

PROVIDENCE NETWORK

FINANCIAL STATEMENTS

March 31, 2019 and 2018

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CAHILL

& ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, 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 audits 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, 2019 and 2018, 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 & ASSOCIATES, P.C.
Boulder, Colorado
September 9, 2019

PROVIDENCE NETWORK
Statements of Financial Position
March 31, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 87,405	\$ 223,539
Prepaid Expenses	36,098	21,634
Flex Spending Deposits	4,000	4,000
Accounts Receivable	1,517	3,325
Pledges Receivable, Current, Net of Allowance for Doubtful Accounts of \$4,268 and \$1,120 for 2019 and 2018, respectively	68,293	17,285
Total Current Assets	197,313	269,783
PROPERTY AND EQUIPMENT		
Land	3,209,710	1,794,710
Buildings	5,641,575	1,994,215
Building Improvements	1,941,493	1,761,723
Furniture and Equipment	233,627	142,479
Automobiles	50,839	50,839
	11,077,244	5,743,966
Less: Accumulated Depreciation	(1,541,700)	(1,345,012)
Total Property and Equipment	9,535,544	4,398,954
OTHER ASSETS		
Pledges Receivable, Long Term, Net of Allowance for Doubtful Accounts of \$1,154 and \$941 for 2019 and 2018, respectively	7,607	16,991
Loan Fees	16,132	-
Accumulated Amortization	(718)	-
Investment in Silver Lining House	-	2,928,284
Total Other Assets	23,021	2,945,275
TOTAL ASSETS	\$ 9,755,878	\$ 7,614,012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 122,688	\$ 107,241
Credit Cards Payable	29,710	26,395
Accrued Interest	31,766	1,311
Security Deposits	13,861	11,208
Deferred Revenue	4,154	4,019
Lines Of Credit	1,405,000	850,000
Total Current Liabilities	1,607,179	1,000,174
Note Payable	1,500,000	-
Total Liabilities	3,107,179	1,000,174
NET ASSETS		
Without Donor Restrictions	6,588,307	6,535,511
With Donor Restrictions	60,392	78,327
Total Net Assets	6,648,699	6,613,838
TOTAL LIABILITIES AND NET ASSETS	\$ 9,755,878	\$ 7,614,012

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statement of Activities
For the Year Ended March 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Temporary Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Individuals	\$ 369,124	\$ 51,566	\$ 420,690
Corporations	9,635	-	9,635
Church and Faith Based	39,225	14,080	53,305
Foundation Grants	209,760	265,000	474,760
In-Kind Support	444,322	-	444,322
Special Events	157,660	-	157,660
Earned Income			
Resident Program Fees	379,608	-	379,608
Investment Income	166	-	166
Other Income	59,873	-	59,873
Net Assets Released from Restrictions			
Due to Satisfaction of Restrictions	348,581	(348,581)	-
Total Support and Revenue	<u>2,017,954</u>	<u>(17,935)</u>	<u>2,000,019</u>
EXPENSES			
Program Services	1,602,389	-	1,602,389
Administration	114,444	-	114,444
Fundraising	248,325	-	248,325
Total Expenses	<u>1,965,158</u>	<u>-</u>	<u>1,965,158</u>
CHANGE IN NET ASSETS	<u>52,796</u>	<u>(17,935)</u>	<u>34,861</u>
NET ASSETS, Beginning of Year	<u>6,535,511</u>	<u>78,327</u>	<u>6,613,838</u>
NET ASSETS, End of Year	<u>\$ 6,588,307</u>	<u>\$ 60,392</u>	<u>\$ 6,648,699</u>

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statement of Activities
For the Year Ended March 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Temporary Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Individuals	\$ 367,588	\$ 164,144	\$ 531,732
Corporations	452,525	20,000	472,525
Church and Faith Based	25,524	7,347	32,871
United Way	350		350
Foundation Grants	158,187	191,281	349,468
In-Kind Support	236,044	-	236,044
Special Events	96,929	-	96,929
Earned Income			
Resident Program Fees	340,036	-	340,036
Investment Income	640	-	640
Other Income	11,746	-	11,746
Net Assets Released from Restrictions			
Due to Satisfaction of Restrictions	900,102	(900,102)	-
Total Support and Revenue	<u>2,589,671</u>	<u>(517,330)</u>	<u>2,072,341</u>
EXPENSES			
Program Services	1,263,703	-	1,263,703
Administration	104,871	-	104,871
Fundraising	186,924	-	186,924
Total Expenses	<u>1,555,498</u>	<u>-</u>	<u>1,555,498</u>
CHANGE IN NET ASSETS	<u>1,034,173</u>	<u>(517,330)</u>	<u>516,843</u>
PRIOR PERIOD ADJUSTMENT	189,425	-	189,425
NET ASSETS, Beginning of Year	<u>5,311,913</u>	<u>595,657</u>	<u>5,907,570</u>
NET ASSETS, End of Year	<u>\$ 6,535,511</u>	<u>\$ 78,327</u>	<u>\$ 6,613,838</u>

