

PROVIDENCE NETWORK

FINANCIAL STATEMENTS

March 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Providence Network
Denver, Colorado

We have audited the accompanying financial statements of Providence Network (a nonprofit corporation), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities, functional expenses, 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 audits 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 of 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 Providence Network as of March 31, 2014 and 2013, and the change 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.

CAHILL, O'KELLY & ASSOCIATES, P.C.
CAHILL, O'KELLY & ASSOCIATES, P.C.
Boulder, Colorado
July 30, 2014

PROVIDENCE NETWORK
Statements of Financial Position
March 31, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 327,090	\$ 510,899
Prepaid Expenses	15,352	17,158
Flex Spending Deposits	4,000	-
Accounts Receivable	3,273	734
Pledges Receivable, Current, Net of Allowance for Doubtful Accounts of \$4,789 and \$5,458 for 2014 and 2013, respectively	78,218	62,766
Total Current Assets	427,933	591,557
PROPERTY AND EQUIPMENT		
Land	1,484,806	1,484,806
Buildings	2,304,119	2,304,119
Building Improvements	1,268,416	1,026,970
Furniture and Equipment	120,461	66,118
Automobiles	39,939	31,215
	5,217,741	4,913,228
Less: Accumulated Depreciation	(1,073,381)	(968,937)
Total Property and Equipment	4,144,360	3,944,291
OTHER ASSETS		
Pledges Receivable, Long Term, Net of Allowance for Doubtful Accounts of \$9,042 and \$8,611 for 2014 and 2013, respectively	141,662	99,023
Total Other Assets	141,662	99,023
TOTAL ASSETS	\$ 4,713,955	\$ 4,634,871
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 90,087	\$ 94,535
Total Current Liabilities	90,087	94,535
NET ASSETS		
Unrestricted	4,346,077	4,341,232
Temporarily Restricted	277,791	199,104
Total Net Assets	4,623,868	4,540,336
TOTAL LIABILITIES AND NET ASSETS	\$ 4,713,955	\$ 4,634,871

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statement of Activities
For the Year Ended March 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Individuals	\$ 285,733	\$ 158,073	\$ 443,806
Corporations	66,969	59,974	126,943
Church and Faith Based	17,900	-	17,900
Foundation Grants	142,235	15,000	157,235
In-Kind Support	184,411		184,411
Earned Income			
Resident Program Fees	347,766		347,766
ATR Service Reimbursements	4,784		4,784
Special Event Income	53,829		53,829
Investment Income	682		682
Other Income	100,070		100,070
Net Assets Released from Restrictions			
Due to Satisfaction of Restrictions	154,360	(154,360)	-
Total Support and Revenue	<u>1,358,739</u>	<u>78,687</u>	<u>1,437,426</u>
EXPENSES			
Program Services	1,108,724	-	1,108,724
Administration	86,303	-	86,303
Fundraising	158,867	-	158,867
Total Expenses	<u>1,353,894</u>	<u>-</u>	<u>1,353,894</u>
CHANGE IN NET ASSETS	<u>4,845</u>	<u>78,687</u>	<u>83,532</u>
NET ASSETS, Beginning of Year	<u>4,341,232</u>	<u>199,104</u>	<u>4,540,336</u>
NET ASSETS, End of Year	<u>\$ 4,346,077</u>	<u>\$ 277,791</u>	<u>\$ 4,623,868</u>

PROVIDENCE NETWORK
Statement of Activities
For the Year Ended March 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Individuals	\$ 246,847	\$ 54,958	\$ 301,805
Corporations	87,777	-	87,777
Church and Faith Based	24,155	5,990	30,145
Foundation Grants	202,529	138,000	340,529
In-Kind Support	256,824		256,824
Earned Income			
Resident Program Fees	302,800		302,800
ATR Service Reimbursements	14,143		14,143
Special Event Income	62,451		62,451
Investment Income	1,015		1,015
Other Income	34,837		34,837
Net Assets Released from Restrictions			
Due to Satisfaction of Restrictions	296,782	(296,782)	-
Total Support and Revenue	<u>1,530,160</u>	<u>(97,834)</u>	<u>1,432,326</u>
EXPENSES			
Program Services	1,040,833	-	1,040,833
Administration	78,797	-	78,797
Fundraising	230,281	-	230,281
Total Expenses	<u>1,349,911</u>	<u>-</u>	<u>1,349,911</u>
CHANGE IN NET ASSETS	<u>180,249</u>	<u>(97,834)</u>	<u>82,415</u>
NET ASSETS, Beginning of Year	<u>4,160,983</u>	<u>296,938</u>	<u>4,457,921</u>
NET ASSETS, End of Year	<u>\$ 4,341,232</u>	<u>\$ 199,104</u>	<u>\$ 4,540,336</u>

