

Promise Resource Network, Inc.

Financial Statements

June 30, 2023

Promise Resource Network, Inc.

Table of Contents

June 30, 2023

Page

Independent Auditors' Report	1-2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12
Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.....	13-15
Schedule of Findings and Questioned Costs	16-17
Schedule of Expenditures of Federal Awards	18



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Promise Resource Network, Inc.
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Promise Resource Network, Inc. (the "Organization" - a nonprofit organization), which comprises the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to 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, 2023, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Promise Resource Network, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and Government 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.

Promise Resource Network, Inc.
Charlotte, North Carolina

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 consolidated 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 consolidated 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 purposes 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 consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2024, on our consideration of Promise Resource Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Foard & Company, P.A.

June 7, 2024

Promise Resource Network, Inc.

Statement of Financial Position

June 30, 2023

ASSETS

Current Assets:

Cash and equivalents	\$	397,150
Accounts receivable		241,639
Prepaid expenses and other assets		10,751

Total Current Assets		649,540
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Property:

Buildings and land		3,954,495
Building improvements		64,616
Furniture and fixtures		17,406

Total Property		4,036,517
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Less: Accumulated depreciation		(115,250)
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Total Property, Net of Accumulated Depreciation		3,921,267
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<i>TOTAL ASSETS</i>	\$	<i>4,570,807</i>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	60,405
Payroll liabilities		95,359
Deferred revenue		54,623
Current portion of debt		87,240

Total Current Liabilities		297,627
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Long-term Portion of Debt		3,447,923
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Total Liabilities		3,745,550
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Net Assets		825,257
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<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$	<i>4,570,807</i>
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Promise Resource Network, Inc.**Statement of Activities****Year Ended June 30, 2023**

SUPPORT AND REVENUE

Program income	\$ 3,134,894
Contributions	63,898
Other revenue	299,906

TOTAL SUPPORT AND REVENUE **3,498,698**

EXPENSES

Program expenses	3,245,204
General and administrative costs	316,060

TOTAL EXPENSES **3,561,264**

CHANGE IN NET ASSETS **(62,566)**

NET ASSETS, BEGINNING **1,017,687**

Prior Period Adjustment	(129,864)
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NET ASSETS, BEGINNING RESTATED **887,823**

NET ASSETS, ENDING **\$ 825,257**

Promise Resource Network, Inc.

Statement of Cash Flows

Year Ended June 30, 2023

OPERATING ACTIVITIES

Change in net assets	\$ (62,566)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	65,653
(Increase) decrease in operating assets:	
Accounts receivable	128,497
Grant receivable	44,276
Prepaid expenses and other assets	(3,056)
Increase (decrease) in operating liabilities:	
Accounts payable	(114,304)
Payroll liabilities	(34,225)
Deferred revenue	(1,080,416)
<i>Cash Flows from Operating Activities</i>	<i>(1,056,141)</i>

INVESTING ACTIVITIES

Purchase of fixed assets	(2,902,095)
<i>Cash Flows from Investing Activities</i>	<i>(2,902,095)</i>

FINANCING ACTIVITIES

Proceeds from notes payable	2,700,000
Principal payments on notes payable	(61,012)
<i>Cash Flows from Financing Activities</i>	<i>2,638,988</i>

CHANGE IN CASH ***(1,319,248)***

CASH, BEGINNING ***1,716,398***

CASH, ENDING ***\$ 397,150***

SUPPLEMENTAL INFORMATION

Interest paid ***\$ 131,238***

Promise Resource Network, Inc.

Notes to Financial Statements

June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets.

Net assets without donor restrictions – These amounts are not subject to any donor-imposed stipulations and include resources invested in property. Net assets without donor restrictions may be designated by the Organization for specific purposes.

Net assets with donor restrictions – These amounts consist of net assets that are temporary in nature, which are subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time and net assets to be held in perpetuity, which are subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. All support is classified as without donor restrictions except for the amount received from the United Way during the year ended June 30, 2023, which is presented as net assets with donor restrictions on the statements of activities and changes in net assets. At the end of the year, the Organization had no net assets with donor restrictions.