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statement of Functional Revenues and Expenses
For the Year Ended March 31, 2019

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>TOTAL</u>
SUPPORT AND REVENUE				
Contributions				
Individuals	\$ 192,795	\$ -	\$ 227,894	\$ 420,689
Corporations	5,490	240	3,905	9,635
Church and Faith Based	18,755	-	34,549	53,304
Foundation Grants	297,537	-	177,223	474,760
In-Kind Support	439,708	-	4,614	444,322
Special Events	28,192	-	129,468	157,660
Earned Income				
Resident Program Fees	379,610	-	-	379,610
Investment Earnings	-	166	-	166
Other Income	56,254	3,575	44	59,873
Total Support and Revenue	1,418,341	3,981	577,697	2,000,019
EXPENSES				
Salaries & Wages	584,607	62,910	133,286	780,803
Payroll Taxes	46,788	4,484	10,071	61,343
Benefits	163,247	28,279	24,532	216,058
Meetings & Conferences	2,038	2,246	1,064	5,348
Travel				-
Staff Development	17,982	5,568	1,014	24,564
Food & Meals	27,758			27,758
Automobile Expenses	10,542	235	652	11,429
Resident Drug Testing	8,751			8,751
Resident Assistance	5,451	-		5,451
Program Events	8,107		100	8,207
Youth Services	1,641	-		1,641
Supplies	35,713	4,927	569	41,209
Professional Fees	6,420	23,461	6,634	36,515
Occupancy	166,212	35	-	166,247
Telephone/Internet/Cable	22,646	2,544	1,171	26,361
Postage	125	205	847	1,177
Printing	384	19	3,536	3,939
Dues & Subscriptions	2,542	1,945	335	4,822
Donor Development			1,770	1,770
Special Event Expenses	713	-	42,725	43,438
Liability Insurance	55,666	2,548	236	58,450
Bank and Credit Card Fees	6,041	918	9,836	16,795
Charitable Donations	100			100
Interest Expense	86,673	12,679		99,352
Depreciation & Amortization	197,228			197,228
In-Kind Expenses	111,784	4	4,614	116,402
Administration Allocations	33,230	(38,563)	5,333	-
Total Expenses	1,602,389	114,444	248,325	1,965,158
CHANGE IN NET ASSETS	\$ (184,048)	\$ (110,463)	\$ 329,372	\$ 34,861

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statement of Functional Revenues and Expenses
For the Year Ended March 31, 2018

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>TOTAL</u>
SUPPORT AND REVENUE				
Contributions				
Individuals	\$ 296,208	\$ -	\$ 235,524	\$ 531,732
Corporations	20,000	-	452,525	472,525
Church and Faith Based	9,447	-	23,424	32,871
Foundation Grants	196,807	-	152,661	349,468
United Way/Other Federated Gvng	-	-	350	350
In-Kind Support	199,380	564	36,100	236,044
Special Events	-	-	96,929	96,929
Earned Income				
Resident Program Fees	340,036	-	-	340,036
Investment Earnings	-	640	-	640
Other Income	8,658	3,004	84	11,746
Total Support and Revenue	1,070,536	4,208	997,597	2,072,341
EXPENSES				
Salaries & Wages	497,144	66,485	79,573	643,202
Payroll Taxes	40,796	4,995	6,250	52,041
Benefits	149,704	26,876	11,461	188,041
Meetings & Conferences	2,712	1,868	1,138	5,718
Travel	2,339	-	27	2,366
Staff Development	9,261	2,670	73	12,004
Food & Meals	20,904	-	-	20,904
Automobile Expenses	10,550	241	439	11,230
Resident Drug Testing	6,009	-	-	6,009
Resident Assistance	5,292	-	-	5,292
Program Events	9,811	-	-	9,811
Youth Services	1,146	-	-	1,146
Supplies	28,856	3,226	139	32,221
Professional Fees	7,497	24,537	6,983	39,017
Occupancy	125,698	10	-	125,708
Telephone/Internet/Cable	20,109	2,106	560	22,775
Postage	131	201	452	784
Printing	787	-	6,681	7,468
Dues & Subscriptions	1,490	1,570	743	3,803
Donor Development	-	-	4,753	4,753
Special Event Expenses	652	-	17,625	18,277
Liability Insurance	42,335	2,360	84	44,779
Bank and Credit Card Fees	8,658	1,185	9,053	18,896
Charitable Donations	2,603	-	-	2,603
Interest Expense	10,851	613	-	11,464
Depreciation & Amortization	110,450	-	-	110,450
In-Kind Expenses	118,072	564	36,100	154,736
Administration Allocations	29,846	(34,636)	4,790	-
Total Expenses	1,263,703	104,871	186,924	1,555,498
CHANGE IN NET ASSETS	\$ (193,167)	\$ (100,663)	\$ 810,673	\$ 516,843

