

OPERATION SECOND CHANCE, INC.

**FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2025 AND 2024
AND INDEPENDENT AUDITORS' REPORT**

**BECHANAN
& COMPANY, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Operation Second Chance, Inc.

Opinion

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Operation Second Chance, 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 Operation Second Chance, 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 judgment 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 Operation Second Chance, 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 Operation Second Chance, 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.

Report on Summarized Comparative Information

We have previously audited Operation Second Chance Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bedian & Company LLC
CERTIFIED PUBLIC ACCOUNTANTS

April 21, 2026

OPERATION SECOND CHANCE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2025

with comparative totals for December 31, 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 2,837,823	\$2,432,539
Investments	5,677,662	2,746,160
Prepaid expenses	84,672	55,777
Other receivable	-	82,138
Accrued interest receivable	1,441	935
Total current assets	<u>8,601,598</u>	<u>5,317,549</u>
Property and equipment	4,187,018	3,798,586
Accumulated depreciation	(842,782)	(635,265)
Total property and equipment	<u>3,344,236</u>	<u>3,163,321</u>
Total assets	<u>\$ 11,945,834</u>	<u>\$8,480,870</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 42,110	\$ 27,080
Current portion of long term debt	-	149,026
Total current liabilities	<u>42,110</u>	<u>176,106</u>
Total liabilities	<u>42,110</u>	<u>176,106</u>
Net assets - without donor restrictions	11,495,666	8,284,764
Net assets - with donor restrictions	408,058	20,000
Total net assets	<u>11,903,724</u>	<u>8,304,764</u>
Total liabilities and net assets	<u>\$ 11,945,834</u>	<u>\$8,480,870</u>

See notes to financial statements.

OPERATION SECOND CHANCE, INC.

STATEMENTS OF ACTIVITIES
For the year ended December 31, 2025
with comparative totals for December 31, 2024

	Without Donor Restrictions Net Assets	With Donor Restrictions Net Assets	Combined Net Assets	Combined Net Assets
	2025	2025	2025	2024
Revenues				
Contributions	\$ 1,540,881	\$ -	\$ 1,540,881	\$ 1,745,869
Grant income	-	912,500	912,500	120,000
In kind contributions	91,611	-	91,611	186,652
Investment income	337,862	-	337,862	235,621
Miscellaneous income	-	-	-	82,138
Bequest income	3,229,456	-	3,229,456	842,088
Net assets released from restrictions - Satisfaction of restricted purpose	524,442	(524,442)	-	-
Total revenues	5,724,252	388,058	6,112,310	3,212,368
Expenses				
Program expenses	2,383,932	-	2,383,932	2,200,891
Management and general expenses	118,957	-	118,957	121,020
Fundraising expenses	10,461	-	10,461	10,225
Total expenses	2,513,350	-	2,513,350	2,332,136
Changes in net assets	3,210,902	388,058	3,598,960	880,232
Net assets - beginning of year	8,284,764	20,000	8,304,764	7,424,532
Net assets - end of year	\$ 11,495,666	\$ 408,058	\$ 11,903,724	\$ 8,304,764

See notes to financial statements.

OPERATION SECOND CHANCE, INC.

STATEMENTS OF CASH FLOWS For the year ended December 31, 2025 with comparative totals for December 31, 2024

	2025	2024
Cash flows from operating activities		
Changes in net assets	\$ 3,598,960	\$ 880,232
Adjustments to reconcile change in net assets to cash provided by/(used in) operating activities:		
Contribution revenue from donated investments	(72,608)	(1,559)
Depreciation expense	208,580	166,177
Realized (gain)/loss in disposition of investments	(40,855)	8,976
Unrealized gain in market value of investments	(93,298)	(65,633)
Changes in assets and liabilities		
Increase in accrued interest receivable.	(506)	(324)
Decrease/(increase) in other receivables.	82,138	(82,138)
Increase in prepaid expenses.	(28,895)	(6,692)
Increase/(decrease) in accounts payable and accrued expenses.	15,030	(286)
Net cash provided by operating activities	3,668,546	898,753
Cash flows from investing activities		
Acquisition of property and equipment.	(389,495)	(395,770)
Proceeds from the sale and maturity of investments	473,352	564,293
Acquisition of investments	(3,198,093)	(1,162,132)
Net cash used for investing activities	(3,114,236)	(993,609)
Cash flows from financing activities		
Repayments of long-term debt.	(149,026)	(183,820)
Net cash used for financing activities	(149,026)	(183,820)
Net increase/(decrease) in cash and cash equivalents	405,284	(278,676)
Cash and cash equivalents, beginning of the year	2,432,539	2,711,215
Cash and cash equivalents, end of the year	\$ 2,837,823	\$ 2,432,539
Supplemental Disclosures:		
Interest paid.	\$ 3,782	\$ 14,832
Income taxes paid	\$ -	\$ -
Non-cash property additions.	\$ 23,000	\$ -