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statement of Functional Revenues and Expenses
For the Year Ended March 31, 2014

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>TOTAL</u>
SUPPORT AND REVENUE				
Contributions				
Individuals	\$ 273,609	\$ -	\$ 170,197	\$ 443,806
Corporations	59,974	-	66,969	126,943
Church and Faith Based	8,669	-	9,231	17,900
Foundation Grants	20,154	-	131,962	152,116
United Way/Other Federated Gvng	-	-	5,119	5,119
In-Kind Support	180,882	2,429	1,100	184,411
Earned Income				
Resident Program Fees	347,766	-	-	347,766
ATR Service Reimbursements	4,784	-	-	4,784
Special Events	-	-	53,829	53,829
Investment Earnings	-	682	-	682
Other Income	90,840	9,230	-	100,070
Total Support and Revenue	<u>986,678</u>	<u>12,341</u>	<u>438,407</u>	<u>1,437,426</u>
EXPENSES				
Salaries & Wages	357,128	67,222	78,418	502,768
Payroll Taxes	29,642	5,153	5,774	40,569
Benefits	98,321	9,250	14,266	121,837
Meetings & Conferences	3,561	2,305	583	6,449
Travel	874	-	-	874
Staff Development	13,287	2,437	12	15,736
Food & Meals	16,788	-	-	16,788
Automobile Expenses	16,210	1,018	3,249	20,477
Resident Drug Testing	5,103	-	-	5,103
Resident Assistance	3,220	-	-	3,220
Program Events	7,508	-	55	7,563
Youth Services	1,641	-	-	1,641
Supplies	31,336	1,216	616	33,168
Professional Fees	37,208	30,048	11,147	78,403
Occupancy	171,251	165	-	171,416
Telephone/Internet/Cable	17,543	526	2,736	20,805
Postage	21	205	1,087	1,313
Printing	370	-	5,684	6,054
Dues & Subscriptions	1,342	1,835	91	3,268
Donor Development	-	-	6,748	6,748
Special Event Expenses	250	-	19,581	19,831
Liability Insurance	35,737	765	-	36,502
Bank and Credit Card Fees	2,067	324	3,120	5,511
Charitable Donations	700	350	-	1,050
Depreciation & Amortization	104,445	-	-	104,445
In-Kind Expenses	118,826	2,429	1,100	122,355
Administration Allocations	34,345	(38,945)	4,600	-
Total Expenses	<u>1,108,724</u>	<u>86,303</u>	<u>158,867</u>	<u>1,353,894</u>
CHANGE IN NET ASSETS	<u>\$ (122,046)</u>	<u>\$ (73,962)</u>	<u>\$ 279,540</u>	<u>\$ 83,532</u>

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statement of Functional Revenues and Expenses
For the Year Ended March 31, 2013

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>TOTAL</u>
SUPPORT AND REVENUE				
Contributions				
Individuals	\$ 199,075	\$ -	\$ 102,730	\$ 301,805
Corporations		-	87,777	87,777
Church and Faith Based	12,715	-	17,430	30,145
Foundation Grants	160,545	-	174,586	335,131
In-Kind Support	253,633	3,191		256,824
Earned Income				-
Resident Program Fees	302,800	-		302,800
ATR Service Reimbursements	14,143	-	5,398	19,541
Special Events	-	-	62,451	62,451
Investment Earnings	-	1,015	-	1,015
Other Income	17,628	17,209	-	34,837
Total Support and Revenue	960,539	21,415	450,372	1,432,326
EXPENSES				
Salaries & Wages	344,723	73,029	74,408	492,160
Payroll Taxes	29,842	5,620	6,005	41,467
Benefits	83,802	7,909	9,333	101,044
Meetings & Conferences	5,258	1,617	477	7,352
Staff Development	10,005	3,648	-	13,653
Food & Meals	16,989	-	-	16,989
Automobile Expenses	12,801	1,433	2,710	16,944
Resident Drug Testing	3,376	-	-	3,376
Program Events	11,717	-	-	11,717
Supplies	27,017	3,873	1,324	32,214
Professional Fees	67,575	21,878	10,561	100,014
Occupancy	122,411	-	-	122,411
Telephone/Internet/Cable	18,566	4,228	513	23,307
Postage	123	336	634	1,093
Printing	982	-	3,025	4,007
Dues & Subscriptions	1,232	1,544	65	2,841
Donor Development	-	-	5,436	5,436
Special Event Expenses	85	-	12,391	12,476
Liability Insurance	33,136	894	-	34,030
Bank and Credit Card Fees	2,566	229	3,055	5,850
Depreciation & Amortization	92,220	-	-	92,220
Uncollectible Pledges-Footer 3	-	-	84,300	84,300
In-Kind Expenses	121,819	3,191	-	125,010
Administration Allocations	34,588	(50,632)	16,044	-
Total Expenses	1,040,833	78,797	230,281	1,349,911
CHANGE IN NET ASSETS	\$ (80,294)	\$ (57,382)	\$ 220,091	\$ 82,415

