

Prepaid Expenses: Prepaid expenses consist of security deposits and prepayments for rent.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. All direct costs are charged to the expenses to which it pertains. Expenses that pertain to more than one purpose are directly allocated among the programs and supporting services for which the expenditures were made.

General and administrative costs include those expenses that provide for the overall support and direction of CU and are allocated based on management's estimate of personnel time and space utilized for the related activities. All other costs have been directly allocated among the programs and supporting services benefited.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities, based on technical merits of the position. The Organization has concluded that there are no uncertain tax positions, or any interest and penalties related to uncertain tax position requiring recognition in the financial statements.

Reclassification: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations and changes in net assets.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position dates comprise the following at December 31:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 373,709	$ 412,602
Restricted cash for Miracle City	207,300	121,024
Total financial assets at year-end	581,009	533,626
Less: amount not available for general expenditures within one year	(248,178)	(156,466)
Total financial assets at year-end available for general expenditure over the next 12 months	$ 332,831	$ 377,160

The Organization receives significant contributions from donors, foundations and special events which are available to meet cash needs for general expenditures. As of December 31, 2023 and 2022, restricted contributions of $248,178 and $156,466, respectively, were included in financial assets. These assets are not available for use for general expenditures.

NOTE 2 – LIQUIDITY AND AVAILABILITY (Continued)

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund short-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 3 – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Reconciliation of cash, cash equivalents, and restricted cash reported in the statements of financial position with cash, cash equivalents, and restricted cash reported in the statements of cash flows is as follows:

	2023	2022
Cash and cash equivalents	$ 373,709	$ 412,602
Restricted cash for Miracle City	207,300	121,024
Total cash, cash equivalents, and restricted cash	$ 581,009	$ 533,626

Contributions and grants restricted for long-term purposes on the statements of cash flows is donor-restricted cash for Miracle City. For purposes of the statements of cash flows, CU considers cash, cash equivalents, and restricted cash to include time deposits, certificates of deposit, and all highly liquid debt instruments with an initial maturity of three months or less.

CU maintains its cash balances in two financial institutions insured by the Federal Deposit Insurance Corporation up to $250,000. Cash deposits that exceed the federally insured limit per depositor for CU's bank accounts are subject to deposit risk other than those collateralized by a security agreement with the bank. CU monitors the financial condition of the banks and has not experienced any losses related to these accounts.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2023	2022
Vehicles and equipment	$ 139,216	$ 132,466
Buildings	1,318,348	1,282,485
Construction in progress	238,530	5,200
Land (as restated)	75,845	59,651
	1,771,939	1,479,802
Less: accumulated depreciation	(165,183)	(113,980)
Total property and equipment, net	$ 1,606,756	$ 1,365,822

Depreciation expense amounted to $51,203 and $43,031 for 2023 and 2022, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

On July 15, 2019, the City of Conroe, Texas contributed 5 acres of undeveloped land to CU. Located at 350 Foster Drive, the site is approximately two miles south of downtown Conroe. The Organization agreed to utilize the property to provide low-income housing, housing for the homeless, and provide related services no later than July 15, 2024. The site is called Miracle City.

The City of Conroe has the right to regain the title to the property if CU does not meet these time limits or does not continue to operate as a non-profit serving the homeless. This reversionary interest expires on December 31, 2039. In the event the City believes the Organization is not in compliance with the requirements of the conveyance, there are notice and right to cure provisions in the deed. CU estimated that the value of the land donation was $217,800. Due to conditions on this land, it is not recognized on these financial statements (see Note 8).

CU plans for the site to include an innovative, transformational community consisting of transitional housing, support services, and empowerment opportunities. The first building in Miracle City, the Empowerment Building, was completed in April 2022. It is a steel frame, 5,500 square foot building that houses the CHOP and Fresh Start Empowerment Center as well as administrative offices. Its total cost of approximately $1,130,000 includes construction costs plus permits, utility connections, architectural fees, engineering, liability insurance, bank fees and site work. As of December 31, 2023 and 2022, restricted cash totaling $207,299 and $121,024, respectively, was available for fundraising, design, development, and construction of Miracle City.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions consist of the following:

	Beginning Balance	Additions	Releases	Ending Balance
December 31, 2023				
Food Pantry	$ 19,916	$ 82,440	$ (81,506)	$ 20,850
Food Truck	566	-	-	566
Joy House	19,275	13,665	(13,478)	19,462
Miracle City	156,676	276,305	(111,290)	321,691
Totals	$ 196,433	$ 372,410	$ (206,274)	$ 362,569
December 31, 2022				
Food Pantry	$ 5,800	$ 36,566	$ (22,450)	$ 19,916
Food Truck	566	-	-	566
Joy House	16,961	14,450	(12,136)	19,275
Miracle City (as restated)	693,158	110,300	(646,782)	156,676
Totals	$ 716,485	$ 161,316	$ (681,368)	$ 196,433

NOTE 6 – OPERATING LEASES

The Organization entered into several operating lease agreements for some buildings to conduct operations for its programs. The operating leases for the buildings expired during 2020 at which point the leases were month-to-month. As permitted by ASC 842, *Leases*, leases with an initial term of twelve months or less are not recorded on the accompanying statements of financial position. Rental expense for all the buildings used by its programs were paid on a monthly basis and amounted to $23,300 and $50,984 for 2023 and 2022, respectively.

