Compassion United, Inc.

Independent Auditor's Report

Financial Statements

December 31, 2025 and 2024

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Lindsey K CPA, PLLC
Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
Compassion United, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Compassion United, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2025 and 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 Compassion United, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, 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 within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, 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 amount 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2026, on our consideration of Compassion United, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Compassion United, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Compassion United, Inc.'s internal control over financial reporting and compliance.

Lindsey K CPA PLLC

Conroe, Texas
August 31, 2026

Compassion United, Inc.
Statements of Financial Position
December 31, 2025 and 2024

Assets		2025		2024
Cash and cash equivalents	$	588,454	$	385,272
Restricted cash for Miracle City		525,000		95,512
Total cash, cash equivalents and restricted cash		1,113,454		480,784
Grant receivable		50,000		-0-
Prepaid expenses		1,980		111,184
Property and equipment, net		3,846,594		1,984,688
Total assets	$	5,012,028	$	2,576,656
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	$	37,247	$	48,807
Total liabilities		37,247		48,807
Net assets				
Without donor restrictions		2,169,864		1,934,602
With donor restrictions		2,804,917		593,247
Total net assets		4,974,781		2,527,849
Total liabilities and net assets	$	5,012,028	$	2,576,656

The accompanying notes are an integral part of these financial statements

Compassion United, Inc.
Statement of Activities
Year Ended December 31, 2025

	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Contributions	$ 741,335	$ 621,878	$ 1,363,213
Contributions - Grants	71,093	1,804,964	1,876,057
Program service fees	17,100	-0-	17,100
In-kind donations	1,159,507	-0-	1,159,507
Special event income	236,484	-0-	236,484
Net assets released from restrictions	215,172	(215,172)	-0-
Total public support and revenue	2,440,691	2,211,670	4,652,361
Expenses:			
Program services	1,790,974	-0-	1,790,974
Supporting Services			
General and administrative	161,237	-0-	161,237
Fundraising	253,218	-0-	253,218
Total expenses	2,205,429	-0-	2,205,429
Change in net assets	235,262	2,211,670	2,446,932
Net assets, beginning of year	1,934,602	593,247	2,527,849
Net assets, end of year	$ 2,169,864	$ 2,804,917	$ 4,974,781

Compassion United, Inc.
Statement of Activities
Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Contributions	$ 715,570	$ 108,972	$ 824,542
Contributions - Grants	-0-	331,925	331,925
Program service fees	14,910	-0-	14,910
In-kind donations	1,669,280	-0-	1,669,280
Special event income	134,994	-0-	134,994
Net assets released from restrictions	210,219	(210,219)	-0-
Total public support and revenue	2,744,973	230,678	2,975,651
Expenses:			
Program services	2,213,971	-0-	2,213,971
Supporting Services			
General and administrative	159,005	-0-	159,005
Fundraising	242,309	-0-	242,309
Total expenses	2,615,285	-0-	2,615,285
Change in net assets	129,688	230,678	360,366
Net assets, beginning of year	1,804,914	362,569	2,167,483
Net assets, end of year	$ 1,934,602	$ 593,247	$ 2,527,849

The accompanying notes are an integral part of these financial statements

Compassion United, Inc.
Statement of Functional Expenses
Year ended December 31, 2025

	Program Services		Total	Supporting Services		
	Empowerment	Outreach and Relief	Program Services	General and Administrative	Fundraising	Total Expenses
Compensation	$ 206,599	$ 48,560	$ 255,159	$ 54,737	$ 117,970	$ 427,866
Payroll taxes and benefits	15,404	3,715	19,119	4,256	9,111	32,486
Advertising	80	-0-	80	954	3,158	4,192
Curriculum and technology	2,744	450	3,194	1,938	-0-	5,132
Depreciation	54,841	9,945	64,786	4,209	4,416	73,411
Dues and subscriptions	1,464	1,020	2,484	11,286	10,512	24,282
Food and nutrition	40,082	21,465	61,547	5,046	353	66,946
In-kind food and services	55,731	1,011,330	1,067,061	5,783	985	1,073,829
In-kind shower expenses	36,700	-0-	36,700	-0-	-0-	36,700
In-kind clothes	6,048	-0-	6,048	-0-	-0-	6,048
Insurance	22,786	14,003	36,789	14,486	400	51,675
Meetings and events	12,760	-0-	12,760	5,775	1,990	20,525
Mileage, meals and entertainment	768	-0-	768	110	-0-	878
Missions and support	22,293	-0-	22,293	1,020	-0-	23,313
Printing and postage	145	43	188	1,375	2,746	4,309
Professional fees	46,151	74	46,225	34,448	23,788	104,461
Program support services	33,548	670	34,218	2,084	2,427	38,729
Rent	24,150	1,200	25,350	600	-0-	25,950
Repairs and maintenance	8,754	7,811	16,565	1,354	4,372	22,291
Service charges and fees	104	34	138	716	13,722	14,576
Special event – Gala	-0-	-0-	-0-	-0-	55,730	55,730
Supplies	2,250	-0-	2,250	4,072	-0-	6,322
Transportation	7,093	647	7,740	2,686	488	10,914
Utilities	49,724	18,920	68,644	4,279	100	73,023
Other	845	23	868	23	950	1,841
Total expenses	$ 651,064	$ 1,139,910	$ 1,790,974	$ 161,237	$ 253,218	$ 2,205,429

