

ACH Child and Family Services

Consolidated Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

December 31, 2023 and 2022



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5 - 6
Consolidated Statements of Functional Expenses	7 - 8
Consolidated Statements of Cash Flows	9 - 10
Notes to Consolidated Financial Statements	11 - 38
Supplementary Information	
Independent Auditor's Report on Supplementary Information	40
Consolidating Statement of Financial Position	41
Consolidating Statement of Activities	42
Single Audit Reports and Schedules	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44 - 45
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	46 - 48
Schedule of Expenditures of Federal and State Awards	49 - 51
Notes to Schedule of Expenditures of Federal and State Awards	52
Schedule of Findings and Questioned Costs	53 - 56
Summary Schedule of Prior Audit Findings	57



INDEPENDENT AUDITOR'S REPORT

Board of Directors
ACH Child and Family Services
Fort Worth, Texas

Opinion

We have audited the accompanying consolidated financial statements of ACH Child and Family Services (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACH Child and Family Services as of December 31, 2023 and 2022, and the changes in their net assets and their 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 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 ACH Child and Family Services 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACH Child and Family Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACH Child and Family Services' 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Uniform Grant Management Standards* of the *State of Texas Single Audit Circular*, respectively, are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 September 17, 2024, on our consideration of the Organization'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 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 the Organization'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 the Organization's internal control over financial reporting and compliance.



Armanino^{LLP}
Dallas, Texas

September 17, 2024

ACH Child and Family Services
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 8,963,849	\$ 4,166,604
Grants and program receivables, net	17,066,582	16,803,565
Promises to give, net	450,986	701,077
Prepaid and other current assets	720,834	715,131
Investments	101,594,821	93,375,602
Mineral interests, net	15,726,711	15,726,711
Beneficial interest in trust assets	11,762,116	10,588,053
Notes receivable	15,613,540	15,613,540
Operating lease right-of-use assets	8,473,720	1,249,482
Finance lease right-of-use assets, net	777,868	240,029
Property and equipment, net	35,133,712	31,849,046
Total assets	\$ 216,284,739	\$ 191,028,840
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,578,877	\$ 5,973,738
Accrued expenses	1,996,653	1,692,114
Deferred Revenue	6,385,765	935,907
Line of credit	11,136,806	14,284,504
Notes payable, net	21,583,220	21,424,591
Operating lease liabilities	8,473,320	1,273,706
Finance lease liabilities	812,602	251,376
Total liabilities	56,967,243	45,835,936
Net assets		
Without donor restrictions	144,014,753	132,568,876
With donor restrictions	15,302,743	12,624,028
Total net assets	159,317,496	145,192,904
Total liabilities and net assets	\$ 216,284,739	\$ 191,028,840

The accompanying notes are an integral part of these consolidated financial statements.

ACH Child and Family Services
Consolidated Statement of Activities
For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support, government funding, revenues and investment returns			
Public support			
Contributions	\$ 1,395,538	\$ 2,672,753	\$ 4,068,291
Capital campaign contributions	-	361,500	361,500
Estates and trusts	-	75,000	75,000
Fundraising events	482,707	-	482,707
Less: direct benefit to donors	<u>(86,804)</u>	<u>-</u>	<u>(86,804)</u>
Total public support	<u>1,791,441</u>	<u>3,109,253</u>	<u>4,900,694</u>
Government funding, revenues and investment returns			
Program service fees	92,105,285	-	92,105,285
Government funding	654,200	4,336,704	4,990,904
Rental and other income	791,459	-	791,459
Interest income	695,891	522,997	1,218,888
Mineral income, net	16,763,212	-	16,763,212
Investment gain (loss), net	7,469,149	61,225	7,530,374
Gain on disposal of assets	28,404	-	28,404
Change in beneficial interest in trust assets	-	1,174,063	1,174,063
Net assets released from restriction	<u>6,525,527</u>	<u>(6,525,527)</u>	<u>-</u>
Total government funding, revenues and investment returns	<u>125,033,127</u>	<u>(430,538)</u>	<u>124,602,589</u>
Total public support, government funding, revenues and investment returns	<u>126,824,568</u>	<u>2,678,715</u>	<u>129,503,283</u>
Functional expenses			
Program services	<u>97,228,639</u>	<u>-</u>	<u>97,228,639</u>
Support services			
General and administrative	16,501,492	-	16,501,492
Fundraising	<u>1,648,560</u>	<u>-</u>	<u>1,648,560</u>
Total support services	<u>18,150,052</u>	<u>-</u>	<u>18,150,052</u>
Total functional expenses	<u>115,378,691</u>	<u>-</u>	<u>115,378,691</u>
Change in net assets	<u>11,445,877</u>	<u>2,678,715</u>	<u>14,124,592</u>
Net assets, beginning of year	<u>132,568,876</u>	<u>12,624,028</u>	<u>145,192,904</u>
Net assets, end of year	<u>\$ 144,014,753</u>	<u>\$ 15,302,743</u>	<u>\$ 159,317,496</u>

The accompanying notes are an integral part of these consolidated financial statements.

ACH Child and Family Services
Consolidated Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, government funding, revenues and investment returns			
Public support			
Contributions	\$ 1,179,159	\$ 3,431,386	\$ 4,610,545
Capital campaign contributions	-	1,040,122	1,040,122
Estates and trusts	-	125,000	125,000
Fundraising events	414,573	-	414,573
Less: direct benefit to donors	<u>(70,313)</u>	<u>-</u>	<u>(70,313)</u>
Total public support	<u>1,523,419</u>	<u>4,596,508</u>	<u>6,119,927</u>
Government funding, revenues and investment returns			
Program service fees	97,683,534	-	97,683,534
Government funding	1,079,445	-	1,079,445
Rental and other income	789,951	-	789,951
Interest income	318,091	528,751	846,842
Mineral income, net	16,742,864	-	16,742,864
Investment gain (loss), net	(14,831,684)	37,500	(14,794,184)
Loss on disposal of assets	(35,913)	-	(35,913)
Change in beneficial interest in trust assets	-	(3,052,428)	(3,052,428)
Net assets released from restriction	<u>4,666,182</u>	<u>(4,666,182)</u>	<u>-</u>
Total government funding, revenues and investment returns	<u>106,412,470</u>	<u>(7,152,359)</u>	<u>99,260,111</u>
Total public support, government funding, revenues and investment returns	<u>107,935,889</u>	<u>(2,555,851)</u>	<u>105,380,038</u>
Functional expenses			
Program services	<u>102,606,724</u>	<u>-</u>	<u>102,606,724</u>
Support services			
General and administrative	13,489,491	-	13,489,491
Fundraising	<u>1,464,938</u>	<u>-</u>	<u>1,464,938</u>
Total support services	<u>14,954,429</u>	<u>-</u>	<u>14,954,429</u>
Total functional expenses	<u>117,561,153</u>	<u>-</u>	<u>117,561,153</u>
Change in net assets	(9,625,264)	(2,555,851)	(12,181,115)
Net assets, beginning of year	<u>142,194,140</u>	<u>15,179,879</u>	<u>157,374,019</u>
Net assets, end of year	<u>\$ 132,568,876</u>	<u>\$ 12,624,028</u>	<u>\$ 145,192,904</u>

The accompanying notes are an integral part of these consolidated financial statements.

