

SECOND CHANCE INITIATIVE, INC.

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2022



STEVE RICE, CPA

SECOND CHANCE INITIATIVE, INC.

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Second Chance Initiative, Inc.

Opinion

We have audited the accompanying financial statements of Second Chance Initiative, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 Second Chance Initiative, Inc. as of December 31, 2022, and the changes in 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 Second Chance Initiative, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Chance Initiative, Inc.'s ability to continue as a going concern within one year after the date that the 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Second Chance Initiative, 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 Second Chance Initiative, 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.



Steve Rice, CPA, Inc.
Fort Lauderdale, Florida
June 28, 2023



**SECOND CHANCE INITIATIVE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Cash	\$ 167,977	\$ 177,435
Accounts Receivable	1,441	1,201
Inventory	14,686	8,418
Security Deposit	10,074	6,000
Other assets	350	-
Total current assets	194,528	193,054
Property and equipment, net	-	-
Total long term assets	-	-
Total assets	\$ 194,528	\$ 193,054
LIABILITIES		
Accrued expenses	\$ 10,204	\$ 18,464
Total liabilities	10,204	18,464
NET ASSETS		
With Donor Restrictions	146,534	75,000
Without Donor Restrictions		
Undesignated	37,790	99,590
Total net assets	184,324	174,590
Total liabilities and net assets	\$ 194,528	\$ 193,054

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

SECOND CHANCE INITIATIVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions	\$ 217,059	\$ 219,202
Social enterprise revenue	228,870	327,967
In-kind contributions	4,313	-
	450,242	547,169
Total support and revenue		
Net assets released from donor restrictions	71,534	80,000
EXPENSES:		
Program services	546,927	587,798
Management and general	24,436	25,868
Fundraising expenses	29,145	14,843
	600,508	628,509
Total expenses		
Change in net assets without donor restrictions	(78,732)	(1,340)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	160,000	80,000
Net assets released from donor restrictions	(71,534)	(80,000)
Change in net assets with donor restrictions	88,466	-
TOTAL CHANGE IN NET ASSETS FROM ACTIVITIES	9,734	(1,340)
NET ASSETS, beginning of year	174,590	175,930
NET ASSETS, end of year	\$ 184,324	\$ 174,590

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**SECOND CHANCE INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses</u>
Accounting Fees	\$ -	\$ 6,583	\$ -	\$ 6,583
Advertising	-	-	17,760	17,760
Cost of Goods Sold	162,211	-	-	162,211
Equipment	7,668	404	-	8,072
Insurances	8,497	348	43	8,888
License and Fees	-	268	-	268
Office Expenses	20,679	1,088	-	21,767
Payroll Processing	2,813	102	27	2,942
Personnel Expenses	289,831	10,456	2,614	302,901
Professional Fees	13,340	3,000	8,701	25,041
Utilities	5,311	280	-	5,591
Rent	36,229	1,907	-	38,136
Website Expenses	348	-	-	348
Total functional expenses	<u>546,927</u>	<u>24,436</u>	<u>29,145</u>	<u>600,508</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**SECOND CHANCE INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses</u>
Accounting Fees	\$ -	\$ 5,853	\$ -	\$ 5,853
Advertising	-	-	9,980	9,980
Cost of Goods Sold	244,046	-	-	244,046
Equipment	600	-	-	600
Insurances	8,539	452	96	9,087
Legal and search firm	-	500	-	500
Office Expenses	17,496	921	-	18,417
Payroll processing	2,386	131	41	2,558
Personnel expenses	281,505	15,035	4,726	301,266
Utilities	4,394	231	-	4,625
Rent	28,738	1,513	-	30,250
Website expenses	95	1,232	-	1,327
	<u>587,798</u>	<u>25,868</u>	<u>14,843</u>	<u>628,509</u>
Total functional expenses	<u>587,798</u>	<u>25,868</u>	<u>14,843</u>	<u>628,509</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