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statements of Cash Flows
March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 83,532	\$ 82,415
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	104,445	92,220
Donated Equipment and Improvements	(59,736)	(131,814)
Improvements from insurance proceeds	(36,066)	-
Change in Operating Assets:		
(Increase) Decrease in Accounts Receivable	(2,539)	12,929
(Increase) Decrease in Pledges Receivable	(58,091)	92,221
(Increase) Decrease in Flex Spending Deposits	(4,000)	-
(Increase) Decrease in Prepaid Expenses	1,806	(6,414)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>(4,448)</u>	<u>(17,247)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>24,903</u>	<u>124,310</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(208,712)</u>	<u>(121,647)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(208,712)</u>	<u>(121,647)</u>
 NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(183,809)	2,663
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>510,899</u>	<u>508,236</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 327,090</u></u>	<u><u>\$ 510,899</u></u>
 SUPPLEMENTARY CASH FLOW DISCLOSURES		
Cash Paid During the Year for Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

PROVIDENCE NETWORK
Notes to Financial Statements
March 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

Providence Network, a non-profit Organization, was incorporated in Colorado in 1987 under the name The Executive Network.

The Organization operates four transformational housing properties in Denver, Colorado, which includes two Level 1 "FirstStep" transitional housing programs and two Level 2 "NextStep" supportive housing communities. Supportive services are provided to individuals and families in transition who are suffering the ill effects of addictions, domestic violence and homelessness. The FirstStep program provides subsidized housing, food, counseling, support groups, life skills development, job training, and healthy social activities. The NextStep community offers affordable rents in a healthy environment with access to supportive services as needed.

The Organization receives most of its revenues in the form of contributions from individuals, foundations, churches, and businesses in the Denver metropolitan area. The Organization also hosts an annual fundraising event and various seasonal community events.

Financial Statement Presentation

The Organization reports net assets according to the following classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. This category includes net assets which have been designated by the board of directors and restricted gifts whose donor-imposed restrictions were met during the year.

Temporarily Restricted Net Assets - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Examples include contributions received for capital campaigns and contributions restricted by donors for use in specific fiscal years.

Permanently Restricted Net Assets - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of March 31, 2014 and 2013, the Organization has no permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all liquid investments with maturities of three months or less to be cash equivalents.

Investments

Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation. Changes in fair market value are reported in the Statement of Activities as unrealized gains or losses.

Property and Equipment

Property and equipment are stated at cost if purchased and at fair value if donated. Property and equipment are depreciated over the estimated useful lives of the assets which range from five to forty years using the straight line method of depreciation. The Organization capitalizes property and equipment additions greater than or equal to \$1,000.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are reported in the financial statements at fair value when the services create non-financial assets or would be purchased if they require specialized skills and are provided by individuals possessing those skills.

Revenue Recognition

In the absence of donor restrictions, contributions, pledges and grants are considered to be available for unrestricted use. Income is recognized in the period when the contribution, pledge, grant, or unconditional promise to give is received.

The Organization reports contributions of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. If explicit donor stipulations are absent about how long those long-lived assets must be put to specific use, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Special purpose donations are accounted for as an increase in temporarily restricted net assets and are to be only used for the purpose, or the time frame, specifically designed by the donor. When a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Exemption

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Contributions made to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(a). The Organization is not classified as a private foundation by the Internal Revenue Service.

Property Tax Exemption

In 1994, the Organization was granted exemption from property taxation of its transitional homes, as property owned and used solely and exclusively for charitable purposes.

Pledges Receivable

The Organization records all pledges that are expected to be collected in future years. Periodically the Organization reviews the balance of pledges and contributions outstanding and reserves for amounts estimated to be uncollectible. Pledges on which the donors are behind in their scheduled payments are considered past due and are examined for collectibility.

Subsequent Events

Management has reviewed all subsequent events through July 30, 2014, which is the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK AND REVENUE CONCENTRATIONS

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and certificates of deposits (CDs) held at a financial institution. Bank accounts held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The CDs held by the Organization are 100% FDIC insured.