ACH Child and Family Services
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services										Support Services		
	OCOK Intake										Total Support Services		
	Foster Care/ Adoption/ Kinship Connections	Transitions	Youth Emergency Shelter	Youth and Family Services	Residential Care	Coordination, and Permanency	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total		
Our Community Our Kids provider payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,402,406	\$ 48,402,406	\$ -	\$ -	\$ -	\$ 48,402,406		
Salaries, taxes, and benefits	2,374,990	781,407	1,218,757	2,225,156	4,602,244	24,139,952	35,342,506	10,636,738	1,177,278	11,814,016	47,156,522		
Occupancy and maintenance	137,132	202,226	98,228	566,132	451,273	2,506,060	3,961,051	717,771	51,419	769,190	4,730,241		
Transportation	66,497	14,626	17,013	14,241	50,809	2,721,018	2,884,204	142,749	2,543	145,292	3,029,496		
Insurance and taxes	51,206	72,803	36,342	38,960	165,916	168,609	533,836	259,585	26,133	285,718	819,554		
Medical expenses	1,610	302	1,813	-	4,163	2,779	10,667	86	-	86	10,753		
Food, clothing, and supplies	43,526	45,014	307,526	79,769	411,501	415,759	1,303,095	181,272	17,501	198,773	1,501,868		
Youth activities	-	5,195	9,364	827	51,465	21,770	88,621	1,807	-	1,807	90,428		
Education	-	-	114	-	14,204	58	14,262	-	-	-	14,262		
Family assistance	113,373	5,888	-	39,731	39	151,422	310,567	3,027	1,000	4,027	314,594		
Foster care expenses	1,012,110	-	-	-	-	-	1,012,110	-	-	-	1,012,110		
Other programs and training expenses	-	328,348	-	-	163	675	329,186	234,066	-	234,066	563,252		
Development and promotion	-	-	-	-	-	46	46	5,386	77,299	82,685	82,731		
Outreach and awareness	902	9,311	1,276	16,885	416	1,913	30,703	285,022	129,295	414,317	445,020		
Contract services	59,387	23,249	36,524	45,046	139,235	1,057,734	1,361,175	1,388,575	51,392	1,439,967	2,801,142		
Audit and legal services	-	-	-	-	-	9,574	9,574	493,560	11,156	504,716	514,290		
Staff development and travel	33,792	10,337	15,217	27,419	83,937	76,296	246,998	156,193	14,708	170,901	417,899		
Board development	-	-	-	-	-	-	-	19,763	-	19,763	19,763		
Depreciation and amortization	187,960	152,194	150,080	156,014	516,376	-	1,162,624	707,611	88,836	796,447	1,959,071		
Interest expense	-	-	-	-	-	-	-	1,040,836	-	1,040,836	1,040,836		
Miscellaneous	-	-	-	-	-	225,008	225,008	227,445	-	227,445	452,453		
	<u>\$ 4,082,485</u>	<u>\$ 1,650,900</u>	<u>\$ 1,892,254</u>	<u>\$ 3,210,180</u>	<u>\$ 6,491,741</u>	<u>\$ 79,901,079</u>	<u>\$ 97,228,639</u>	<u>\$ 16,501,492</u>	<u>\$ 1,648,560</u>	<u>\$ 18,150,052</u>	<u>\$ 115,378,691</u>		

The accompanying notes are an integral part of these consolidated financial statements.

ACH Child and Family Services
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services						OCO K Intake Care			Support Services		
	Foster Care/ Adoption/ Kinship Connections	Transitions	Youth Emergency Shelter	Youth and Family Services	Residential Care	Coordination, and Permanency	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total	
Our Community Our Kids provider payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,285,184	\$ 56,285,184	\$ -	\$ -	\$ -	\$ 56,285,184	
Salaries, taxes, and benefits	2,392,357	742,368	1,120,428	1,929,188	4,081,465	22,457,214	32,723,020	9,357,904	1,071,971	10,429,875	43,152,895	
Occupancy and maintenance	124,532	156,642	84,464	237,197	410,781	2,358,312	3,371,928	604,504	49,239	653,743	4,025,671	
Transportation	72,085	19,224	11,627	10,850	58,130	2,635,176	2,807,092	120,392	2,103	122,495	2,929,587	
Insurance and taxes	32,810	49,010	22,707	25,320	91,517	124,122	345,486	179,904	16,847	196,751	542,237	
Medical expenses	-	673	1,699	74	5,901	4,984	13,331	243	-	243	13,574	
Food, clothing, and supplies	58,851	92,585	134,075	84,156	421,031	423,092	1,213,790	182,562	10,989	193,551	1,407,341	
Youth activities	245	5,822	6,656	-	28,659	19,322	60,704	4,764	1,378	6,142	66,846	
Education	-	-	-	-	6,978	322	7,300	-	-	-	7,300	
Family assistance	131,531	10,773	-	42,288	107	91,058	275,757	3,425	-	3,425	279,182	
Foster care expenses	1,198,010	-	-	-	-	-	1,198,010	-	-	-	1,198,010	
Other programs and training expenses	-	490,211	-	-	-	-	490,211	-	-	-	490,211	
Development and promotion	-	-	-	-	-	125	125	7,501	22,792	30,293	30,418	
Outreach and awareness	2,328	9,550	226	15,821	698	3,113	31,736	198,207	140,169	338,376	370,112	
Contract services	79,318	38,557	41,021	92,446	126,745	1,384,923	1,763,010	1,107,931	49,202	1,157,133	2,920,143	
Audit and legal services	252	252	252	252	252	12,028	13,288	234,830	968	235,798	249,086	
Staff development and travel	72,957	10,939	13,158	24,407	60,461	53,074	234,996	150,409	9,237	159,646	394,642	
Board development	-	-	-	-	-	-	-	1,723	-	1,723	1,723	
Depreciation and amortization	219,136	160,976	160,233	203,756	420,248	-	1,164,349	694,970	88,764	783,734	1,948,083	
Interest expense	-	-	-	-	-	-	-	591,718	-	591,718	591,718	
Miscellaneous	-	9,990	-	38,815	41,813	516,789	607,407	48,504	1,279	49,783	657,190	
	\$ 4,384,412	\$ 1,797,572	\$ 1,596,546	\$ 2,704,570	\$ 5,754,786	\$ 86,368,838	\$ 102,606,724	\$ 13,489,491	\$ 1,464,938	\$ 14,954,429	\$ 117,561,153	

The accompanying notes are an integral part of these consolidated financial statements.

ACH Child and Family Services
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 14,124,592	\$ (12,181,115)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,758,825	1,913,263
Net realized and unrealized (gains) losses on investments	(7,530,374)	14,794,184
Change in value of beneficial interest in trust asset	(1,174,063)	3,052,428
Bad debt expense	313,740	268,232
Amortization of loan fees	158,629	158,629
Amortization of finance lease right-of-use assets	200,246	34,820
Imputed interest on finance lease obligations	28,730	1,641
Loss (gain) on disposals of property and equipment	(28,404)	35,913
Contributions restricted for long-term purposes	(2,484,094)	(630,036)
Changes in operating assets and liabilities		
Grants and program receivables, net	(576,757)	3,355,566
Promises to give, net	250,091	(106,345)
Prepaid and other current assets	(5,703)	40,815
Operating lease right-of-use assets	677,153	57,648
Accounts payable	605,139	(846,382)
Accrued expenses	304,539	(91,829)
Deferred revenue	5,449,858	(1,965,654)
Operating lease liability	(701,777)	(33,424)
Net cash provided by operating activities	<u>11,370,370</u>	<u>7,858,354</u>
Cash flows from investing activities		
Purchases of investments	(35,233,826)	(36,615,466)
Proceeds from sales of investments	34,544,981	30,172,634
Purchases of property and equipment	(5,056,749)	(667,405)
Proceeds from sale of property and equipment	41,662	-
Net cash used in investing activities	<u>(5,703,932)</u>	<u>(7,110,237)</u>
Cash flows from financing activities		
Payments on finance lease obligations	(205,589)	(25,114)
Contributions received restricted for investments in property and equipment	2,484,094	630,036
Borrowings on line of credit	38,552,302	39,016,088
Payments on line of credit	(41,700,000)	(39,500,000)
Net cash provided by (used in) financing activities	<u>(869,193)</u>	<u>121,010</u>
Net increase in cash, cash equivalents and restricted cash	4,797,245	869,127
Cash, cash equivalents and restricted cash, beginning of year	<u>4,166,604</u>	<u>3,297,477</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 8,963,849</u>	<u>\$ 4,166,604</u>

The accompanying notes are an integral part of these consolidated financial statements.