The accompanying notes are an integral part of these financial statements

Compassion United, Inc.
Statement of Functional Expenses
Year ended December 31, 2024

	Program Services		Total	Supporting Services		
	Empowerment	Outreach and Relief	Program Services	General and Administrative	Fundraising	Total Expenses
Compensation	$ 109,545	$ 136,786	$ 246,331	$ 50,524	$ 102,689	$ 399,544
Payroll taxes and benefits	8,039	9,958	17,997	4,283	7,758	30,038
Advertising	232	-0-	232	1,229	2,539	4,000
Curriculum and technology	3,257	1,477	4,734	40	-0-	4,774
Depreciation	19,879	22,809	42,688	3,535	4,358	50,581
Dues and subscriptions	741	1,631	2,372	10,775	7,545	20,692
Food and nutrition	21,743	58,023	79,766	3,063	-0-	82,829
In-kind food and services	-0-	1,566,970	1,566,970	-0-	-0-	1,566,970
In-kind shower expenses	-0-	36,600	36,600	-0-	-0-	36,600
Insurance	10,770	18,197	28,967	14,136	5,145	48,248
Meetings and events	19,845	26	19,871	2,378	2,085	24,334
Mileage, meals and entertainment	1,490	-0-	1,490	480	-0-	1,970
Missions and support	9,298	1,146	10,444	9,018	-0-	19,462
Printing and postage	293	956	1,249	2,037	2,597	5,883
Professional fees	370	170	540	48,106	22,704	71,350
Program support services	1,339	17,769	19,108	100	114	19,322
Rent	23,525	1,200	24,725	106	-0-	24,831
Repairs and maintenance	9,089	19,018	28,107	967	3,479	32,553
Service charges and fees	110	148	258	-0-	8,522	8,780
Special events facility rental and catering	-0-	-0-	-0-	-0-	72,415	72,415
Supplies	3,138	854	3,992	3,043	-0-	7,035
Transportation	5,950	6,997	12,947	663	359	13,969
Utilities	31,917	31,817	63,734	4,236	-0-	67,970
Other	439	410	849	286	-0-	1,135
Total expenses	$ 281,009	$ 1,932,962	$ 2,213,971	$ 159,005	$ 242,309	$ 2,615,285

The accompanying notes are an integral part of these financial statements

Compassion United, Inc.
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 2,446,932	$ 360,366
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	73,411	50,581
In-kind donations of property and equipment	(38,220)	(57,775)
Contributions and grants restricted for long-term purposes	(2,326,842)	(347,972)
(Increase) decrease in:		
Grant receivable	(50,000)	-0-
Prepaid expenses	109,204	(109,295)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(11,560)	26,636
Net cash from operating activities	(202,925)	(77,459)
Cash flows from investing activities:		
Purchase of property and equipment	(1,897,097)	(370,738)
Net cash from investing activities	(1,897,097)	(370,738)
Cash flows from financing activities:		
Contributions and grants restricted for long-term purposes	2,326,842	347,972
Net cash from financing activities	2,326,842	347,972
Net change in cash, cash equivalents, and restricted cash	632,670	(100,225)
Cash, cash equivalents, and restricted cash, beginning of year	480,784	581,009
Cash, cash equivalents, and restricted cash, end of year	$ 1,113,454	$ 480,784
Supplemental disclosure:		
Non-cash contribution of property and equipment	$ 38,220	$ 57,775

The accompanying notes are an integral part of these financial statements

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

Compassion United, Inc. (CU or the "Organization") is a nonprofit organization as described in Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal income taxes. CU is incorporated in the state of Texas.

