

PROMISE RESOURCE NETWORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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PROMISE RESOURCE NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$43,062	\$39,146
Accounts receivable	75,210	131,347
Prepaid expenses and other assets	5,646	5,642
Total assets	<u>\$123,918</u>	<u>\$176,135</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$20,903	\$9,473
Line of credit	10,000	-
Other current liabilities	1,396	-
Total liabilities	<u>32,299</u>	<u>9,473</u>
Unrestricted net assets	91,619	166,662
Total liabilities and net assets	<u>\$123,918</u>	<u>\$176,135</u>

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

PROMISE RESOURCE NETWORK, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
SUPPORT AND OTHER REVENUES:		
Program income	\$1,633,764	\$1,617,979
General contributions	5,131	7,882
Other	4,871	2,343
Total support and other revenues	<u>1,643,766</u>	<u>1,628,204</u>
EXPENSES:		
Program expenses	1,206,920	1,206,920
General and administrative costs	511,889	423,932
Total expenses	<u>1,718,809</u>	<u>1,630,852</u>
CHANGE IN NET ASSETS	(75,043)	(2,648)
BEGINNING NET ASSETS	<u>166,662</u>	<u>169,310</u>
ENDING NET ASSETS	<u><u>\$91,619</u></u>	<u><u>\$166,662</u></u>

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

PROMISE RESOURCE NETWORK, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$75,043)	(\$2,648)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in accounts receivable	56,137	(94,323)
Change in prepaid expenses and other assets	(4)	(25)
Change in accounts payable	11,430	4,536
Change in other liabilities	1,396	-
Net cash used in operating activities	<u>(6,084)</u>	<u>(92,460)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing on line of credit	<u>10,000</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	3,916	(92,460)
CASH, beginning of year	<u>39,146</u>	<u>131,606</u>
CASH, end of year	<u><u>\$43,062</u></u>	<u><u>\$39,146</u></u>

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

PROMISE RESOURCE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization – Promise Resource Network, Inc. (the Organization), located in Charlotte, North Carolina, was established in 2006 as a peer-run organization that provides education, consultation, employment, and peer support services to individuals, families, service providers, governments, and local communities to promote recovery from emotional distress, mental health and substance use challenges.

Program income – Program income is recognized at the amount billed to local governments based on expenses incurred that enable the Organization to provide consulting services to the community.

Accounts receivable and bad debts - The Organization records revenues for billable services when the services are completed and billed to its customers. Accounts receivable are uncollateralized customer obligations due under normal trade terms and are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or if unspecified, are applied to the earliest unpaid invoices.

Management individually reviews all accounts receivable balances that exceed payment terms. All accounts are monitored continually for creditworthiness. The carrying amount of accounts receivable at each period end is reduced by a reserve for bad debts that reflects management's best estimate of the amounts that may not be collected. Consequently, accounts receivable at June 30, 2017 and 2016 are presented net of an allowance for doubtful accounts. Any account balances deemed uncollectible are removed from accounts receivable and recorded as a bad debt expense.

Public support - Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor.

Contributions of cash and other assets are reported as temporarily restricted if they have donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net assets – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no temporarily or permanently restricted net assets for the years ended June 30, 2017 and 2016.

2. INCOME TAXES:

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is required. The Organization has implemented the provisions of the Financial Accounting Standards Board Codification (FASB ASC 740-10). FASB ASC 740-10 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions, including tax-exempt status, taken or expected to be taken in income tax returns. The use of FASB ASC 740-10 has not had any impact on the Organization’s results of operations or financial condition. The Organization has open tax years for its reporting periods ended during the years 2014 through 2016.

3. OPERATING LEASES:

The Company leases equipment, with monthly rental payments of \$343 under a non-cancelable lease agreement expiring in December 2019. In December 2014, the Company entered into a lease for office space, with monthly payments of \$4,800, expiring in January 2018. During fiscal year 2017 there was an addendum to the lease increasing space used and monthly rent to \$5,927. Total lease payments made during the year ended June 30, 2017 were approximately \$83,000.

Future minimum lease payments under these agreements are as follows:

Years Ending June 30,	
2018	\$127,782
2019	45,767
	<u>\$173,549</u>

4. LINE OF CREDIT:

The company had a \$150,000 revolving line of credit agreement with a financial institution. Interest is charged at 4.750%, payable monthly. The agreement matures on July 11, 2017. The outstanding balance on this line was \$10,000 at June 30, 2017. The line is collateralized by all Company assets. Interest expense incurred for the year ended June 30, 2017 was approximately \$1,600 and was added to the outstanding line of credit.

5. CONCENTRATION:

A substantial portion of the Organization's support comes from local government entities. For the years ended June 30, 2017 and 2016, the Organization received approximately \$1,580,000 and \$1,550,000 from one local government which represents approximately 96% and 95%, respectively, of the total support and other income recognized.

6. SUBSEQUENT EVENTS:

Events and transactions occurring after June 30, 2017 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through November 15, 2017, which represents the date the financial statements were available to be issued.