

BECHANAN
& COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Members
American Institute of CPAs
Maryland Association of CPAs

April 8, 2024

To the Board of Directors
Operation Second Chance, Inc.
20251 Century Blvd, Suite 130
Germantown, MD 20874

We have audited the financial statements of Operation Second Chance, Inc. (a nonprofit organization) for the years ended December 31, 2023 and 2022, and have issued our report thereon dated April 8, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Operation Second Chance, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2023. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the lives of the fixed assets acquired by the Organization used in the depreciation calculation for the Organization. We had no problems with the accounting estimates made by the Organization

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Liquidity and Availability of Financial Assets in Note 12 to the financial statements is a major concern as the reader of the financial statements may be concerned that the Organization has sufficient funds available for future operations.

The financial disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. Management has not yet corrected all such misstatements. They have not yet recorded the audit adjustments made. The attached schedule summarizes these uncorrected misstatements. These entries have been included in the Organization's audited financial statements but have not yet been incorporated into the Organization's accounting records. The uncorrected misstatements or the matters underlying them could potentially cause future accounting records and internal management financial statements to be materially misstated.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 8, 2024.

Management Consultations with Other Independent Accountants


In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors, and the management of Operation Second Chance, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Bechanan & Company, LLC
Certified Public Accountants

Operation Second Chance
Adjustments - to be recorded
12/31/2023

CLASS ACCOUNT #	DEBIT	CREDIT	NET INCOME	
Beginning net income				1,265,892.08
(bb) To record adjustments from prior year audits - not yet recorded				
		30,317.73		
	832.27			
		7,692.41		
		27,371.36		
		47,045.12		
		359,401.15		
	425,301.47			
	31,086.83			
		1,575.89		
1640		77,952.30		
1650		133,412.71		
1745		27,270.89		
1750		4,490.00		
	433,800.00			
1630	117,063.79			
		154,309.26		
1660	199,416.25			
		22,613.44		
	183,993.53			
		69,700.19		
1755	26,926.72			
		4,467.53		
2010		77,381.39		
		20,586.69		
3010		352,832.80		-
	1,418,420.86	1,418,420.86	-	1,265,892.08
(1) - Not used				
(2) - Not used				
(3) - To reverse prior year recording December 2022 activity in checking account				
	15,224.61			
7065		1,642.64		
7010		1,350.00		
7540		412.50		
7065-Farm		8,515.00		
7065-GRD		1,500.00		
7050		1,254.73		
7035		549.74		
	15,224.61	15,224.61	15,224.61	1,281,116.69
(4) To record Dec 2023 outstanding checks that cleared in 2024				
		25,929.99		
1650	19,367.41			
7530	1,969.33			
7010	2,700.00			
7540	506.25			
7065-Farm	210.00			
7065-Cabin:	650.00			
7050	527.00			
	25,929.99	25,929.99	(6,562.58)	1,274,554.11