ACH Child and Family Services
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash, cash equivalents and restricted cash consisted of the following:		
Cash	\$ 8,832,753	\$ 3,910,579
Restricted cash	131,096	256,025
	\$ 8,963,849	\$ 4,166,604

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 853,477	\$ 431,448

Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use assets obtained in exchange for lease liability	\$ 7,901,391	\$ 1,307,130
Finance lease right-of-use assets obtained in exchange for lease liability	\$ 738,085	\$ 274,849

The accompanying notes are an integral part of these consolidated financial statements.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS

ACH Child and Family Services ("ACH") is a Texas nonprofit corporation, established in 1915, and dedicated to the prevention, intervention, and treatment of child abuse, neglect, and family separation. With over a century of experience, ACH brings needed resources and skills to children and families struggling with life's challenges. Some programs keep children and families together while others provide a healing home for children who cannot live with their families. Services offered include crisis intervention, family counseling and skill-building, traditional foster care, treatment foster care for children with therapeutic needs, kinship support for families caring for related children adoption, transitional housing for families who have experienced domestic violence, supervised independent living services for young adults who are homeless or who are aging out of foster care, and residential group care including intensive residential treatment. The vision of ACH is to be a leading agency in the community so families thrive and children experience safety, hope, and love.

Principles of Consolidation

The consolidated financial statements include the accounts of ACH and the below five nonprofits of which ACH is the sole member.

The All Church Home for Children Foundation ("the Foundation") is a Texas nonprofit corporation organized to hold, manage, solicit, receive, administer, and invest assets for the exclusive use, benefit, and support of ACH in a manner that is responsive to the needs and demands of ACH.

ACH Landowner is a Texas nonprofit corporation organized to support its sole member, ACH, by providing financial and other resources to assist ACH in achieving the fulfillment of its mission. Specifically, ACH Landowner will hold, develop, and lease certain real property to ACH to be used for administration and programs.

ACH Landowner II is a Texas nonprofit corporation organized to support its sole member, ACH, by providing financial and other resources to assist ACH in achieving the fulfillment of its mission. Specifically, ACH Landowner II will hold, develop, and lease certain real property to ACH to be used for administration and programs.

ACH Landowner III is a Texas nonprofit corporation organized to support its sole member, ACH, by providing financial and other resources to assist ACH in achieving the fulfillment of its mission. Specifically, ACH Landowner III will hold, develop, and lease certain real property to ACH to be used for administration and programs.

Our Community Our Kids ("OCOK") is a Texas nonprofit corporation organized to support its sole member, ACH, by providing financial and other resources to assist ACH in achieving the fulfillment of its mission. Specifically, OCOK provides foster care in a seven-county region of North Texas. The corporate structure was formed and 501(c)3 status was approved in 2023, but no transactions, assets or employees have been moved into the new entity pending the contract and license approval by the State of Texas.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). As such, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The fund groups are reported in the two classes of net assets as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
- *Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Consolidated financial statements

The accompanying consolidated financial statements include the accounts of ACH Child and Family Services, All Church Home for Children Foundation, ACH Landowner, ACH Landowner II, ACH Landowner III and Our Community Our Kids (collectively, the "Organization") since they are financially interrelated organizations. All intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions and reasonable and supportable forecasts and generally applies to financial assets held at amortized cost and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented net of the amount expected to be collected by using an allowance for expected credit losses.

The Organization adopted the standard effective January 1, 2023. The adoption of this standard did not have a material impact on the Organization's financial statements.

Cash and cash equivalents

The Organization considers only cash in banks and cash on hand as cash and cash equivalents. These cash equivalents are financial instruments that potentially subject the Organization to concentrations of credit risk. The Organization places its cash with high credit-quality financial institutions and periodically maintains deposits in amounts that exceed Federal Deposit Insurance Corporation ("FDIC") insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

Investments and fair value measurements

Investments represent a diversified portfolio of public and private domestic and international equity securities, fixed income securities, alternative investments in marketable hedge funds, and mineral interests. Investments are reported at fair value. The values of publicly-traded fixed income and equity securities are based on quoted market prices. Fair value for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The fair value of the mineral interests is equal to the lower of cost or estimated fair value of accumulated cost recovery. Nonmarketable securities, which include investments in hedge funds, are valued using net asset value ("NAV"), or its equivalent, provided by fund managers as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. These non-marketable investments often require the estimation of fair values by the fund managers in the absence of readily determinable market values. As of December 31, 2023, the Organization had no specific plans or intentions to sell investments at amounts different than NAV. Because of the inherent uncertainty of valuing these investments, the Organization's estimate for fair value may differ significantly from the values that would have been used had a ready market for the investments existed.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and fair value measurements (continued)

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels of inputs:

- *Level 1* - Quoted market prices in active markets for identical assets or liabilities.
- *Level 2* - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The investments reported at NAV as practical expedient are not required to be categorized in the fair value hierarchy.

Dividend and interest income are accrued when earned. Net realized and unrealized gains (losses) are included in investment income (loss) on the consolidated statements of activities.

Mineral interests

The Organization's investments in mineral interests were acquired primarily by contribution and recorded at the estimated fair market value at the date of receipt. Management evaluates for impairment each year and recognizes a loss when the estimated fair value is below carrying value. For the year ended December 31, 2023, management believes there was no indicator that the investments in mineral interests are impaired.

Grants, program service fees, and accounts receivable

The Organization's receivables consist principally of program service fees and grants from governmental agencies. The Organization utilizes the allowance method for the recognition of credit losses. Based on management's assessment of the credit history of grantors, an allowance for credit losses of \$214,104 and \$173,687 was deemed necessary as of December 31, 2023 and 2022, respectively. Bad debt expense was \$313,740 and \$268,232 for the years ended December 31, 2023 and 2022, respectively. All grants and accounts receivable outstanding are expected to be received by December 2024.

The Organization's program service fee revenue is recognized as follows for each individual stream of revenue:

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants, program service fees, and accounts receivable (continued)

State Contracts - Revenue from contracts with the various agencies of the State of Texas for programs provided by the Organization such as adoption placements, monitoring the care of children places, and providing counseling, skills training, as well as case management to children and young adult clients. Depending on the type of service, revenue is recognized by service date or date at which child placement was finalized.

OCOK Daily Rate and Exceptional Care Rate - The organization is paid either a blended daily rate or an exceptional care rate by the Texas Department of Family and Protective Services ("TDFPS") on a per child, per day basis. The Organization will then pass these funds through to providers for the care of foster children. Revenue is recognized by service date of foster care.

OCOK Purchased Family Services - The Organization pays sub-contractors for services performed to biological parents. In addition, they also provide funds to families for concrete support. This revenue is paid on a reimbursement basis and is recognized as allowable costs are incurred.

OCOK Adoption - The Organization is paid a per-adoption flat rate based on the date the adoption takes place. The Organization will then pass these funds through to providers for the management and facilitation of the adoption. Revenue is recognized by adoption date of foster care.

OCOK Network Support - Services provided include engaging the community to develop needed services and placement options for foster children, engaging with the courts and other stakeholders to improve the care for foster children in region 3B, and maintaining the technology and data capacity to track outcomes and provide compliance reporting. Revenue from these services is recognized each month as performance barriers are met.

OCOK Resource Transfer - Services provided include taking responsibility for foster children from region 3B, finding and maintaining placements for the children in this region, providing case management for children in care which includes working with their biological parents and the courts. Revenue is earned based on a monthly administrative fee as well as data measures tracked by the Organization. Revenue is recognized each month as these performance barriers are met.

OCOK Rate Reconciliation Revenue - Revenue consists of TDFPS contracted funds to reconcile the blended daily rate paid for each day of care per child with the actual costs of care. Revenue is recognized by service data similar to Daily Rate and Exceptional Care Rate revenue.

