

PROMISE RESOURCE NETWORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Promise Resource Network, Inc.:

We have audited the accompanying statements of financial position of Promise Resource Network, Inc. (a nonprofit organization) as of June 30, 2018 and 2017 and the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Promise Resource Network, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

BGW CPA, PLLC

Charlotte, North Carolina,
January 31, 2019

PROMISE RESOURCE NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash	\$19,619	\$43,062
Accounts receivable	192,897	75,210
Prepaid expenses and other assets	5,611	5,646
Total assets	<u>\$218,127</u>	<u>\$123,918</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$21,651	\$20,903
Line of credit	52,061	10,000
Other current liabilities	4,884	1,396
Total liabilities	<u>78,596</u>	<u>32,299</u>
Unrestricted net assets	139,531	91,619
Total liabilities and net assets	<u>\$218,127</u>	<u>\$123,918</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
SUPPORT AND OTHER REVENUES:		
Program income	\$1,665,219	\$1,633,764
General contributions	96,945	5,131
Other	1,437	4,871
Total support and other revenues	<u>1,763,601</u>	<u>1,643,766</u>
EXPENSES:		
Program expenses	1,626,657	1,641,369
General and administrative costs	89,032	77,440
Total expenses	<u>1,715,689</u>	<u>1,718,809</u>
CHANGE IN NET ASSETS	47,912	(75,043)
BEGINNING NET ASSETS	<u>91,619</u>	<u>166,662</u>
ENDING NET ASSETS	<u><u>\$139,531</u></u>	<u><u>\$91,619</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$47,912	(\$75,043)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in accounts receivable	(117,687)	56,137
Change in prepaid expenses and other assets	35	(4)
Change in accounts payable	748	11,430
Change in other liabilities	3,488	1,396
Net cash used in operating activities	<u>(65,504)</u>	<u>(6,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from borrowing on line of credit	<u>42,061</u>	<u>10,000</u>
NET (DECREASE) INCREASE IN CASH	(23,443)	3,916
CASH, beginning of year	<u>43,062</u>	<u>39,146</u>
CASH, end of year	<u><u>\$19,619</u></u>	<u><u>\$43,062</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, 2018 AND 2017

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, 2018 and 2017 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, 2018 and 2017.

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 2015 through 2017.

3. 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 in 2018. The outstanding balance on this line was \$52,061 and \$10,000 at June 30, 2018 and 2017, respectively. The line is collateralized by all Company assets. Interest expense incurred for the year ended June 30, 2018 was approximately \$3,200 and was added to the outstanding line of credit.

4. CONCENTRATION:

A substantial portion of the Organization's support comes from local government entities. For the years ended June 30, 2018 and 2017, the Organization received approximately \$1,590,000 and \$1,580,000 from one local government which represents approximately 97% and 96%, respectively, of the total support and other income recognized.

5. SUBSEQUENT EVENTS:

Events and transactions occurring after June 30, 2018 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through January 31, 2019 which represents the date the financial statements were available to be issued.