

PROMISE RESOURCE NETWORK, INC.

FINANCIAL STATEMENTS

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Promise Resource Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, 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 audit. 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, 2021 and 2020, and the changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Murray Group CPA, PLLC

October 31, 2021

PROMISE RESOURCE NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------------------|--------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash | \$ 694,618 | \$ 233,383 |
| Accounts receivable | 253,379 | 123,493 |
| Grant receivable | 68,117 | - |
| Prepaid expenses and other assets | 4,403 | 19,447 |
| Total current assets | <u>1,020,517</u> | <u>376,323</u> |
| PROPERTY: | | |
| Building | 1,133,646 | - |
| Building improvements | 7,564 | - |
| Furniture and fixtures | 6,750 | - |
| | <u>1,147,960</u> | <u>-</u> |
| Less: Accumulated depreciation | (22,789) | - |
| Total property, net of accumulated depreciation | <u>1,125,171</u> | <u>-</u> |
| | <u>\$2,145,688</u> | <u>\$ 376,323</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|--------------------|-------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 32,354 | \$ 19,575 |
| SBA loan | - | 214,600 |
| Current portion of debt | 32,200 | - |
| Other current liabilities | 39,928 | 1,828 |
| Total current liabilities | <u>104,482</u> | <u>236,003</u> |
| LONG-TERM PORTION OF DEBT | 894,542 | - |
| | <u>999,024</u> | <u>236,003</u> |
| NET ASSETS | <u>1,146,664</u> | <u>140,320</u> |
| Total liabilities and net assets | <u>\$2,145,688</u> | <u>\$ 376,323</u> |

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

PROMISE RESOURCE NETWORK, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------------------|----------------------------|--------------------------|
| SUPPORT AND OTHER REVENUES: | | |
| Program income | \$ 2,943,476 | \$ 1,642,215 |
| General contributions | 113,274 | 70,761 |
| Other | 211,782 | 90,302 |
| Paycheck Protection Program income | 214,600 | - |
| Total support and other revenues | <u>3,483,132</u> | <u>1,803,278</u> |
| EXPENSES: | | |
| Program expenses | 2,471,427 | 1,701,387 |
| General and administrative costs | 73,478 | 91,683 |
| Total expenses | <u>2,544,905</u> | <u>1,793,070</u> |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 938,227 | 10,208 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | 68,117 | - |
| Total change in net assets | <u>1,006,344</u> | <u>10,208</u> |
| BEGINNING NET ASSETS | <u>140,320</u> | <u>130,112</u> |
| ENDING NET ASSETS | <u><u>\$ 1,146,664</u></u> | <u><u>\$ 140,320</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$1,006,344 | \$ 10,208 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Interest expense added to line of credit | - | 2,786 |
| Paycheck Protection Program income | (214,600) | |
| Change in accounts receivable | (129,886) | 23,414 |
| Change in grant receivable | (68,117) | - |
| Change in prepaid expenses and other assets | 15,044 | (16,134) |
| Change in accounts payable | 12,779 | (5,661) |
| Change in other liabilities | 38,100 | (6,663) |
| Net cash provided by operating activities | <u>659,664</u> | <u>7,950</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property | (175,171) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from SBA loan | - | 214,600 |
| Net payments on line of credit | - | (53,603) |
| Payments on mortgage | (23,258) | - |
| Net cash (used) provided by financing activities | <u>(23,258)</u> | <u>160,997</u> |
| NET INCREASE IN CASH | 461,235 | 168,947 |
| CASH, beginning of year | <u>233,383</u> | <u>64,436</u> |
| CASH, end of year | <u><u>\$ 694,618</u></u> | <u><u>\$ 233,383</u></u> |
| SUPPLEMENTAL INFORMATION: | | |
| Borrowed mortgage note to purchase building | <u><u>\$ 950,000</u></u> | <u><u>\$ -</u></u> |
| Interest paid | <u><u>\$ 30,535</u></u> | <u><u>\$ 2,695</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, 2021 and 2020

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 - 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. At June 30, 2021 and 2020 no allowance for doubtful accounts was deemed necessary by Management. 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. Unconditional promises to give are recorded as received. Contributions of cash and other assets are reported as restricted if they are restricted with 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, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with restrictions that are met in the same reporting period are reported as unrestricted support.

As of June 30, 2021, the amount presented as net assets with donor restrictions is \$68,117 was received from the United Way. This amount is shown as grant receivable on the statement of financial position and represents the change in net assets with donor 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 the 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.

Liquidity – The Organization has approximately \$1,017,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of approximately \$695,000, grants receivable of approximately \$68,000 and accounts receivable of approximately \$254,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. As part of the Organizations liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To manage any unanticipated liquidity needs, the Organization has cash available.

Property - Property is stated at cost, if purchased, or fair market value at the time of gift, if donated. Depreciation and amortization are provided on the straight- line method over the estimated useful lives of the respective assets, which are:

| | |
|-----------------------|----------|
| Building | 40 years |
| Building improvements | 7 years |
| Office furniture | 7 years |

Net Assets – The Organization reports information regarding its financial position and activities according to two classes of net assets, with donor restrictions and without donor restrictions, based on the existence or absence of donor restrictions. All support is classified as without donor restrictions except for the amount received from the United Way during the year ended June 30, 2021 which is presented as net assets with donor restrictions on the statements of activities and changes in net assets.