OCOK Exceptional Care Deficit Share Revenue - Revenue consists of a 50/50 share of the surplus or deficit between the Exceptional Care Rate paid and the cost of exceptional care provider payments. Revenue is recognized by service date similar to Daily Rate and Exceptional Care Rate revenue.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants, program service fees, and accounts receivable (continued)

OCOK Capacity Building Project Funds - The Organization has cost reimbursement funding from the legislature that must be used towards building foster care capacity. Revenue is recognized as allowable costs are incurred for services the Organization spends funds on throughout the year as it relates to foster care capacity.

Contributions received and promises to give

The Organization recognizes contributions when they are received or unconditionally promised and records these amounts as net assets without donor restrictions or net assets with donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants. Amounts received are recognized as earned and are reported as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as a refundable advance in the consolidated statements of financial position.

Conditional promises to give are not included as revenue or contributions receivable until such time as the barriers and right of release/return have been overcome. As of December 31, 2023 and 2022, \$5,125,453 and \$9,462,157, respectively, of conditional contributions had not yet been recognized as certain barriers had not been overcome.

Property and equipment

Expenditures for property and equipment are stated at cost or, if donated, at their estimated fair value at the date of donation. The Organization capitalizes property and equipment with a cost greater than \$5,000 and a useful life greater than one year. Donations of significant property and equipment are recorded at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation of property and equipment is computed on the straight line basis over their estimated useful lives. Depreciation expense for the year ended December 31, 2023 and 2022 amounted to \$1,758,825 and \$1,913,263, respectively.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 20 years
Furniture and fixtures	3 - 5 years
Automobiles	4 years

Impairment of long-lived assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount at December 31, 2023 and 2022.

Deferred financing costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method, a method which approximates the effective interest rate method. At December 31, 2023 and 2022, deferred financing costs were \$1,110,399. At December 31, 2023 and 2022, accumulated amortization of deferred financing costs were \$913,619 and \$754,990, respectively. Amortization expense related to the deferred financing costs was \$158,629 for the years ended December 31, 2023 and 2022, and was recorded to interest expense in the consolidated statements of functional expenses.

Deferred revenue

During the year ended December 31, 2023, the Organization received approximately \$5,600,000 of TDFPS contracted funds to finance the expansion of OCOK operations into three new counties. The funds are to be spent on start-up and ramp-up related activities and as such, are included in deferred revenue on the consolidated statements of financial position. Revenue is recognized as supporting expenditures are incurred.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated goods and services

From time to time, the Organization will receive donated goods, property, or other assets. These assets are recorded in the consolidated statements of financial position at their estimated fair value at the time of the gift. Revenue from such gifts is recognized as contributions in the consolidated statements of activities for the value of the asset. There were no material gifts of property and equipment received during the years ended December 31, 2023 and 2022.

No amounts have been reflected in the consolidated financial statements for donated services since the services did not meet the criteria for recognition. However, a number of volunteers donate significant amounts of their time to the Organization.

Concentration of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of receivables from program services and amounts deposited in banks in excess of the FDIC's insured limit.

Approximately 96% of total program receivables was due from two government agencies as of December 31, 2023. Approximately 93% of total program receivables was due from one government agency as of December 31, 2022.

Two donor commitments comprised 86% and 82% of the total balance of promises to give as of December 31, 2023 and 2022, respectively.

One donor provided 32% and 33% of total contribution revenue for the years ended December 31, 2023 and 2022, respectively.

The Organization currently invests in a variety of fixed income, equities, open and closed-end mutual funds and investment holding companies. Management believes diversity within the portfolio avoids significant concentration of credit risk with respect to these investments.

Functional expenses

The consolidated financial statements report certain categories that are attributable to one or more program or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated based on full time employee equivalents or square footage of shared space.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization has been recognized by the Internal Revenue Service as a nonprofit corporation exempt from federal income tax on its income, under Section 501(c)(3) of the Internal Revenue Code. The Organization does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended December 31, 2023 and 2022, there were no interest or penalties recorded or included in the consolidated financial statements. The Organization is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses, useful lives of property and equipment, the fair value of investments, and the valuation allowance for contributions receivable. Actual results could differ from those estimates.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amounts previously presented.

3. LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization received support without donor restrictions. The income without donor restrictions, revenue from certain trusts, program revenue, unrelated business income, and distributions from the Foundation are used to fund operations. The Organization considers these sources to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and program operations. Annual operations are defined as activities occurring during the Organization's fiscal year.

The Organization has access to a \$30,000,000 line of credit which is used to bridge cash flow needs in order to reduce or eliminate the need to liquidate invested assets.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

3. LIQUIDITY AND AVAILABILITY (continued)

The Foundation receives board-designated endowment gifts as well as restricted donor gifts that will exist in perpetuity. The investment and mineral income generated by the endowment assets supports the distributions to ACH for operations, as noted above. See Notes 7 and 14 for spending policy of beneficial interest in trust and endowment funds, respectively.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations will continue to be met, ensuring the sustainability of all the related entities.

The table below presents financial assets available for general operating expenditures within one year at December 31, 2023:

Financial assets:

Cash and cash equivalents	\$ 8,963,849
Grants and program receivables, net	17,066,582
Promises to give, net	450,986
Investments	101,594,821
Mineral interests, net	15,726,711
Beneficial interest in trust assets	<u>11,762,116</u>
	<u>155,565,065</u>

Less amounts unavailable for general expenditure within one year:

Restrictions for time and purpose longer than one year	(2,591,760)
Restrictions perpetual in nature	(948,867)
Time restricted beneficial interest in trust assets	<u>(11,762,116)</u>
	<u>(15,302,743)</u>

Less amounts unavailable to management without Board's approval

Board-designated endowment - operating	<u>(122,561,728)</u>
	<u>(122,561,728)</u>

\$ 17,700,594

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

4. RESTRICTED CASH

Restricted cash consists of funds held in trust for various purposes, including transactional and management fees, capital improvements, and certain programmatic startup costs. The cash balances held in trust was \$131,096 and \$256,025 as of December 31, 2023 and 2022, respectively. All of these funds were held by JP Morgan Chase for the years ended December 31, 2023 and 2022 in accordance with certain debt instruments reflected in Notes 11 and 12 to the consolidated financial statements.

5. PROMISES TO GIVE

The Organization recognizes unconditional promises to give as support in the period the promise to give is made and reports them as contributions in the consolidated statements of activities. Contributions that are expected to be collected in future years are recorded at the net present value of the amount expected to be collected. At December 31, 2023 and 2022, all promises to give are considered fully collectible and no allowance for uncollectible contributions has been estimated. Bad debt expense is reflected in the consolidated statements of functional expenses in miscellaneous expense and is reflected separately in the consolidated statements of cash flows.

At December 31, 2023, promises to give are expected to be received as follows:

Year ending December 31,

2024		\$	265,850
2025			100,000
2026			<u>100,000</u>
			465,850
Less: Present value discount			<u>(14,864)</u>
			<u><u>\$ 450,986</u></u>

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Cash held for investments	\$ 3,639,023	\$ -	\$ -	\$ 3,639,023
Fixed income	5,268,456	13,341,518	-	18,609,974
US equity	29,445,797	-	-	29,445,797
Global equity	16,456,693	-	-	16,456,693
Marketable Hedge Funds	<u>712,812</u>	<u>-</u>	<u>-</u>	<u>712,812</u>
	55,522,781	13,341,518	-	68,864,299
Beneficial interest in trust	-	-	11,762,116	11,762,116
Mineral interests	<u>-</u>	<u>-</u>	<u>15,726,711</u>	<u>15,726,711</u>
	<u>\$ 55,522,781</u>	<u>\$ 13,341,518</u>	<u>\$ 27,488,827</u>	<u>96,353,126</u>
Investments measured at net asset value				<u>32,730,522</u>
				<u>\$ 129,083,648</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Cash held for investments	\$ 4,840,496	\$ -	\$ -	\$ 4,840,496
Fixed income	5,044,617	9,280,437	-	14,325,054
US equity	27,065,833	-	-	27,065,833
Global equity	15,978,075	-	-	15,978,075
Marketable Hedge Funds	<u>626,541</u>	<u>-</u>	<u>-</u>	<u>626,541</u>
	53,555,562	9,280,437	-	62,835,999
Beneficial interest in trust	-	-	10,588,053	10,588,053
Mineral interests	<u>-</u>	<u>-</u>	<u>15,726,711</u>	<u>15,726,711</u>
	<u>\$ 53,555,562</u>	<u>\$ 9,280,437</u>	<u>\$ 26,314,764</u>	<u>89,150,763</u>
Investments measured at net asset value				<u>30,539,603</u>
				<u>\$ 119,690,366</u>