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, contributed nonfinancial assets recognized in the statements of activities included:

	2023	2022
Food	$ 1,423,419	$ 1,284,397
Services	181,879	1,800
Rent	-	1,000
Total	$ 1,605,298	$ 1,287,197

CU recognized contributed nonfinancial assets within revenue, including food, rent, construction materials for the Empowerment building, fundraising services, and photography services and refreshments for their annual gala.

There are two primary sources for food donations. The Montgomery County Food Bank provides bulk groceries to Compassion United's Food Pantry. CU also receives donated food from private donations. The food is valued at approximate average wholesale value of one pound of donated product based on the most recent Feeding America Product Valuation Survey. The price per pound ranged from $1.92 to $1.93. During 2023 and 2022, CU received 705,863 and 662,897 pounds of donated food, respectively. The fair value donated to the Food Pantry was $1,367,949 and $1,234,823 in 2023 and 2022, respectively. The fair value of the donated food is recognized in the year received and immediately recorded as an expense. CU does not monetize any contributed food donated.

The other source of food is volunteers and churches bringing precooked meals to Conroe House of Prayer (breakfast on weekdays) and Breakfast at the Park (breakfast on Saturdays) for consumption by the attendees. The Department of Agriculture provides annual tables showing the reimbursement rate for meals served in adult day care centers (as well as other programs). The rates as published in the Federal Register ranged from $2.21 to $2.28 per meal. CU received 24,810 and 22,400 meals for CHOP and Breakfast at the Park during 2023 and 2022, respectively. The fair value of the meals donated to CHOP and Breakfast at the Park was $55,470 and $49,574 in 2023 and 2022, respectively.

During 2023 and 2022, CU received certain services, such as civil engineering services for the design of Miracle City, consulting services, medical services, shower facility use, and photography services and refreshments for their annual gala free of charge. The fair value of these goods and services of $181,879 and $1,800 were recognized in 2023 and 2022, respectively, at their fair market value based on current rates for similar services.

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS (Continued)

During December 2022, the rent payment for the Hosanna House was waived. The rent value of $1,000 was recognized as revenue in 2022. There was no donated rent for the Hosanna House in 2023.

NOTE 8 – RESTATEMENT

In accordance with generally accepted accounting principles, an organization shall consider whether a contribution contains a donor-imposed condition that would preclude revenue recognition. A donor-imposed condition includes one or more barriers that must be overcome before a recipient is entitled to the assets that have been transferred, and a right of return of the assets back to the contributor if the condition is unmet. During the year ended December 31, 2023, CU identified an in-kind contribution previously recognized as donor restricted revenue and land. The in-kind contribution is conditional upon CU meeting certain agreed-upon objectives. Such donor-imposed conditions preclude the recognition of revenue, which instead should only be recognized as the barriers to revenue recognition, primarily meeting the agreed-upon objectives, are met.

CU had not yet met the conditions of the in-kind contribution and, as such, revenue and land should have been $217,800 less in 2019, when the grant was initially recognized.

As of December 31, 2023, the conditions to the grant have not been met. The restatement was retrospectively applied starting January 1, 2022, resulting in a net decrease of $217,800 to Land and Net assets, at the beginning of year.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 19, 2024, the date which the financial statements were available to be issued.

Montgomery County, Texas (the County) has allocated to CU a $2,050,000 Community Development Block Grant from the United States Department of Housing and Urban Development (HUD). CU will construct a 6,220 square foot day center for homeless adults for the purpose of providing meals, respite, computer access, workforce assistance programs, case management and other housing support services plus administrative offices using grant proceeds. The day center will include dining and kitchen areas, showers, an area for computer use, and meeting rooms. The County will manage construction of the building and related land improvements. CU handles overseeing construction and maintaining and operating the building when it is complete. CU has agreed to be regulated by the County in order that the County may enforce occupancy restrictions and performance conditions in the grant. CU must operate the building for its intended use for 20 years. During that 20-year period, CU cannot sell any buildings constructed at Miracle City and the County must approve all new buildings constructed at Miracle City.

During the first six months of 2024, detailed engineering and architectural planning took place. In August 2024, the County has approved a construction contract for $1,950,000 to construct the day center. The County required CU to deposit $100,000 with the County as contingency funds for unforeseen change orders. CU expects construction to start in 2024.