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 net assets without donor restrictions 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 net assets without donor restrictions support.

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of 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.

Promise Resource Network, Inc.

Notes to Financial Statements

June 30, 2023

Property and equipment

Property and equipment are carried on the books at historical cost if purchased and at fair value at the date of the gift if donated, subject to a capitalization threshold of \$2,500. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from seven to forty years.

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, 2023, 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.

Income tax status

The Organization has been recognized as a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income. The Organization is also classified as other than a private foundation, as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Agency transactions

The accompanying statement of activities does not include funds transferred to the Organization for the benefit of other unrelated organizations for which the Organization acts only as an agent and has no variance power over the use of these funds. During the year ended June 30, 2023, the Organization received and disbursed \$498,157 for the benefit of two organizations.

Promise Resource Network, Inc.

Notes to Financial Statements

June 30, 2023

Prior Period Adjustment

The prior audited financial statements did not include a liability for compensated absences. As a result, beginning net assets was decreased by \$129,864, and payroll liabilities was increased by the same amount.

New Accounting Pronouncement

The Organization adopted ASU 2016-02, *Leases* (Topic 842) during the year. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The Organization determined that its leases in place during the year were immaterial to present under the new standard.

NOTE B – FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited based on a specific identification of expenditures and management's estimates of time and resources devoted to those functions. The Organization does not expend any funds for fundraising.

	<u>Program</u>	<u>Management & General</u>	<u>Total</u>
Compensation	\$ 1,828,934	\$ 148,292	\$ 1,977,226
Employee benefits	125,041	10,138	135,179
Payroll taxes	145,067	11,762	156,829
Professional fees	22,776	64,700	87,476
Other services	485,762	9,913	495,675
Marketing	66,000	-	66,000
Office expenses	205,523	16,664	222,187
Information technology	39,696	4,410	44,106
Travel	28,074	617	28,691
Conferences	4,869	-	4,869
Interest	128,613	2,625	131,238
Insurance	5,033	45,298	50,331
Depreciation	64,012	1,641	65,653
Meals	14,719	-	14,719
Training and education	41,139	-	41,139
Bus passes	9,682	-	9,682
Other expenses	30,264	-	30,264
	<u>\$ 3,245,204</u>	<u>\$ 316,060</u>	<u>\$ 3,561,264</u>

Promise Resource Network, Inc.

Notes to Financial Statements

June 30, 2023

NOTE C – NOTES PAYABLE

Note Payable 1

In September 2020, the Organization borrowed \$950,000 to purchase a building located on Plaza Road in Charlotte, North Carolina. As of June 30, 2023, the note payable balance was \$862,068. The note is secured by a first deed of trust on the Organization's property; it requires monthly payments of \$5,914 through September 2025, when the remaining balance is due in full with a fixed interest rate of 4.25%.

Note Payable 2

In December 2022, the Organization borrowed \$2,000,000 to purchase a building located on East 7th Street in Charlotte, North Carolina. As of June 30, 2023, the note payable balance was \$1,979,117. The note is secured by a first deed of trust on the Organization's property; it requires monthly payments of \$12,991 through December 2028, when the remaining balance is due in full with a fixed interest rate of 6.0%.

Note Payable 3

In December 2022, the Organization borrowed an additional \$700,000 to purchase the building noted above in Note Payable 2. As of June 30, 2023, the note payable balance was \$693,978. The note is secured by a first deed of trust on the Organization's property; it requires monthly payments of \$5,855 through January 2028, when the remaining balance is due in full with a fixed interest rate of 8.0%.

Interest expense incurred for the year ended June 30, 2023 was approximately \$131,000.