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. INVESTMENTS AND FAIR VALUE DISCLOSURES (continued)

Nonpublicly Traded Securities

Investments in nonpublicly traded investment holding company entities are carried at fair value which is based on the net asset value calculated as a practical expedient from an independent audit of the entities and their underlying investment securities. Following are these nonpublicly traded investments as of December 31, 2023:

Hedge fund title	Description	Fair value
Makena Perpetual	(a)	\$ 5,197,949
HPC Millennium Int'l Ltd.	(b)	5,144,271
Pointer Offshore Ltd.	(c)	4,363,712
Cascade	(d)	3,964,107
MS Hamilton Lane	(e)	2,617,920
The Weatherlow Offshore Fund	(f)	2,517,283
Kopernik	(g)	2,207,101
Goldman Sachs Vintage VIII	(h)	1,876,728
Oak Street Real Estate	(i)	1,985,116
Blackstone Tactical Opportunities Fund III	(j)	1,830,605
General Atlantic PE	(k)	473,140
Third Point Offshore Fund	(l)	219,665
Blackstone Tactical Opportunities Fund	(m)	176,859
Golden Tree Offshore Fund, Ltd.	(n)	<u>156,066</u>
		<u><u>\$ 32,730,522</u></u>

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. INVESTMENTS AND FAIR VALUE DISCLOSURES (continued)

Nonpublicly Traded Securities

Investments in nonpublicly traded investment holding company entities are carried at fair value which is based on the net asset value calculated as a practical expedient from an independent audit of the entities and their underlying investment securities. Following are these nonpublicly traded investments as of December 31, 2022:

Hedge fund title	Description	Fair value
Makena Perpetual	(a)	\$ 4,821,880
HPC Millennium Int'l Ltd.	(b)	4,717,011
Pointer Offshore Ltd.	(c)	3,947,644
Cascade	(d)	3,753,968
Third Point Offshore Fund	(l)	2,836,364
MS Hamilton Lane	(e)	2,652,165
The Weatherlow Offshore Fund	(f)	2,341,252
Goldman Sachs Vintage VIII	(h)	1,901,520
Blackstone Tactical Opportunities Fund III	(j)	1,725,438
Oak Street Real Estate	(i)	1,499,770
Blackstone Tactical Opportunities Fund	(m)	224,877
General Atlantic PE	(k)	57,437
Canyon Value Realization Fund	(o)	39,829
Golden Tree Offshore Fund, Ltd.	(n)	<u>20,448</u>
		<u>\$ 30,539,603</u>

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. INVESTMENTS AND FAIR VALUE DISCLOSURES (continued)

The Organization's alternative investment portfolio consists of the following type of funds:

(a) Unfunded capital commitments totaled \$4,158,023 and \$1,500,000 for 2023 and 2022, respectively.

(b) Quarterly withdrawals with 95-day notice. Withdrawals are limited to 25% of partners' capital.

(c) Semi-annual liquidity of up to 50% capital with written notice by March 15 and September 15.

(d) Quarterly withdrawals with 95-day notice.

(e) Subject to certain lock-up and liquidity restrictions greater than 65 days. Unfunded capital commitment were \$494,115 and \$682,946 for 2023 and 2022, respectively. It has a 12-month initial lockup (purchased during 2017) and quarterly liquidity with 90-day notice.

(f) These funds have no lock-up restrictions, nor any liquidity restrictions greater than 65 days, if any.

(g) Monthly withdrawals with a 30-day notice.

(h) Unfunded capital commitments totaled \$1,107,488 and \$999,043 for 2023 and 2022, respectively.

(i) Unfunded capital commitments totaled \$1,321,970 and \$473,600 for 2023 and 2022, respectively.

(j) Unfunded capital commitments totaled \$809,419 and \$827,015 for 2023 and 2022, respectively. Quarterly liquidity with 90-day notice.

(k) Unfunded capital commitment totaled \$1,548,828 and \$1,940,000 for 2023 and 2022, respectively.

(l) The lock up restriction has expired and quarterly liquidity with a 65-day notice.

(m) Unfunded capital commitments totaled \$266,030 and \$266,239 for 2023 and 2022, respectively. Quarterly liquidity with 90-day notice.

(n) It has a 12-month initial lockup (purchased during 2012) and quarterly liquidity with a 90-day notice.

(o) Quarterly withdrawals with notice being required to be given by the 20th calendar day of the first month of the applicable fiscal quarter. Withdrawals are limited to 25% of partners' capital.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. INVESTMENTS AND FAIR VALUE DISCLOSURES (continued)

The following schedule summarizes the investment return (loss), on all investments, for the years ended December 31:

	2023	2022
Dividends and interest	\$ 2,201,867	\$ 2,084,456
Less: Investment advisory and bank fees	(982,979)	(1,237,614)
	1,218,888	846,842
Net realized gains on investment securities	983,475	1,788,535
Net unrealized gains (losses) on investment securities	6,546,899	(16,582,719)
	7,530,374	(14,794,184)
	\$ 8,749,262	\$ (13,947,342)

7. BENEFICIAL INTEREST IN TRUST ASSETS, AND MINERAL RIGHTS

The Organization has a beneficial interest in the Stonestreet Trust (the "Trust"). The Organization also holds investments in mineral interests which were acquired primarily by contribution and recorded at the estimated fair market value at the date of receipt. Management evaluates for impairment each year and recognizes a loss when the estimated fair value is below carrying value.

The Organization's net share of investment in the Trust and the net investment in mineral interests are considered Level 3 investments as a whole.

A reconciliation of the change in the fair values of Level 3 investments is as follows:

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended December 31, 2023:

	Beneficial Interest in Trust	Mineral Interests	Total
Balance, December 31, 2022	\$ 10,588,053	\$ 15,726,711	\$ 26,314,764
Change in value	1,174,063	-	1,174,063
Balance, December 31, 2023	\$ 11,762,116	\$ 15,726,711	\$ 27,488,827

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

7. BENEFICIAL INTEREST IN TRUST ASSETS, AND MINERAL RIGHTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended December 31, 2022:

	<u>Beneficial Interest in Trust</u>	<u>Mineral Interests</u>	<u>Total</u>
Balance, December 31, 2021	\$ 13,640,481	\$ 15,726,711	\$ 29,367,192
Change in value	(3,052,428)	-	(3,052,428)
Balance, December 31, 2022	\$ 10,588,053	\$ 15,726,711	\$ 26,314,764

8. NOTES RECEIVABLE

During 2017, the Organization closed on a new market tax credit arrangement resulting in a note receivable from Chase NMTC ACH Investment Fund in the amount of \$9,771,940 with interest payable annually at 1%. Interest payments of the note began in December 2017. Principal and interest payments are to commence in December 2025 with final payment due December 2044. As part of the arrangement, the notes may be paid off early at a set time in the arrangement, wherein a significant portion of the debt may be forgiven through the utilization of the new market tax credits. The note is unsecured. This note receivable originated with the issuance of certain debt instruments reflected in Note 11 to the consolidated financial statements. However, there is not a right of offset with these debt instruments.