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 Topic 740 of the Financial Accounting Standards Board Codification (FASB ASC 740-10). FASB ASC 740-10 prescribes a comprehensive relating to the 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 2017 through 2019.

3. LINE OF CREDIT:

The Organization had a \$150,000 revolving line of credit agreement with a financial institution. Interest is charged at 6%, payable monthly. The agreement matures in 2021 and is expected to be renewed through 2022. There was no balance outstanding at June 30, 2021 and 2020. The line is collateralized by all Company assets. Interest expense incurred for the year ended June 30, 2021 and 2020 was approximately \$1,000 and \$2,800, respectively, which was added to the outstanding line of credit.

4. MORTGAGE NOTE PAYABLE:

In September 2020, the Organization borrowed \$950,000 to purchase a building. As of June 30, 2021, mortgage note payable balance was \$926,742; secured by a first deed of trust on the Organization's property; requires monthly payments of \$5,914 through September 2025, when the remaining balance is due in full; fixed interest rate of 4.25%.

Interest expense incurred on the mortgage note payable was approximately \$29,000 for the year ended June 30, 2021. Future maturities of long-term debt are as follow for years ending June 30:

| | | |
|------|----|----------------|
| 2022 | \$ | 32,200 |
| 2023 | | 33,595 |
| 2024 | | 35,051 |
| 2025 | | 36,570 |
| 2026 | | 789,326 |
| | \$ | <u>926,742</u> |

5. CONCENTRATION:

A substantial portion of the Organization’s support comes from local government entities. For the years ended June 30, 2021 and 2020, the Organization received approximately \$1,956,000 and \$1,479,000, respectively, from one local government which represents approximately 60% and 82%, respectively, of the total support and earned revenue recognized.

6. FUNCTIONAL EXPENSES:

The financial statement reports certain categories of expenses that are attributable to program and supporting services of the Organization. The majority of expenses are directly allocated to functions as determined by type of costs. In general, all expenses specifically related to Mecklenburg County projects are allocated to program costs. The accounting software is allocated specifically between functions based on the type projects. The projects assigned to Mecklenburg County are program costs related and all others are management and general costs.

| | June 30, 2021 | | |
|------------------------|----------------------|-------------------------------------|--------------------|
| | Program | Management & General | Total |
| Compensation | \$1,315,698 | \$ - | \$1,315,698 |
| Employee benefits | 124,686 | - | 124,686 |
| Payroll taxes | 104,385 | - | 104,385 |
| Professional fees | - | 69,078 | 69,078 |
| Other services | 469,788 | 4,400 | 474,188 |
| Advertising | 1,341 | - | 1,341 |
| Office expenses | 278,875 | - | 278,875 |
| Information technology | 32,393 | - | 32,393 |
| Travel | 18,805 | - | 18,805 |
| Interest | 30,535 | - | 30,535 |
| Insurance | 24,687 | - | 24,687 |
| Depreciation | 22,789 | - | 22,789 |
| Meals | 1,607 | - | 1,607 |
| Training and education | 27,552 | - | 27,552 |
| Bus passes | 1,612 | - | 1,612 |
| Other expenses | 16,674 | - | 16,674 |
| | <u>\$2,471,427</u> | <u>\$73,478</u> | <u>\$2,544,905</u> |

| | June 30, 2020 | | |
|------------------------|-------------------------|-----------------|--------------------|
| | Management & | | |
| | Program | General | Total |
| Compensation | \$1,133,965 | \$ - | \$1,133,965 |
| Employee benefits | 110,515 | - | 110,515 |
| Payroll taxes | 91,708 | - | 91,708 |
| Professional fees | - | 67,985 | 67,985 |
| Other services | 97,820 | 14,581 | 112,401 |
| Advertising | 6,177 | - | 6,177 |
| Office expenses | 170,101 | - | 170,101 |
| Information technology | 16,900 | - | 16,900 |
| Travel | 6,698 | - | 6,698 |
| Interest | 2,695 | - | 2,695 |
| Insurance | 25,168 | - | 25,168 |
| Conference | 4,414 | - | 4,414 |
| Meals | 8,181 | - | 8,181 |
| Training and education | 9,744 | - | 9,744 |
| Bus passes | 12,609 | - | 12,609 |
| Other expenses | 4,692 | 9,117 | 13,809 |
| | <u>\$1,701,387</u> | <u>\$91,683</u> | <u>\$1,793,070</u> |

7. CARES ACT:

During the fiscal year ended June 30, 2021, Coronavirus Pandemic impacted the US economy as a whole. The Organization has applied for and received \$214,600 in funding under the CARES act bill. Under the terms of the bill, the Organization has applied for and received forgiveness of the funding amount.

8. SUBSEQUENT EVENTS:

Events and transactions occurring after June 30, 2021 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through October 31, 2021 which represents the date the financial statements were available to be issued.