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Support and Revenue Received	\$ 1,632,283	\$ 2,535,040
Salaries and Operating Expenses Paid	<u>(1,730,389)</u>	<u>(1,384,327)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(98,106)	1,150,713
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,076,896)	(41,026)
Investment in Silver Lining House	-	<u>(1,467,901)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(2,076,896)</u>	<u>(1,508,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Line of Credit	555,000	850,000
Loan Fees Paid	(16,132)	-
Proceeds (Payments) of Long Term Debt	<u>1,500,000</u>	<u>(400,000)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,038,868</u>	<u>450,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(136,134)	91,786
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>223,539</u>	<u>131,753</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 87,405</u>	<u>\$ 223,539</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 34,861</u>	<u>\$ 516,843</u>
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	197,228	110,450
Donated Equipment and Improvements	<u>(327,920)</u>	<u>(81,309)</u>
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Deposits	-	2,000
Decrease in Accounts Receivable	1,808	810
(Increase) Decrease in Pledges Receivable	<u>(41,624)</u>	<u>543,198</u>
(Increase) Decrease in Prepaid Expenses	<u>(14,464)</u>	<u>7,131</u>
Increase in Payables and Accrued Expenses	<u>52,005</u>	<u>51,590</u>
Total Adjustments	<u>(132,967)</u>	<u>633,870</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (98,106)</u>	<u>\$ 1,150,713</u>
Other Information:		
Interest Paid	\$ 67,586	\$ 27,596
Non-Cash Revenue and Expenses		
In Kind Contributions	444,326	236,045
In Kind Expenses	(116,402)	(154,736)
In Kind Capitalized	(327,924)	(81,309)

See Accompanying Notes to Financial Statements

PROVIDENCE NETWORK
Notes to Financial Statements
March 31, 2019 and 2018

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 changed its name to Providence Network in 1999.

The Organization operates six transformational housing properties in Denver, Colorado. This includes three Level 1 "FirstStep" transitional homes and three Level 2 "NextStep" communities. Supportive services are provided to individuals and families in transition who are recovering from addictions, domestic violence and/or homelessness. The FirstStep program provides subsidized housing, food, counseling, support groups, life skills development, employment training, and healthy social activities. The NextStep communities offer affordable rents in a healthy, sober living environment with access to supportive services as needed.

The Organization receives 19.57% of its revenues from program fees and rent paid by the residents. The remaining 80.43% is from private contributions and grants.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net Assets available for operations. 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.

Net Assets With Donor Restrictions – Net Assets available only for specific purposes or time frames. These assets consist of two types of Net Assets:

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 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, 2019 and 2018, 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 cashed upon receipt and recorded as contributions at their estimated fair values at the date of donation.

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

Expenses are charged directly to program services and fundraising based on the character of the costs. Payroll and related payroll costs are allocated based on evaluation of time utilized. General and Administrative Expense include costs that are not directly identifiable with a specific program function and provide for the overall support and direction of the Organization.

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 transformational housing properties, as property owned and used solely and exclusively for charitable purposes. The exemption is renewed on a yearly basis.

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 collectability.

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 held at a financial institution. The Organization's bank accounts held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization also has an Insured Cash Sweep account which funds in excess of \$250,000 per account are transferred into. This is to ensure that no account exceeds the \$250,000 FDIC limits.

Revenue Concentrations

The Organization's ten largest donations accounted for approximately 42% and 58% of total contributions for the years ended March 31, 2019 and 2018, respectively. If these donations were to be modified, reduced, or eliminated, the Organization's finances could be adversely affected.

NOTE 3 - PLEDGES RECEIVABLE

A summary of multi-year pledges receivable as of March 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 72,561	\$ 18,406
One to five years	8,761	17,932
More than five years	<u>-</u>	<u>-</u>
	81,322	36,338
Less: Allowance for Doubtful Accounts	<u>(5,422)</u>	<u>(2,062)</u>
	<u>\$ 75,900</u>	<u>\$ 34,276</u>

Pledges committed for less than one year are reflected as "Current Assets" and those committed for more than one year are reflected as "Other Assets" on the Statement 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 estimated and reflected on the Statement of Functional Revenues and Expenses as uncollectible pledges.

NOTE 4 - 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 hosted two fundraisers in the year ending March 31, 2019 and allocated 100% of the expenses to fundraising.

