

PROMISE RESOURCE NETWORK, INC.

FINANCIAL STATEMENTS

June 30, 2022 and 2021

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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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Organization 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 Promise Resource Network, 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 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 Promise Resource Network, 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 Promise Resource Network, 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.

Murray Group CPA, PLLC

September 20, 2022

PROMISE RESOURCE NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash	\$ 1,716,398	\$ 694,618
Accounts receivable	370,136	253,379
Grant receivable	44,276	68,117
Prepaid expenses and other assets	4,595	4,403
Total current assets	<u>2,135,405</u>	<u>1,020,517</u>
PROPERTY:		
Building	1,133,646	1,133,646
Building improvements	-	7,564
Furniture and fixtures	-	6,750
	<u>1,133,646</u>	<u>1,147,960</u>
Less: Accumulated depreciation	(49,597)	(22,789)
Total property, net of accumulated depreciation	<u>1,084,049</u>	<u>1,125,171</u>
	<u>\$ 3,219,454</u>	<u>\$ 2,145,688</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 166,921	\$ 32,354
Deferred revenue	1,135,039	-
Current portion of debt	33,595	32,200
Other current liabilities	4,707	39,928
Total current liabilities	<u>1,340,262</u>	<u>104,482</u>
LONG-TERM PORTION OF DEBT	<u>861,505</u>	<u>894,542</u>
	<u>2,201,767</u>	<u>999,024</u>
NET ASSETS	<u>1,017,687</u>	<u>1,146,664</u>
Total liabilities and net assets	<u>\$ 3,219,454</u>	<u>\$ 2,145,688</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
SUPPORT AND OTHER REVENUES:		
Program income	\$ 3,619,748	\$ 2,943,476
General contributions	87,128	113,274
Other	375,389	211,782
Loss on disposal of fixed assets	(12,780)	-
Paycheck Protection Program income	-	214,600
Total support and other revenues	<u>4,069,485</u>	<u>3,483,132</u>
EXPENSES:		
Program expenses	4,225,057	2,471,427
General and administrative costs	17,680	73,478
Total expenses	<u>4,242,737</u>	<u>2,544,905</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(173,252)	938,227
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	44,276	68,117
Total change in net assets	<u>(128,976)</u>	<u>1,006,344</u>
BEGINNING NET ASSETS	<u>1,146,663</u>	<u>140,320</u>
ENDING NET ASSETS	<u>\$ 1,017,687</u>	<u>\$ 1,146,664</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (128,976)	\$ 1,006,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,341	22,789
Loss of disposal of fixed assets	12,780	-
Paycheck Protection Program income	-	(214,600)
Change in balance sheet accounts:		
Accounts receivable	(116,757)	(129,886)
Grant receivable	23,841	(68,117)
Prepaid expenses and other assets	(192)	15,044
Accounts payable	134,567	12,779
Deferred revenue	1,135,039	-
Other liabilities	(35,221)	38,100
Net cash provided by operating activities	<u>1,053,422</u>	<u>682,453</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	<u>-</u>	<u>(197,960)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on mortgage	<u>(31,642)</u>	<u>(23,258)</u>
NET INCREASE IN CASH	1,021,780	461,235
CASH, beginning of year	<u>694,618</u>	<u>233,383</u>
CASH, end of year	<u><u>\$1,716,398</u></u>	<u><u>\$ 694,618</u></u>
SUPPLEMENTAL INFORMATION:		
Borrowed mortgage note to purchase building	<u>\$ -</u>	<u>\$ 950,000</u>
Interest paid	<u>\$ 39,322</u>	<u>\$ 30,535</u>

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

PROMISE RESOURCE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021 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.

Deferred revenue - The Organization records deferred revenue for billable services when funds are received when services have not been provided. As the services are provided the deferred revenue account will decrease while the revenue account increases by the amount of services rendered.

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, 2022 and 2021, the amount presented as net assets with donor restrictions is approximately \$44,000 and \$68,000, respectively, 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 \$2,131,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of approximately \$1,716,000, grants receivable of approximately \$44,000, and accounts receivable of approximately \$370,000. 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, 2022 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 2018 through 2020.

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 2022 and is expected to be renewed through 2023. There was no balance outstanding at June 30, 2022 and 2021. The line is collateralized by all Company assets.

4. MORTGAGE NOTE PAYABLE:

In September 2020, the Organization borrowed \$950,000 to purchase a building. As of June 30, 2022, mortgage note payable balance was \$895,100; 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 for the year ended June 30, 2022 and 2021 was approximately \$39,000 and \$31,000, respectively.

Future maturities of long-term debt are as follow for years ending June 30:

2023	\$	33,595
2024		35,051
2025		36,570
2026		789,884
	\$	<u>895,100</u>

5. CONCENTRATION:

A substantial portion of the Organization's support comes from local government entities. For the years ended June 30, 2022 and 2021, the Organization received approximately \$2,198,000 and \$1,956,000, respectively, from one local government which represents approximately 53% and 60%, 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, 2022		
	Program	Management & General	Total
Compensation	\$1,864,049	\$ -	\$1,864,049
Employee benefits	160,214	-	160,214
Payroll taxes	151,704	-	151,704
Professional fees	79,158	17,680	96,838
Other services	803,637	-	803,637
Advertising	-	-	-
Office expenses	352,902	-	352,902
Information technology	43,541	-	43,541
Travel	51,121	-	51,121
Conferences	8,835	-	8,835
Interest	39,322	-	39,322
Insurance	31,784	-	31,784
Depreciation	28,341	-	28,341
Meals	6,497	-	6,497
Training and education	117,739	-	117,739
Bus passes	8,980	-	8,980
Other expenses	477,233	-	477,233
	<u>\$4,225,057</u>	<u>\$17,680</u>	<u>\$4,242,737</u>

June 30, 2021			
	Management &		
	Program	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
Conferences	-	-	-
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>

7. SUBSEQUENT EVENTS:

Events and transactions occurring after June 30, 2022 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through September 20, 2022 which represents the date the financial statements were available to be issued.