During 2019, the Organization closed on a new market tax credit arrangement resulting in a note receivable from Chase NMTC the Organization Investment Fund in the amount of \$5,841,600 with interest payable annually of 1%. Interest payments of the note began in December 2019. Principal and interest payments are to commence in December 2027 with the final payment due December 2056. As part of the arrangement, the notes may be paid off early at a set time in the arrangement, wherein a significant portion of the debt may be forgiven through the utilization of the new market tax credits. The note is unsecured. This note receivable originated with the issuance of certain debt instruments reflected in Note 11 to the consolidated financial statements. However, there is not a right of offset with these debt instruments.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2023	2022
Land	\$ 4,101,000	\$ 4,101,000
Buildings and improvements	42,649,610	39,422,838
Furniture and fixtures	2,891,382	2,815,906
Automobiles	1,055,094	894,906
Construction in Progress	2,000,467	425,967
	52,697,553	47,660,617
Less: Accumulated depreciation	(17,563,841)	(15,811,571)
	\$ 35,133,712	\$ 31,849,046

10. LINE OF CREDIT

The Organization maintains a line of credit with a financial institution which has a maximum amount of \$30,000,000 and an open-ended maturity. Interest is payable monthly at the 30-day rolling compounded average secured overnight financing rate ("SOFR") plus 0.78% per annum. The average SOFR rate for the years ended December 31, 2023 and 2022 was 5.34% and 4.06%, respectively. The line of credit is currently secured by 13 of the Organization's sub-investment accounts with a fair value of \$62,149,000 and \$54,630,778 at December 31, 2023 and 2022 (the financial institution calculates a borrowing base of 70% to 100% on this amount based upon the type of underlying investments). There was \$11,136,806 and \$14,284,504 outstanding on the line of credit as of December 31, 2023 and 2022, respectively.

11. NEW MARKET TAX CREDIT ARRANGEMENTS

The Organization entered into new market tax credit transactions during the year ended December 31, 2017 and created a new entity, Landowner II, as a result. The NMTC program was designed to make investment capital available to businesses in qualifying low-income communities to create jobs and spur additional economic development. Privately managed investment institutions, or Community Development Entities (CDEs), make loans and capital investments in businesses in underserved areas.

The Organization entered into new market tax credit transactions during the year ended December 31, 2019. A new entity, Landowner III, was created in 2018 in anticipation of this arrangement. The NMTC program was designed to make investment capital available to businesses in qualifying low-income communities to create jobs and spur additional economic development. Privately managed investment institutions, or Community Development Entities (CDEs), make loans and capital investments in businesses in underserved areas.

Further detail of the transactions is described in Notes 8 and 12.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

12. NOTES PAYABLE

ACH and an unrelated third-party lender entered into a new market tax credit transaction, wherein ACH loaned \$9,771,940 and the third-party lender loaned \$4,818,060 to Chase NMTC ACH Investment Fund LLC during the year ended December 31, 2017. Chase NMTC then lent the funds to two different CDEs (CNMC Sub-CDE LLC and Business Loan Conduit No. 27 LLC), who separately loaned funds to ACH's subsidiary, Landowner II, in the amount of \$13,940,000. This was accomplished through four different QLICI loans as noted below. The loans have subjected ACH and Landowner II to certain restrictive covenants. Management believes they are in compliance with all covenants.

After the seven-year NMTC period expires, it is anticipated that the CDEs will liquidate and distribute their assets to the Chase NMTC ACH Investment Fund LLC. It is also anticipated that ACH will acquire the interests in the Chase NMTC ACH Investment Fund LLC, and that the investment fund will be liquidated. After the exit transactions are completed, ACH will be the holder of a portion of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loan will be owed by the subsidiary to ACH.

ACH and an unrelated third-party lender entered into a second new market tax credit transaction, wherein ACH loaned \$5,841,600 and the third-party lender loaned \$2,558,400, net, to Chase NMTC Family Services Investment Fund LLC during the year ended December 31, 2019. Chase NMTC then lent the funds to CDE (PeopleFund NMTC 11, LLC), who separately loaned funds to the ACH's subsidiary, Landowner III in the amount of \$7,840,000. This was accomplished through two different QLICI loans as noted below. The loans have subjected ACH and Landowner III to certain restrictive covenants. Management believes they are in compliance with all covenants. Additionally, as part of this arrangement, Landowner III also received a loan from Greenworks Lending, LLC in the amount of \$556,496. This amount carried a 7% interest rate and was paid in full by Landowner III during 2019.

After the seven-year NMTC period expires, it is anticipated that the CDEs will liquidate and distribute their assets to the Chase NMTC Family Services Investment Fund LLC. It is also anticipated that ACH will acquire the interests in the Chase NMTC Family Services Investment Fund LLC, and that the investment fund will be liquidated. After the exit transactions are completed, ACH will be the holder of a portion of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loan will be owed by the subsidiary to ACH.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

12. NOTES PAYABLE (continued)

The Organization was obligated on the following notes payable as of December 31:

	2023	2022
Landowner II		
CNMC Sub-CDE CDE Loan A, interest accrued monthly, paid annually, at 0.705% until December 5, 2025, then principal and interest is due annually until maturity at December 1, 2046.	\$ 792,840	\$ 792,840
CNMC Sub-CDE CDE Loan B, interest accrued monthly, paid annually, at 0.705% until December 5, 2025, then principal and interest is due annually until maturity at December 1, 2046.	407,160	407,160
Business Loan Conduit 27, CDE Loan A, interest accrued monthly, paid annually, at 0.705% until December 5, 2025, principal and interest is due annually until maturity at December 1, 2046.	8,979,100	8,979,100
Business Loan Conduit 27, CDE Loan B, interest accrued monthly, paid annually, at 0.705% until December 5, 2025, principal and interest is due annually until maturity at December 1, 2046.	<u>3,760,900</u>	<u>3,760,900</u>
	<u>13,940,000</u>	<u>13,940,000</u>
Landowner III		
PeopleFund NMTC 11 Loan A, interest accrued monthly, paid annually, at 1.007% until December 1, 2027, then principal and interest is due annually until maturity at December 1, 2058.	5,841,600	5,841,600
PeopleFund NMTC 11 Loan B, interest accrued monthly, paid annually, at 1.007% until December 1, 2027, then principal and interest is due annually until maturity at December 1, 2058.	<u>1,998,400</u>	<u>1,998,400</u>
	<u>7,840,000</u>	<u>7,840,000</u>
	<u>21,780,000</u>	<u>21,780,000</u>
Less:		
Deferred costs	<u>(196,780)</u>	<u>(355,409)</u>
	<u>(196,780)</u>	<u>(355,409)</u>
	<u>\$ 21,583,220</u>	<u>\$ 21,424,591</u>

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

12. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending December 31,</u>	
2025	\$ 452,080
2026	455,269
2027	592,713
2028	597,318
Thereafter	<u>19,682,620</u>
	<u>\$ 21,780,000</u>

All of the above notes are secured by the deed of trust on certain buildings of the Wichita Campus property.

13. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to passage of time		
Time restricted	\$ 32,666	\$ 107,500
Beneficial interest in Stonestreet Trust	<u>11,762,116</u>	<u>10,588,053</u>
	<u>11,794,782</u>	<u>10,695,553</u>
Subject to purpose restrictions:		
Shelter operations	-	297,952
Mallick windows and boiler	-	60,500
Shelter furnishings	-	150,000
OCOK concrete needs	-	10,000
Kinship navigator - 9 bunk beds	-	3,500
SAF/Care house project	2,484,094	420,036
RHRL capital, relocations, furnishings	-	37,620
Backup generators	<u>75,000</u>	<u>-</u>
	<u>2,559,094</u>	<u>979,608</u>
Perpetual in nature		
Endowment	<u>948,867</u>	<u>948,867</u>
	<u>948,867</u>	<u>948,867</u>
	<u>\$ 15,302,743</u>	<u>\$ 12,624,028</u>

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

	2023	2022
SAF/Care house project	\$ 2,759,147	\$ -
Kinship connections	1,500,000	1,057,887
Stonestreet trust	522,997	528,751
Shelter operations	732,285	539,790
Residential programs	231,975	118,750
LIFE program	217,907	249,833
Shelter furnishings	150,000	-
Wedgwood transitional living	167,500	25,000
Therapeutic foster care	-	798,342
OCOK COVID relief family support	-	350,000
Other restrictions	243,716	997,829
	\$ 6,525,527	\$ 4,666,182

14. ENDOWMENT

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified within net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purpose of the Organization and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

14. ENDOWMENT (continued)

5) The expected total return from income and the appreciation of investments.