See notes to financial statements.

OPERATION SECOND CHANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Programs	Management and General	Fund Raising	Total
Assistance to individual veterans and veteran families . . .	\$ 635,249	\$ -	\$ -	\$ 635,249
Bank fees	-	131	-	131
Community awareness	16,509	-	-	16,509
Computer services	35,586	-	-	35,586
Depreciation expense	208,580	-	-	208,580
Fundraising expense	-	-	1,411	1,411
General morale, welfare and recreation	374,426	-	-	374,426
Heroes Ridge	480,541	-	-	480,541
Insurance expense	16,453	-	-	16,453
Interest expense	3,782	-	-	3,782
Occupancy	30,178	4,822	-	35,000
Office supplies	-	4,168	-	4,168
Other general and administrative expenses	-	952	-	952
Personnel costs	399,784	68,962	-	468,746
Professional fees	7,573	38,539	9,050	55,162
Scholarships and 529 plans	160,180	-	-	160,180
Telephone expense	12,444	1,383	-	13,827
Travel and meetings expense	1,987	-	-	1,987
Vehicle expenses	660	-	-	660
Total expenses	<u>\$ 2,383,932</u>	<u>\$ 118,957</u>	<u>\$ 10,461</u>	<u>\$ 2,513,350</u>

See notes to financial statements.

OPERATION SECOND CHANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Programs	Management and General	Fund Raising	Total
Assistance to individual veterans and veteran families . . .	\$ 534,554	\$ -	\$ -	\$ 534,554
Bank fees	-	145	-	145
Community awareness	101,848	-	-	101,848
Computer services	23,885	-	-	23,885
Depreciation expense	165,803	374	-	166,177
Fundraising expense	-	-	2,515	2,515
General morale, welfare and recreation	324,274	-	-	324,274
Heroes Ridge	471,957	-	-	471,957
Insurance expense	10,639	-	-	10,639
Interest expense	14,832	-	-	14,832
Occupancy	49,568	10,432	-	60,000
Office supplies	-	2,135	-	2,135
Other general and administrative expenses	1,574	1,953	-	3,527
Personnel costs	272,673	66,729	-	339,402
Professional fees	42,356	37,678	7,710	87,744
Scholarships and 529 plans	164,140	-	-	164,140
Telephone expense	14,165	1,574	-	15,739
Travel and meetings expense	5,016	-	-	5,016
Vehicle expenses	3,607	-	-	3,607
Total expenses	<u>\$ 2,200,891</u>	<u>\$ 121,020</u>	<u>\$ 10,225</u>	<u>\$ 2,332,136</u>

See notes to financial statements.

OPERATION SECOND CHANCE, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 with comparative totals for December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

Operation Second Chance, Inc. (OSC) was incorporated as a nonprofit organization in the state of Maryland on March 16, 2005. OSC provides aid in the recovery and rehabilitation of wounded service personnel, assists in the modification of housing to accommodate disabled veterans, assists the families of wounded service personnel, and facilitates the transition of wounded service personnel back into civilian society. OSC is supported by contributions made by the public, private foundations and corporations.