Support for CU is generated from fundraising events and contributions as well as grants from governments and institutions.

For over 20 years, CU has worked with individuals in Montgomery County Texas as they transition from crisis to stability through spiritual support, emergency assistance, workforce development, recovery services, transitional housing, and mental health support. CU partners with approximately 50 churches, businesses, and organizations to serve breakfast to approximately 100 to 120 homeless or poor individuals each day except Sunday.

"Miracle City", approximately two miles south of downtown Conroe, Texas is the primary campus. In April 2022, the Empowerment Center began providing trauma and addiction-recovery-focused structured programming that prepares participants for workforce readiness and community reintegration. Each participant engages in classes, mentoring, and case management to help them become self-sufficient and achieve long-term stability. Building on that success, CU opened the Miracle City Day Center in October 2025. The Day Center provides a safe, trauma-informed, and welcoming facility for unhoused and struggling individuals.

The services offered at the Day Center include Christian-based services, showers, clothing, breakfast, mail services, and compassionate case management. The Day Center also serves as the first place for many clients to find safety, respect, and hope after enduring hardship.

Two transitional houses are under construction at Miracle City and are scheduled for completion during the summer of 2026. The homes will house 17 men and 17 women. Currently transition housing is provided for ten men and four women in rented facilities in Conroe, Texas.

CU's food pantry provides food and groceries for those in need in east Montgomery County. The food pantry is located on 1.046 acres near Cut and Shoot, Texas. The facility includes a community health clinic.

Program services are reported as Outreach-and-Relief and Empowerment services on the Schedule of Functional Expenses. Food pantry, the health clinic and programs for youth activities are reported in Outreach and Relief. Services provided at Miracle City and the transition homes are reported as Empowerment services. The programs for youth were discontinued at the end of 2025.

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.

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

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 $4,192 and $4,000 for 2025 and 2024, respectively.

Property and Equipment: Acquisitions of property and equipment of more than $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 expenses. 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.

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, 2025 and 2024, the Organization had contributions from board members of $67,499 and $76,215, respectively.

Unless donor stipulations limit the use of the assets for a period 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.

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 2025 and 2024, 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 they pertain. 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.

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:

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	$ 588,454	$ 385,272
Restricted cash for Miracle City	525,000	95,512
Grant receivable	50,000	
Total financial assets at year end	1,163,454	480,784
Less: amount not available for general expenditures within one year due to donor restrictions:	(932,348)	(40,251)
Total financial assets at year end available for general expenditures within one year	$ 231,106	$ 440,533

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, 2025 and 2024, restricted contributions of $37,192 and $115,555, respectively, were included in financial assets. These assets are not available for use for general expenditures

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:

	2025	2024
Cash and cash equivalents	$ 588,454	$ 385,272
Restricted cash for Miracle City	525,000	95,512
Total financial assets at year end	$ 1,113,454	$ 480,784

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:

	2025	2024
Vehicles and equipment	$ 250,954	$ 180,012
Buildings	3,622,743	1,530,385
Construction in progress	150,788	391,978
Land	91,283	78,076
	4,115,768	2,180,451
Less: accumulated depreciation	(269,174)	(195,763)
	$ 3,846,594	$ 1,984,688

Depreciation expense amounted to $73,411 and $50,581 for 2025 and 2024, respectively.

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).

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

On June 10, 2024 the City of Conroe contributed .092 acres of land contiguous to the 5 acre parcel to Compassion United. The City of Conroe has the same rights to regain title to the .092 acre parcel as the larger parcel. Due to the conditions on this parcel of land, the value of the land is not recognized on these financial statements. The value of the .092 acres has not been estimated.

Montgomery County, Texas (the County) allocated to CU a $2,050,000 Community Development Block Grant from the United States Department of Housing and Urban Development (HUD). CU constructed 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 includes dining and kitchen areas, showers, an area for computer use and meeting rooms. The County managed construction of the building and related land improvements. CU oversaw construction. CU maintains and operates the building. Construction was completed in October 2025.

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.

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 Its total cost was $1,130,000.