6) Other resources of the Organization.

7) The investment policies of the Organization.

Board-Designated Endowments - The board of directors had designated \$122,561,728 and \$109,094,056 at December 31, 2023 and 2022, respectively, of net assets without donor restrictions as a general endowment to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Donor-Designated Endowments - For the years ended December 31, 2023 and 2022, the Organization's endowment consists of three funds totaling \$948,867 established to assist in funding residential activities.

Return Objectives and Risk Parameters - The Organization has a spending policy of appropriating for distribution each year 5% of the rolling average of the previous three audited calendar years' investment corpus. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its general endowment fund to grow at a net average of 2.5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Strategies Employed for Achieving Objectives - To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% while growing the fund, if possible.

Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

14. ENDOWMENT (continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2022	\$ 109,094,056	\$ 948,867	\$ 110,042,923
Investment income, net of fees	592,678	-	592,678
Mineral income, net of expenses	16,763,212	-	16,763,212
Net realized and unrealized gains on investments	7,493,173	37,500	7,530,673
Taxes	(7,748)	-	(7,748)
Amounts appropriated for expenditure	<u>(11,373,643)</u>	<u>(37,500)</u>	<u>(11,411,143)</u>
Endowment net assets, December 31, 2023	<u>\$ 122,561,728</u>	<u>\$ 948,867</u>	<u>\$ 123,510,595</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2021	\$ 117,645,656	\$ 948,867	\$ 118,594,523
Investment return			
Investment income, net of fees	200,619	-	200,619
Mineral income, net of expenses	16,742,864	-	16,742,864
Net realized and unrealized losses on investments	(14,831,684)	37,500	(14,794,184)
New contributions	25,000	-	25,000
Taxes	(20,999)	-	(20,999)
Amounts appropriated for expenditure	<u>(10,667,400)</u>	<u>(37,500)</u>	<u>(10,704,900)</u>
Balance, December 31, 2022	<u>\$ 109,094,056</u>	<u>\$ 948,867</u>	<u>\$ 110,042,923</u>

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At December 31, 2023 and 2022, there are no underwater endowments noted.

15. EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) plan for all qualified employees. The Organization matches employee contributions at a rate of \$1.00 for each employee dollar up to 3% of the employee's salary and then an additional \$0.50 for each employee dollar up to an additional 2% of the employee's salary. Employer contributions to the plan amounted to \$802,771 and \$769,562 during the years ended December 31, 2023 and 2022.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

16. RELATED PARTY

The Organization received \$226,394 and \$182,422 in contributions from board members for the years ended December 31, 2023 and 2022, respectively.

17. LEASES

ACH maintains multiple operating leases for general office space for their services throughout the Dallas - Fort Worth area that have maturity dates ranging from October 2027 through November 2028. Additionally, ACH is liable to both Landowner II and Landowner III under certain leases related to its new market tax credit arrangements described in Note 11. In the event that the new market tax credit arrangements successfully unwind, ACH will have the option to cease intercompany lease payments. These leases call for monthly payments ranging from \$2,085 to \$32,940. At December 31, 2023 and 2022, the operating lease right-of-use ("ROU") assets amounted to \$8,473,720 and \$1,249,482, respectively. At December 31, 2023 and 2022, the operating lease liabilities amounted to \$8,473,320 and \$1,273,706, respectively. Operating lease expense totaled \$840,593 and \$47,400 for the years ended December 31, 2023 and 2022, respectively.

ACH also had certain leases for general office space with terms less than 12 months for which ACH had elected to recognize in program services expense on the straight-line basis. Short-term lease cost for the years ended December 31, 2023 and 2022 was \$845,288 and \$1,291,472, respectively.

ACH maintains three finance leases for copy machines. The first lease calls for monthly payments of \$2,221 and expires in November 2026. The second lease calls for monthly payments of \$2,683 and expires in September 2027. The third lease calls for quarterly payments of \$41,508 and expires in January 2028. At December 31, 2023 and 2022, the finance lease ROU assets amounted to \$777,868 and \$240,029, respectively. At December 31, 2023 and 2022, and finance lease liabilities amounted to \$812,602 and \$251,376, respectively. Finance lease expenses totaled \$228,976 and \$36,461 for the years ended December 31, 2023 and 2022, respectively.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

17. LEASES (continued)

The components of lease costs and additional lease information as of December 31, 2023 are as follows:

	Finance	Operating
Finance lease cost:		
Amortization of ROU asset	\$ 200,246	\$ -
Interest on lease liabilities	28,730	-
	\$ 228,976	\$ -
Operating lease cost	\$ -	\$ 840,593
Other information:		
Weighted average remaining lease term	3.90 years	4.62 years
Weighted average discount rate	3.36%	5.38%

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

17. LEASES (continued)

The components of lease costs and additional lease information as of December 31, 2022 are as follows:

	Finance	Operating
Finance lease cost:		
Amortization of ROU asset	\$ 34,820	\$ -
Interest on lease liabilities	1,641	-
	\$ 36,461	\$ -
Operating lease cost	\$ -	\$ 47,400
Other information:		
Weighted average remaining lease term	4.62 years	4.66 years
Weighted average discount rate	3.47%	4.13%

A summary of future minimum lease payments required under the above lease is as follows:

Year ending December 31,	Finance	Operating	Total
2024	\$ 224,880	\$ 2,068,108	\$ 2,292,988
2025	224,880	2,084,281	2,309,161
2026	222,659	2,103,839	2,326,498
2027	191,219	2,047,028	2,238,247
2028	-	1,259,195	1,259,195
	863,638	9,562,451	10,426,089
Less: imputed interest	(51,036)	(1,089,131)	(1,140,167)
	\$ 812,602	\$ 8,473,320	\$ 9,285,922

18. COMMITMENTS AND CONTINGENCIES

From time to time, the Organization may be involved in claims and legal actions arising in the ordinary course of business. Management does not believe that there are any claims or assessments currently outstanding which are more likely than not to be sustained by the claimant upon litigation or mediation.

The Organization has pledged a portion of the board designated investment assets as collateral for the amount outstanding on the line of credit discussed in Note 10. Management does not believe there is any significant risk of default on the line of credit.

ACH Child and Family Services
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

19. SUBSEQUENT EVENTS

In March 2024, the Organization closed on a new agreement to form a New Market Tax Credit with several investors. As part of the arrangement, the Organization received approximately \$13,500,000 in new funding, and funded two notes receivables in the amount of \$13,230,000 as part of its equity investment in the arrangement. As part of the agreement, the Organization received approximately \$4,159,000 in capital contributions.

On June 17, 2024, the Organization exercised its option for early repayment of certain notes payable and unwound its New Market Tax Credit arrangement from 2017 with Chase NMTC ACH Investment Fund LLC. In settlement of this arrangement, notes payable in the amount of \$13,940,000 were redeemed with a settlement of a note receivable held by the Organization of \$9,771,940 and forgiveness of the remaining \$4,168,060 in accordance with the terms of the original agreement.