Specific accounting policies of the Organization are:

a) **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, other assets and liabilities. Under this method, revenue is recognized as earned and costs are recognized when incurred.

b) **Basis of Presentation**

The Organization presents 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.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor imposed time and/or program restrictions.

c) **Revenue recognition**

The Organization derives its revenues primarily by receiving contributions from the general public, philanthropic foundations and other organizations. Revenues are recognized as increases in net assets without donor restrictions when received. Revenue that is restricted by the donor is reported as an increase in net assets with donor restrictions even when the restriction is met in the reporting period in which the revenue is received. When a restriction expires and the purpose has been accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All expenses are reported as decreases in net assets without donor restrictions.

d) **Cash equivalents**

The Organization considers cash on deposit, cash on hand, and money market funds to be cash equivalents.

e) **Accounting estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

OPERATION SECOND CHANCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
with comparative totals for December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Property and equipment

Property and equipment are recorded at cost if purchased or at its fair market value at the date of the gift if it was donated. Depreciation is computed on a straight-line basis over the lives of the assets, ranging from three to thirty years.

g) Non-cash gifts and contributions

Donated goods and services that could be measured have been reflected in the accompanying financial statements as in-kind contributions. Contributions of financial assets and property with a readily determinable value are recognized as income in the period when received. Contributions of donated services that create or enhance non-financial assets or require specialized skills, and would typically be purchased if not provided by donation, are recorded at their fair value in the period received. A significant portion of the Organization's functions are conducted by unpaid Board Trustees and volunteers. These individuals provide valuable services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

h) Income taxes

The Organization is exempt from Federal income tax as an organization described under Section 501(c)3 of the Internal Revenue Code. No federal income tax expense was incurred in 2025 and 2024. The Organization's income tax returns are subject to possible examination by taxing authorities for federal income tax purposes, for a period of three years after the respective filing deadlines for those returns. The Organization has not taken any uncertain tax positions requiring disclosure during the year ended December 31, 2025.

i) Functional allocation of expenses

The costs of providing programs 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 between the program and supporting services that benefited. Personnel and donated occupancy costs are the primary costs that are allocated. Allocations are based on the time spent on the program and supporting activities.

2. CONCENTRATIONS OF RISK

The Organization has concentrated its credit risk for cash by maintaining a cash balance with a high-quality financial institution and securities dealer, which may at times exceed amounts covered by the U.S. Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The Organization has not experienced any losses in such accounts and believes the Organization is not exposed to a significant credit risk on uninsured cash.

3. MAJOR CONTRIBUTORS

The Organization depends upon public support to carry out its mission. For the years ended December 31, 2025 and 2024, public support revenue included \$4,900,409 (86%) from 54 contributors and \$1,852,477 (68%) from 59 contributors, respectively.

OPERATION SECOND CHANCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
with comparative totals for December 31, 2024

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OPERATION SECOND CHANCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
with comparative totals for December 31, 2024

4. INVESTMENT INCOME

Investment income/(loss) includes for the years ended December 31, 2025 and 2024:

	2025	2024
Interest income	\$ 71,145	\$ 98,699
Dividend income	151,357	97,883
Unrealized gain in value of investments	93,298	65,633
Realized gain/(loss) in disposition of investments	40,855	(8,976)
Investment fees and foreign taxes paid	(18,793)	(17,618)
Total investment income	<u>\$ 337,862</u>	<u>\$ 235,621</u>

5. INVESTMENTS

Investments at December 31, 2025 consist of the following:

	Cost	Fair Value
Corporate Fixed Income	\$ 62,507	\$ 64,392
US Government Securities	81,233	81,614
Stocks	590,146	845,653
Mutual Funds	4,677,802	4,686,003
	<u>\$ 5,411,688</u>	<u>\$ 5,677,662</u>

Investments at December 31, 2024 consist of the following:

	Cost	Fair Value
Corporate Fixed Income	\$ 60,157	\$ 59,388
US Government Securities	50,842	48,152
Stocks	565,503	764,104
Mutual Funds	1,899,129	1,874,516
	<u>\$ 2,575,631</u>	<u>\$ 2,746,160</u>

6. FAIR VALUE MEASUREMENTS

FASB ASC 820 of the FASB Accounting Standards Codification, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

OPERATION SECOND CHANCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
with comparative totals for December 31, 2024