Revenue Concentrations

The Organization's ten largest donations accounted for approximately 35% and 57% of total contributions in March 31, 2014 and 2013, respectively. If these donations were to be modified, reduced, or eliminated, the Organization's finances could be adversely affected. A large percentage of the 2013 contributions are related to the in-kind contribution of NEEP (Non-Profit Energy Efficiency Program) for renovations on the Clausen House.

NOTE 3 - PLEDGES RECEIVABLE

A summary of multi-year pledges receivable as of March 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 83,006	\$ 68,224
One to five years	150,705	107,634
More than five years	-	-
	<u>233,711</u>	<u>175,634</u>
Less: Allowance for Doubtful Accounts	<u>(13,831)</u>	<u>(14,069)</u>
	<u>\$ 219,880</u>	<u>\$ 161,789</u>

These pledges are reflected in current assets, less than one year, and other assets on the Statements of Financial Position.

The Financial Accounting Standards Board (FASB) statement 116, "Accounting for Contributions Received and Contributions Made specifies that unconditional promises to give should be recorded in the financial statements at the time of the promise. Management calculates an allowance for doubtful accounts, associated with future collections of these contributions, based on historical collection results. Unfortunately, sometimes for reasons uncontrollable by Management, donors are unable to fulfill these promises. These unfulfilled contributions are reflected on the Statement of Functional Revenues and Expenses as uncollectible pledges.

As of March 31, 2014, management determined that there were no contributions deemed uncollectible.

NOTE 4 - IN-KIND GOODS, SERVICES, AND USE OF FACILITIES

Donated goods and services were recognized in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Equipment and Improvements	\$ 12,270	\$ 131,814
Counseling Services	86,340	81,066
Food for program residents	13,272	18,386
Professional Fees	10,359	3,391
Supplies and Apartment Furnishings	<u>62,170</u>	<u>22,167</u>
	<u>\$ 184,411</u>	<u>\$ 256,824</u>

NOTE 5 - PROGRAM FEE INCOME

As discussed in Note 1, the Organization operates four transformational housing properties in Denver, Colorado. Program Income includes program fees from Level 1 residents and rental income from Level 2 tenants. Program fees and rent are charged based on affordability rates. Rental income received was \$347,766 and \$302,800 for the years ended March 31, 2014 and 2013, respectively.

NOTE 6 - OTHER INCOME

Other income amounted to \$100,070 and \$34,837 for the years ended March 31, 2014 and 2013 respectively. This account includes such items as refunds from the Health Care Tax Credit, insurance claim receipts, laundry and vending income, and Visa cash back rebates.

NOTE 7 - STATEMENT OF FUNCTIONAL EXPENSES - SPECIAL EVENTS EXPENSES

Providence Network sponsors four to six community events per year with residents, staff, and individuals from the community. These events are designed to develop positive social skills for residents and build relationships within the community. Therefore, the cost of these events is allocated to program expenses. The Organization also hosts one fundraiser each year and allocates 100% of these expenses to fundraising.

NOTE 8 - LINE OF CREDIT

On July 13, 2012, the Organization renewed its line of credit with a bank in the amount of \$500,000. The agreement requires interest only payments based on the Wall Street Journal Prime Rate plus one percent with a floor rate of 5%. The maturity date of this line is July 21, 2014 with any outstanding principal and interest due on this date. The line of credit is collateralized with a first deed of trust on real estate located in Denver, Colorado. The balance outstanding on March 31, 2014 and 2013 was \$0.

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Organization adopted a 403(b) employee retirement plan effective October 1, 2002 that is available to all eligible employees who have completed three months of service. Employees may elect to defer up to the maximum legal limit of compensation. The Organization may make discretionary contributions. Employer contributions are discretionary as determined at the beginning of each fiscal year and throughout the year and vest immediately. Employer contributions amounted to \$28,514 and \$27,823 for years ended March 31, 2014 and 2013, respectively.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of amounts designated by the donors for the following specified services.

	<u>2014</u>	<u>2013</u>
Joy House	\$ 7,500	\$ 2,500
Salary Specific Fund	200	150
Foothills Wilderness Trip	6,006	6,006
Educational Fund	5,457	5,457
Energy Outreach	960	-
Multi-Year Pledges	215,602	159,991
Employment Program	-	25,000
Capital Fund	42,066	-
	<u>\$ 277,791</u>	<u>\$ 199,104</u>

NOTE 11 - OPERATING LEASES

Office equipment leases included a telephone system lease requiring monthly payments of \$167 that ended on June 30, 2013.