The Organization has evaluated subsequent events through September 17, 2024 which is the date that consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
ACH Child and Family Services
Fort Worth, Texas

We have audited the consolidated financial statements of ACH Child and Family Services as of and for the years ended December 31, 2023 and 2022 and our report thereon dated September 17, 2024, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Accounting policies generally accepted in the United States of America (GAAP) require leases to be accounted for in accordance with Accounting Standards Codification 842, *Leases* (ASC 842). ASC 842 requires a lessee to recognize a right-of-use asset and a lease liability for all leases that extend beyond one year. Within the supplementary consolidating information, the Company has not followed ASC 842 for its related party leases that eliminate upon consolidation. The effects of that departure from GAAP on the supplementary consolidating information has not been determined.

In our opinion, except for the effect of the matter noted above, the supplementary consolidating information for the year ended December 31, 2023, with comparative totals for the year ended December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Armanino LLP".

Armanino^{LLP}
Dallas, Texas

September 17, 2024

ACH Child and Family Services
Consolidating Statement of Financial Position
December 31, 2023

ASSETS

	ACH Child and Family Services	All Church Home for Children Foundation	ACH Landowner	ACH Landowner II	ACH Landowner III	Eliminating Entries	Total	2022 Total
Cash and cash equivalents	\$ 1,930,668	\$ 6,176,971	\$ 65,083	\$ 170,775	\$ 620,352	\$ -	\$ 8,963,849	\$ 4,166,604
Grants and program receivables, net	17,066,582	-	-	-	-	-	17,066,582	16,803,565
Promises to give, net	450,986	-	-	-	-	-	450,986	701,077
Other receivables	92,243	-	-	-	-	(92,243)	-	-
Prepaid and other current assets	708,742	12,092	-	457,384	-	(457,384)	720,834	715,131
Investments	-	101,594,821	-	-	-	-	101,594,821	93,375,602
Deferred rent asset	-	-	-	2,275,723	520,681	(2,796,404)	-	-
Mineral interests, net	-	15,726,711	-	-	-	-	15,726,711	15,726,711
Beneficial interest in trust assets	11,762,116	-	-	-	-	-	11,762,116	10,588,053
Economic interest in affiliates	4,987,055	-	128,392	214,000	-	(5,329,447)	-	-
Notes receivable	15,613,540	-	-	-	-	-	15,613,540	15,613,540
Operating lease right-of-use assets	8,473,720	-	-	-	-	-	8,473,720	1,249,482
Finance lease right-of-use assets, net	777,868	-	-	-	-	-	777,868	240,029
Property and equipment, net	5,237,753	-	8,996,250	14,257,232	6,642,477	-	35,133,712	31,849,046
Total assets	\$ 67,101,273	\$ 123,510,595	\$ 9,189,725	\$ 17,375,114	\$ 7,783,510	\$ (8,675,478)	\$ 216,284,739	\$ 191,028,840

LIABILITIES AND NET ASSETS

Liabilities								
Accounts payable	\$ 6,578,877	\$ -	\$ 376,884	\$ 7,485	\$ 58,416	\$ (442,785)	\$ 6,578,877	\$ 5,973,738
Accrued expenses	1,996,653	-	-	-	-	-	1,996,653	1,692,114
Deferred Revenue	6,385,765	-	-	-	-	-	6,385,765	935,907
Deferred rent liability	2,846,670	-	-	-	-	(2,846,670)	-	-
Line of credit	11,136,806	-	-	-	-	-	11,136,806	14,284,504
Notes payable, net	-	-	-	13,903,607	7,679,613	-	21,583,220	21,424,591
Operating lease liabilities	8,473,320	-	-	-	-	-	8,473,320	1,273,706
Finance lease liabilities	812,602	-	-	-	-	-	812,602	251,376
Total liabilities	38,230,693	-	376,884	13,911,092	7,738,029	(3,289,455)	56,967,243	45,835,936
Net assets								
Without donor restrictions	13,567,837	122,561,728	8,812,841	3,464,022	45,481	(4,437,156)	144,014,753	132,568,876
With donor restrictions	15,302,743	948,867	-	-	-	(948,867)	15,302,743	12,624,028
Total net assets	28,870,580	123,510,595	8,812,841	3,464,022	45,481	(5,386,023)	159,317,496	145,192,904
Total liabilities and net assets	\$ 67,101,273	\$ 123,510,595	\$ 9,189,725	\$ 17,375,114	\$ 7,783,510	\$ (8,675,478)	\$ 216,284,739	\$ 191,028,840

ACH Child and Family Services
Consolidating Statement of Activities
For The Year Ended December 31, 2023

	ACH Child and Family Services	All Church Home for Children Foundation	ACH Landowner	ACH Landowner II	ACH Landowner III	Eliminating Entries	Total	2022 Total
Public support, government funding, revenues and investment returns								
Public support								
Contributions	\$ 4,068,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,068,291	\$ 4,610,545
Capital campaign contributions	361,500	-	-	-	-	-	361,500	1,040,122
Estates and trusts	75,000	-	-	-	-	-	75,000	125,000
Fundraising events	482,707	-	-	-	-	-	482,707	414,573
Less: direct benefit to donors	(86,804)	-	-	-	-	-	(86,804)	(70,313)
Total public support	<u>4,900,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,900,694</u>	<u>6,119,927</u>
Revenue and investment returns								
Program service fees	92,105,285	-	-	-	-	-	92,105,285	97,683,534
Government funding	4,990,904	-	-	-	-	-	4,990,904	1,079,445
Rental and other income	647,245	549	29,413	227,252	130,000	(243,000)	791,459	789,951
Interest income	624,639	592,678	-	792	779	-	1,218,888	846,842
Net income from affiliates	11,411,144	-	-	-	-	(11,411,144)	-	-
Mineral income, net	-	16,763,212	-	-	-	-	16,763,212	16,742,864
Investment gain (loss), net	250	7,530,124	-	-	-	-	7,530,374	(14,794,184)
Gain (loss) on disposal of assets	28,404	-	-	-	-	-	28,404	(35,913)
Change in beneficial interest in trust assets	1,174,063	-	-	-	-	-	1,174,063	(3,052,428)
Total revenue and investment returns	<u>110,981,934</u>	<u>24,886,563</u>	<u>29,413</u>	<u>228,044</u>	<u>130,779</u>	<u>(11,654,144)</u>	<u>124,602,589</u>	<u>99,260,111</u>
Total public support, government funding, revenues and investment returns	<u>115,882,628</u>	<u>24,886,563</u>	<u>29,413</u>	<u>228,044</u>	<u>130,779</u>	<u>(11,654,144)</u>	<u>129,503,283</u>	<u>105,380,038</u>
Functional expenses								
Program services	96,550,489	-	289,193	196,443	192,514	-	97,228,639	102,606,724
Supporting services								
General and administrative	15,891,293	7,748	327,770	416,865	100,816	(243,000)	16,501,492	13,489,491
Fundraising	1,559,964	-	-	88,596	-	-	1,648,560	1,464,938
Total supporting services	<u>17,451,257</u>	<u>7,748</u>	<u>327,770</u>	<u>505,461</u>	<u>100,816</u>	<u>(243,000)</u>	<u>18,150,052</u>	<u>14,954,429</u>
Total functional expenses	<u>114,001,746</u>	<u>7,748</u>	<u>616,963</u>	<u>701,904</u>	<u>293,330</u>	<u>243,000</u>	<u>115,378,691</u>	<u>117,561,153</u>
Changes in net assets	1,880,882	24,878,815	(587,550)	(473,860)	(162,551)	(11,411,144)	14,124,592	(12,181,115)
Net assets, beginning of year	26,989,698	110,042,923	9,121,228	(739,440)	177,464	(398,969)	145,192,904	157,374,019
Distributions between ACH and Affiliates	-	(11,411,143)	279,163	4,677,322	30,568	6,424,090	-	-
Net assets, end of year	<u>\$ 28,870,580</u>	<u>\$ 123,510,595</u>	<u>\$ 8,812,841</u>	<u>\$ 3,464,022</u>	<u>\$ 45,481</u>	<u>\$ (5,386,023)</u>	<u>\$ 159,317,496</u>	<u>\$ 145,192,904</u>