Operation Second Chance
Adjustments - to be recorded
12/31/2023

CLASS	ACCOUNT #	DEBIT	CREDIT	NET INCOME	
(5) To adjust cash to bank statement balance at 12-31-23.					
	Morgan Stanley - Checking		6,125.02		
	Morgan Stanley - Savings	27,371.36			
	First Interstate Bank		670.56		
4010	Individual contributions		20,575.78		
		27,371.36	27,371.36	20,575.78	1,295,129.89
(6) - To record mortgage interest					
	Interest expense		77,381.39		
	Mortgage loan for RR	77,381.39			
		77,381.39	77,381.39	77,381.39	1,372,511.28
(7) - To reverse prepaid insurance from 12-31-22					
	Prepaid expenses		31,086.83		
8525	Insurance - Board liability	6,528.62			
8527	Insurance Workers Comp	2,105.00			
7065-INS	Insurance and licensing	22,453.21			
		31,086.83	31,086.83	(31,086.83)	1,341,424.45
(8) - To record prepaid insurance at 12-31-23					
	Prepaid insurance	49,084.61			
7065-INS	Insurance and Licensing		39,297.28		
8525	Insurance - Board liability		6,989.00		
8527	Insurance Workers Comp		2,798.33		
		49,084.61	49,084.61	49,084.61	1,390,509.06
(9) - To reverse in-kind clearing so it can be entered into the correct accounts					
	In-Kind Clearing		428,921.50		
	In-Kind contribution income	323,390.00			
7036	Morale, Welfare & Recreation	800.00			
8120	Community awareness	17,610.00			
7065- SUP	HR - Supplies	825.00			
7050	Specific assistance	20,650.00			
7065- INF	HR - Infrastructure	1,330.00			
7065- FA	HR - Farm Animals	1,050.00			
7065 - Morale	HR - Morale	1,000.00			
7530	Legal fees	2,266.50			
	Occupancy - in-kind	60,000.00			
		428,921.50	428,921.50	(428,921.50)	961,587.56
(10) - To record 2023 property additions					
1640	Furniture, fixtures & equip		11,300.00		
8120	Community awareness		6,400.00		
Fixed asset	RR Infrastructure	34,381.44			
Fixed asset	RR furniture and equipment	41,837.89			
	Leasehold improvements		2,337.89		
7065- REC	HR - Rec Hall		23,900.00		
7065- INF	HR - Infrastructure		18,823.59		
7065- Cabii	HR - Cabins		13,457.85		
		76,219.33	76,219.33	62,581.44	1,024,169.00
(11) - To record property dispositions'					
	Accum depr - RR furniture and equi	6,916.08			
	Loss on disposition of fixed ass	12,120.93			
	RR furniture and equipment		19,037.01		
		19,037.01	19,037.01	(12,120.93)	1,012,048.07

Operation Second Chance
Adjustments - to be recorded
12/31/2023

CLASS	ACCOUNT #	DEBIT	CREDIT	NET INCOME	
(12) - To reverse accounts payable as of 12-31-22					
	Accounts payable	4,467.53			
7520	Accounting fees		1,200.00		
7035	Morale, Welfare & Recreation		917.53		
7050	Specific assistance		2,350.00		
		4,467.53	4,467.53	4,467.53	1,016,515.60
(13) - To record accounts payable as of 12-31-23					
	Accounts payable		9,050.94		
1650	Vehicles	3,421.58			
7035	Morale	5,629.36	-		
		9,050.94	9,050.94	(5,629.36)	1,010,886.24
(14) To record depreciation expense					
1745	Accumulated depr - furniture		7,126.82		
	Accumulated depr - improvements		898.00		
	Accumulated depr -RR buldgs and impr		79,554.34		
	Accumulated depr - Infrastructure		18,219.34		
	Accumulated depr - RR furniture and equip		38,895.01		
1755	Accumulated depr - vehicles		12,106.81		
8450	Depreciation	156,800.32			
		156,800.32	156,800.32	(156,800.32)	854,085.92
(15a) - To reverse the payroll accrual from 12-31-22					
	Accrued payroll and payroll taxes	20,586.69			
7210	Officers salaries		9,583.33		
7250	Payroll taxes		1,426.44		
7220	Salaries & wages - other		2,076.92		
7010	Contracts - program related		7,500.00		
		20,586.69	20,586.69	20,586.69	874,672.61
(15b) - To accrue payroll at 12-31-23					
	Accrued payroll and payroll taxes		18,315.88		
7210	Officers salaries	9,583.33			
7250	Payroll taxes	1,168.46			
7220	Salaries & wages - other	7,564.09			
		18,315.88	18,315.88	(18,315.88)	856,356.73
(16) - To record investment activity					
	Morgan Stanley investments 440		66,511.35		
	Accrued interest receivable	611.36	572.71		
	Contributions of stock		5,234.20		
5310	Interest income	55,193.99			
	LTCG and distributions		5,557.80		
5320	Dividends		62,504.66		
4010	Contributions of stock	40,151.16			
	Investment fees	14,035.62			
5330	Unrealized gain/loss	38,798.23			
5330	Realized gain/loss		8,409.64		
		148,790.36	148,790.36	(66,472.70)	789,884.03