Future maturities of the notes payable are as follows for years ending June 30:

2024	\$ 87,240
2025	93,707
2026	850,330
2027	65,160
2028	<u>2,438,726</u>
	<u>\$ 3,535,163</u>

NOTE D – CONCENTRATION OF CREDIT RISK

Support and revenue

A substantial portion of the Organization's support comes from local government entities. For the year ended June 30, 2023, the Organization received approximately \$2,700,000 from one local government entity which represents approximately 67% of the total support and earned revenue recognized. Also, the Organization operates in a limited geographic area and, as a result, is sensitive to changes in the local economy.

Promise Resource Network, Inc.

Notes to Financial Statements

June 30, 2023

Cash

Cash balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) for bank accounts. The Organization holds cash in excess of the FDIC insured limit; however, management believes the Organization is not exposed to any significant credit risk due to the creditworthiness of the financial institutions.

Geographic Area

The Organization operates in a limited geographic area and is therefore sensitive to changes in the local economy.

NOTE E – COMPENSATED ABSENCES

The Organization's policy for compensated absences are as follows:

Vacation – vacation is granted based on time employed and employment status. Eligible employees are allowed to carry forward five days of annual leave time.

Sick – sick leave is based on accumulated service and employment status. The maximum amount of accumulated sick leave is 256 hours, which is the equivalent of eight days.

Based on the above vacation and sick leave compensated absences management computed an obligation of approximately \$95,000.

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has approximately \$638,789 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$397,150 and accounts receivable of \$241,639. 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.

NOTE G – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, the Organization purchased a building in Raleigh for \$615,000, as a result, the Organization borrowed approximately \$300,000. No other material recognizable subsequent events were identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Promise Resource Network
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Promise Resource Network (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors of
Promise Resource Network
Charlotte, North Carolina

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Foard & Company, P.A.

June 7, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Promise Resource Network
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Promise Resource Networks' (the "Organization" - a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

To the Board of Directors of
Promise Resource Network
Charlotte, North Carolina

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-1. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Board of Directors of
Promise Resource Network
Charlotte, North Carolina

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Foard & Company, P.A.

June 7, 2024

PROMISE RESOURCE NETWORK

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

1. An unmodified opinion was issued on the financial statements of Promise Resource Network (the "Organization").
2. No significant deficiencies related to the audit of the financial statements are reported in the "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements In Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal program are reported in the "Independent Auditors' Report on Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance."
5. An unmodified opinion was issued on the Organization's compliance with the types of compliance requirements applicable to its major federal program.
6. Our audit disclosed no audit findings related to the major federal program for the Organization.
7. The program tested as a major program for the year ended June 30, 2023, was the Coronavirus State and Local Fiscal Recovery Funds – CDFA #21.027.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Organization did not qualify as a low-risk auditee under Section 200 of the Uniform Guidance.

II. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

There was one finding for the year ended June 30, 2023, related to the failure to timely file the data collection forms.

III. FINDINGS RELATED TO THE AUDIT OF FEDERAL AWARDS

Finding 2023-1

Criteria: The data collection form is to be submitted nine months after the Organization's fiscal year end date.

Condition: The data collection form will be submitted after that deadline.

Effect: The Organization will not qualify as a low-risk auditee.

PROMISE RESOURCE NETWORK**Schedule of Findings and Questioned Costs****Year Ended June 30, 2023**

Cause: The audit report was delayed because the Organization encountered difficulty in finding an auditor that was available to perform a Uniform Guidance audit in a timely manner.

Recommendation: Recommendation has been implemented.

Views of responsible officials: The Organization agrees with this finding.

Corrective Action Plan: The audit of the June 30, 2024 financial statements is scheduled for November 2024 and is expected to be completed shortly thereafter.

IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

No Uniform Guidance audit was required for the year ended June 30, 2022.

PROMISE RESOURCE NETWORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:		
Block Grants for Community Mental Health Servives	93.243	\$ 197,556
Passed through the North Carolina Department of Health and Human Services:		
Block Grants for Community Mental Health Servives	93.958	575,601
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	23,046
Passed through Sunrise Community for Recovery and Wellness:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	42,600
U.S. Department of Treasury:		
Passed through the North Carolina Department of Commerce:		
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>1,081,237</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 1,920,040</u></u>