6. FAIR VALUE MEASUREMENTS (Continued)

The Organization's investments were valued by reference to quoted market prices generated by market transactions and listed on an active market. All investments of the Organization are valued using Level 1 inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Corporate Fixed Income . . .	\$ 64,392	\$ -	\$ -	\$ 64,392
US Government Securities.	81,614	-	-	81,614
Stocks	845,653	-	-	845,653
Mutual funds.	4,686,003	-	-	4,686,003
Total	<u>\$ 5,677,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,677,662</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Corporate Fixed Income . . .	\$ 59,388	\$ -	\$ -	\$ 59,388
US Government Securities.	48,152	-	-	48,152
Stocks	764,104	-	-	764,104
Mutual funds.	1,874,516	-	-	1,874,516
Total	<u>\$ 2,746,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,746,160</u>

7. PRIOR YEAR PRESENTATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2024, from which the summarized information was derived. Certain reclassifications have been made to the 2024 financial statements to conform to their 2025 financial statement presentation.

8. TAX ASSESSMENT APPEAL

Due to a clerical error, the Organization had been assessed real estate taxes for their property at Heroes Ridge that should have been tax free due to the Organization's charitable non-profit status. In 2024, the Organization's tax assessments were successfully appealed and the real estate taxes paid by the Organization were refunded in the amount of \$82,138 in 2025. The income from this appeal is reflected in these financial statements as Other income and the receivable as an Other receivable as of December 31, 2024.

OPERATION SECOND CHANCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
with comparative totals for December 31, 2024

9. PROPERTY AND EQUIPMENT

Property and equipment at December 31, was comprised of the following:

	2025	2024
Land.	\$ 433,800	\$ 433,800
Buildings, improvements and infrastructure.	3,108,199	2,898,447
Furniture and equipment.	485,334	329,654
Vehicles.	159,685	136,685
	<u>4,187,018</u>	<u>3,798,586</u>
Less accumulated depreciation.	(842,782)	(635,265)
Total property and equipment.	<u>\$3,344,236</u>	<u>\$3,163,321</u>

10. MORTGAGE PAYABLE

In October, 2020, the Organization purchased property on the Maryland and Pennsylvania border to use as a retreat center for wounded soldiers. The purchase was financed with a mortgage loan in the amount of \$800,000 at 5.5% that matured in 5 years. The mortgage loan was paid in full in 2025.

11. NET ASSETS WITH DONOR RESTRICTIONS

In 2025, the Organization has received grant funds for \$912,500 that have been designated by the donors for facilities enhancements. In 2024, the Organization received grants for \$20,000 that were designated by the donor of the funds to be used in 2025 for discretionary purposes by the Organization. The Organization released \$524,442 of restricted funds in 2025, leaving \$408,058 of donor restricted funds remaining as of December 31, 2025 for facilities enhancements.

12. IN-KIND CONTRIBUTIONS

The Organization received the use of offices and a storage unit as contributions to the Organization. The estimated fair value of the facilities included in the financial statements for the years ended December 31, 2025 and 2024 was \$35,000 and \$60,000, respectively. The office space, electricity and heating are being contributed to the Organization on a month-to-month basis and may be terminated by either the landlord or the tenant with 45 days written notice. Other additional in-kind contributions from a number of individuals and organizations were included in the financial statements in the years ended December 31, 2025 and 2024.

OPERATION SECOND CHANCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
with comparative totals for December 31, 2024

12. IN-KIND CONTRIBUTIONS (continued):

Total in-kind contributions received were as follows:

	2025	2024
Direct program activity expenses	\$ 34,211	\$ 40,012
Community awareness expenses.	-	86,408
Occupancy.	35,000	60,000
Infrastructure	22,400	-
Legal fees.	-	232
Total in-kind contributions.	<u>\$ 91,611</u>	<u>\$ 186,652</u>

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet date to fund expenses without limitations:

	2025	2024
Cash and cash equivalents	\$ 2,837,823	\$ 2,432,539
Investments	5,677,662	2,746,160
Other receivable.	-	82,138
Accrued interest receivable.	1,441	935
Less amount to fund donor-imposed restrictions	(408,058)	(20,000)
Financial assets available to meet cash needs for expenditures within one year.	<u>\$ 8,108,868+</u>	<u>\$ 5,241,772</u>

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 21, 2026, the date on which the financial statements were available to be issued.