SECOND CHANCE INITIATIVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 9,734	\$ (1,340)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	-	-
Changes in operating assets and liabilities:		
Change in accounts receivable	(240)	5,045
Change in inventory	(6,268)	1,506
Change in other assets	(4,424)	-
Change in accrued expenses	(8,260)	2,728
	(9,458)	7,939
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Forgiveness of PPP Loan	-	(35,445)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	(35,445)
CHANGE IN CASH	(9,458)	(27,506)
CASH, beginning of year	177,435	204,941
CASH, end of year	\$ 167,977	\$ 177,435

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

SECOND CHANCE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Second Chance Initiative, Inc. (the “Organization”), is a Florida Not-for-profit organization formed in 2018 based on the social enterprise model by offering employment opportunities to help women in recovery. The women employed have overcome significant obstacles in their lives, ranging from abuse and post-traumatic stress disorder to addiction and homelessness. The social enterprise is a product based eCommerce shop where the women perform entry-level tasks, like customer service and fulfilling product orders, giving them relevant and marketable work experience in a real-world setting. The Organization aims to be the launching pad where the participants can begin working towards self-sufficiency and a brighter future, thus breaking the cycle of shame and hopelessness that perpetuates relapse.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. 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.

Cash

Cash consist of non-interest bearing demand deposit accounts. The concentration of credit risk associated with cash is considered low due to the credit quality of the financial institutions and the immediate availability of these financial instruments.

SECOND CHANCE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$750 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized currently. Other repairs and maintenance are charged to expense as incurred.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization received no donations of property and equipment for the year ended December 31, 2022.

Revenue Recognition

The Organization receives revenue and support primarily from grants, contributions, program sponsorships, and online sales. Grants and contributions are recorded when received. Grants and contributions received with donor stipulations that limit their use are reported as net assets with donor restrictions. When the donor stipulation is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Donor restricted grants and contributions whose restrictions are met in the same reporting period are reported as without restrictions in that period.

The Organization receives revenue from its social enterprise business through online sales. Sales are processed through a third-party platform and revenue is recognized when payments are received by the processor and deposited into the Organization's account.

Contributed Services

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received no contributed services for the year ended December 31, 2022. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.



SECOND CHANCE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising costs are expensed as incurred and were \$17,760 for the year ended December 31, 2022 and are reported in the statement of functional expenses.

Income Taxes

The Organization is a not-for-profit organization and a public charity, as described in Section 501(c)(3) and 509(a) of the Internal Revenue Code, and exempt from Federal Income taxes and from state income tax pursuant to Florida law, except that unrelated business income is taxable. The Organization had no unrelated business income tax during the year ended December 31, 2022.

GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. There are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2020.

Financial Statement Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the statements and the financial condition and activities. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

SECOND CHANCE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Guidance

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

NOTE B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 167,977
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As part of the Organization’s liquidity management plan, the Organization is authorized to invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. The Board is able to designate a portion of any operating surplus to an operating reserve account. No funds were invested in 2022.

NOTE C – PAYCHECK PROTECTION PROGRAM LOAN

In 2020, the Organization received an SBA loan under the CARES Act for \$35,445. Management satisfied the requirements for forgivability utilizing the funds for personnel costs within the stipulated period. The Organization applied for and received full forgiveness of the loan amount on March 19, 2021. The loan proceeds were recorded under Contributions on the Statement of Activities for the year ended December 31, 2021.

NOTE D – DONATED SERVICES

During the year ended December 31, 2022, the Organization received donated services from a variety of unpaid volunteers assisting the Organization in the programs and fundraisers. No amounts have been recognized in the accompanying statement of activities for these services because the criteria for recognition of such volunteer effort under U.S. generally accepted accounting principles have not been satisfied.

SECOND CHANCE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are available for the following purposes:

Rent Payments	\$ 35,000
Operations Manager Position	61,534
Donor Match	<u>50,000</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 146,534</u>

NOTE F – SUBSEQUENT EVENTS

Management evaluated activity of the Organization subsequent to December 31, 2022 through June 28, 2023, the date in which the financial statements were available to be issued, for events that require recognition in the financial statements or disclosure in the notes thereto.