NOTE 5 - IN-KIND GOODS, SERVICES, AND USE OF FACILITIES

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

	<u>2019</u>	<u>2018</u>
Champa House Building	\$ 250,000	\$ -
Equipment and Improvements	77,920	-
Silver Lining House	-	81,309
Counseling Services	74,160	70,870
Food for program residents	21,025	30,782
Professional Fees	7,800	38,790
Supplies and Apartment Furnishings	13,417	14,293
	<u>\$ 444,322</u>	<u>\$ 236,044</u>

NOTE 6 - PROGRAM FEE INCOME

As discussed in Note 1, the Organization operates six 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. This income received was \$379,608 and \$340,036 for the years ended March 31, 2019 and 2018, respectively.

NOTE 7 - OTHER INCOME

Other income amounted to \$59,873 and \$11,746 for the years ended March 31, 2019 and 2018 respectively. This account includes such items as refunds from insurance claim receipts, laundry and vending income, and Visa cash back rebates.

NOTE 8 - LINES OF CREDIT

The Organization has three lines of credit, two for \$700,000 each and one for \$750,000. The terms are the same but the properties used for collateral are different. The terms are as follows:

In June of 2018, the Organization renewed a line of credit with a bank in the amount of \$700,000. The agreement requires interest only payments based on the Wall Street Journal Prime Rate plus one percent with a floor rate of 5.5%. The maturity date of this line is February 10, 2020 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 at 2330 Washington Street Denver, Colorado. The balance outstanding on March 31, 2019 was \$700,000 with accrued interest of \$3,918.

In June of 2018, the Organization renewed an additional line of credit with a bank in the amount of \$700,000. The agreement requires interest only payments based on the Wall Street Journal Prime Rate plus one percent with a floor rate of 5.5%. The maturity date of this line is February 10, 2020 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 at 1201 E. 16th Ave. Denver, CO 80218. The balance outstanding on March 31, 2019 was \$355,000 with accrued interest of \$2,019.

NOTE 8 - LINES OF CREDIT (Continued)

In February of 2018, the Organization obtained a third line of credit with a bank in the amount of \$750,000. The agreement requires interest only payments based on the Wall Street Journal Prime Rate plus one percent with a floor rate of 5.5%. The maturity date of this line is February 8, 2020 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 at 801 N. Logan Street, Denver, CO 80203. The balance outstanding on March 31, 2019 was \$350,000 with accrued interest of \$1,665.

NOTE 9 – NOTE PAYABLE

On June 25, 2018 Providence Network issued a note payable in the amount of \$1,500,000 to a donor and used the funds to purchase the Champa House property. The loan is interest only and has a rate of 2.1%. Annual interest payments are due on June 25th of each year. The principal balance is due and payable on June 25, 2020. The note has a balance of \$1,500,000 at March 31, 2019 and accrued interest of \$24,164.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Organization adopted a 403(b) employee retirement plan effective October 1, 2002 that is available to all eligible employees on the first of the month following 60 days 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 \$44,076 and \$35,914 for years ended March 31, 2019 and 2018, respectively.

NOTE 11 – ASSETS WITH DONOR RESTRICTIONS

Assets with restrictions as to specific time frames or purposes are considered temporarily restricted net assets and consist of amounts designated by the donors for the following specified services:

	<u>2019</u>	<u>2018</u>
Joy House	\$ 6,550	\$ -
Joy House Graduate Scholarship	18,967	6,191
Silver Lining House	10,777	23,977
Salary Specific Fund	550	6,300
Educational Fund	4,307	4,307
Multi-Year Pledges	19,241	37,552
	<u>\$ 60,392</u>	<u>\$ 78,327</u>

NOTE 12 – SILVER LINING HOUSE INVESTMENT

On September 24, 2015, Providence Network purchased a property located at 357 Broadway, Denver Colorado, for \$1,100,000 and invested an additional \$1,828,284 into refurbishing and furnishing the property during the fiscal year ending March 31, 2018. In May of 2018, Providence Network placed the property in service and re-classed the investment to fixed assets. The property is used as a transitional home for young adults.

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Notes to Financial Statements

NOTE 13 – CHAMPA HOUSE ADDITION

On June 25, 2018, Providence Network purchased a property located at 2544 Champa Street, Denver Colorado for \$1,750,000. The funds to purchase this property were provided through a loan referenced in Note 9 as well as the available lines of credit and additional funds donated. The property is being used as a Level 2 NextStep supportive housing community for those who completed the Level 1 FirstStep program or similar transitional program.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

At March 31, 2018 The Organization has re-allocated \$309,904 of its fixed assets from buildings to land. The accumulated depreciation on the portion of the buildings that were re-classified was credited back to net assets in the amount of \$189,425 and depreciation expense for the year ending March 31, 2018 was reduced by \$21,268.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated all subsequent events through September 9, 2019 which is the date the financial statements were available to be issued.