As of December 31, 2025, and 2024, restricted cash totaling $525,000 and $95,512 , 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:

December 31, 2025	Beginning Balance	Additions	Releases	Ending Balance
General	$ 5,500	$ -	$ -	$ 5,500
Food Pantry	14,544	-	(14,137)	407
Miracle City	573,203	2,426,842	(201,035)	2,799,010
Totals	$ 593,247	$ 2,426,842	$ (215,172)	$ 2,804,917

December 31, 2024	Beginning Balance	Additions	Releases	Ending Balance
General	$ -	$ 65,500	$ (60,000)	$ 5,500
Fresh Start	-	8,125	(8,125)	-
Food Pantry	20,850	15,000	(21,306)	14,544
Food Truck	566	-	(566)	-
Joy House	19,462	4,300	(23,762)	-
Miracle City	321,691	347,972	(96,460)	573,203
Totals	$ 362,569	$ 440,897	$ (210,219)	$ 593,247

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 $25,950 and $24,831 for 2025 and 2024, respectively.

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

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

	2025	2024
Food	$ 1,073,828	$ 1,567,360
Services	85,679	94,375
Rent	-	7,545
	$ 1,159,507	$ 1,669,280

CU recognized contributed nonfinancial assets within revenue, including food, rent, 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 products based on the most recent Feeding America Product Valuation Survey. The price per pound ranged from $1.90 to $1.97. During 2025 and 2024, CU received 490,079 and 794,430 pounds of donated food, respectively. The fair value donated to the Food Pantry was $931,150 and $1,505,722 in 2025 and 2024, 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 published in the Federal Register ranged from $2.37 to $2.46 per meal. CU received 23,061 and 26,348 meals for CHOP and Breakfast at the Park during 2025 and 2024, respectively. The fair value of the meals donated to CHOP and Breakfast at the Park was $55,772 and $61,248 in 2025 and 2024, respectively.

During 2025 and 2024, 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. The fair value of these goods and services of $114,406 and $101,920 were recognized in 2025 and 2024, respectively, at their fair market value based on current rates for similar services.

NOTE 9 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through August 31, 2026, the date the financial statements were available to be issued.

Subsequent to December 31, 2025, the Organization was awarded and received grant funding for qualifying expenditures incurred during the period from October 1, 2025 through December 31, 2025. The grant award was not known to management as of December 31, 2025; accordingly, no grant receivable was recorded in the financial statements as of that date.

Subsequent to December 31, 2025, the Organization completed two homes within its transitional housing project and placed the homes in service as the first residents moved in. No adjustment has been made to the December 31, 2025 financial statements for this subsequent event.

(concluded)

Supplementary Information

Compassion United
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended December 31, 2025

Award Information	*AL/other #*	*Pass-Through Entity Name*	*Pass-Through Entity #*	*Name of Grant - Grant ID No.*	*Passed-through to Subrecipients ($)*	*Federal Expenditures ($)*
CDBG - Entitlement Grants-Cluster						
Department of Housing and Urban Development						
Community Development Block Grants/Entitlement Grants						
Community Development Block Grants/Entitlement Grants	14.218	Montgomery County, Texas		CDBG Program Day Center Development		1,704,964
Community Development Block Grants/Entitlement Grants	14.218	Montgomery County, Texas		Direct Assistance		14,503
Community Development Block Grants/Entitlement Grants	14.218	Montgomery County, Texas		Personnel		3,940
Total Community Development Block Grants/Entitlement Grants						1,723,407
Total Department of Housing and Urban Development						1,723,407
Total CDBG - Entitlement Grants-Cluster						1,723,407
Total Expenditures of Federal Awards					$ 0	$ 1,723,407

The accompanying notes are an integral part of this schedule

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activities of Compassion United, Inc. Expenditures reported in the Schedule are reported on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the Organization's operations, it is not intended to and does not present its financial position, changes in net assets or cash flows for 2025.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting and are recognized when the underlying allowable costs are incurred and chargeable to the federal award in accordance with the cost principles of the Uniform Guidance. For reimbursement construction grants and other awards used to acquire or construct capital assets, amounts reported as federal expenditures on the Schedule may include costs that are capitalized as property and equipment in the Organization's financial statements. Accordingly, federal expenditures reported on the Schedule may differ from amounts recognized as expense in the financial statements due to differences in the timing of recognition for financial reporting purposes.

The Organization has elected to not use the 15-percent de minimis indirect cost rate allowed under the Uniform Guidance.