

**PROVIDENCE NETWORK**

**FINANCIAL STATEMENTS**

**March 31, 2023 and 2022**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Providence Network  
Denver, Colorado

### **Opinion**

We have audited the accompanying financial statements of Providence Network (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, the related statements of activities, functional revenues and expenses 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 Providence Network as of March 31, 2023 and 2022, 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 for Opinion**

We conducted our audit 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 Providence Network 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 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 Providence Network'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 Providence Network'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 Providence Network'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.

CAHILL & ASSOCIATES, P.C.  
Boulder, Colorado  
June 16, 2023

**PROVIDENCE NETWORK**  
**Statements of Financial Position**  
**March 31, 2023 and 2022**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 85,313	\$ 103,793
Prepaid Expenses	17,475	38,985
Flex Spending Deposits	3,000	3,000
Accounts Receivable	7,508	1,955
Employee Retention Credit Receivable	505,257	-
Pledges Receivable, Current, Net of Allowance for Doubtful Accounts of \$0	26,000	12,304
<b>Total Current Assets</b>	<b>644,553</b>	<b>160,037</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	3,209,710	3,209,710
Buildings	5,641,575	5,641,575
Building Improvements	2,552,825	2,337,782
Furniture and Equipment	270,520	270,520
Automobiles	34,473	34,473
	11,709,103	11,494,060
Less: Accumulated Depreciation	(2,476,788)	(2,226,998)
<b>Total Property and Equipment</b>	<b>9,232,315</b>	<b>9,267,062</b>
<b>OTHER ASSETS</b>		
Loan Fees	16,132	16,132
Accumulated Amortization	(2,869)	(2,331)
<b>Total Other Assets</b>	<b>13,263</b>	<b>13,801</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,890,131</b>	<b>\$ 9,440,900</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 182,346	\$ 63,086
Credit Cards Payable	28,500	30,214
Accrued Interest	8,041	8,203
Current Portion of Long Term Debt	55,203	53,243
Security Deposits	32,949	30,430
Deferred Revenue	1,712	6,963
Lines Of Credit	315,000	155,000
<b>Total Current Liabilities</b>	<b>623,751</b>	<b>347,139</b>
Long Term Debt, Less Current Portion	2,524,378	2,578,234
<b>Total Liabilities</b>	<b>3,148,129</b>	<b>2,925,373</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	6,697,004	6,463,719
With Donor Restrictions	44,998	51,808
<b>Total Net Assets</b>	<b>6,742,002</b>	<b>6,515,527</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,890,131</b>	<b>\$ 9,440,900</b>

See Accompanying Notes to Financial Statements

**PROVIDENCE NETWORK**  
**Statement of Activities**  
**For the Year Ended March 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Temporary Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions			
Individuals	\$ 409,202	\$ 20,100	\$ 429,302
Corporations	191,028	-	191,028
Church and Faith Based	28,041	20,500	48,541
Foundation Grants	489,223	-	489,223
Employee Retention Credits	505,257	-	505,257
In-Kind Support	33,759	-	33,759
Earned Income			
Resident Program Fees	536,215	-	536,215
Investment Income	650	-	650
Insurance Proceeds	63,600	-	63,600
Other Income	5,131	-	5,131
Net Assets Released from Restrictions			
Due to Satisfaction of Restrictions	47,410	(47,410)	-
<b>Total Support and Revenue</b>	<u><b>2,309,516</b></u>	<u><b>(6,810)</b></u>	<u><b>2,302,706</b></u>
<b>EXPENSES</b>			
Program Services	1,595,077	-	1,595,077
Administration	240,430	-	240,430
Fundraising	240,724	-	240,724
<b>Total Expenses</b>	<u><b>2,076,231</b></u>	<u><b>-</b></u>	<u><b>2,076,231</b></u>
<b>CHANGE IN NET ASSETS</b>	<u><b>233,285</b></u>	<u><b>(6,810)</b></u>	<u><b>226,475</b></u>
<b>NET ASSETS, Beginning of Year</b>	<u><b>6,463,719</b></u>	<u><b>51,808</b></u>	<u><b>6,515,527</b></u>
<b>NET ASSETS, End of Year</b>	<u><u><b>\$ 6,697,004</b></u></u>	<u><u><b>\$ 44,998</b></u></u>	<u><u><b>\$ 6,742,002</b></u></u>

See Accompanying Notes to Financial Statements

**PROVIDENCE NETWORK**  
**Statement of Activities**  
**For the Year Ended March 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Temporary Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions			
Individuals	\$ 488,804	\$ 17,500	\$ 506,304
Corporations	134,000	-	134,000
Church and Faith Based	33,994	9,400	43,394
Foundation Grants	433,362	29,000	462,362
In-Kind Support	122,256	-	122,256
Earned Income			
Resident Program Fees	507,540	-	507,540
Investment Income	135	-	135
Other Income	13,592	-	13,592
Net Assets Released from Restrictions			
Due to Satisfaction of Restrictions	42,274	(42,274)	-
<b>Total Support and Revenue</b>	<u><b>1,775,957</b></u>	<u><b>13,626</b></u>	<u><b>1,789,583</b></u>
<b>EXPENSES</b>			
Program Services	1,667,139	-	1,667,139
Administration	95,812	-	95,812
Fundraising	196,249	-	196,249
<b>Total Expenses</b>	<u><b>1,959,200</b></u>	<u><b>-</b></u>	<u><b>1,959,200</b></u>
<b>CHANGE IN NET ASSETS</b>	<u><b>(183,243)</b></u>	<u><b>13,626</b></u>	<u><b>(169,617)</b></u>
<b>NET ASSETS, Beginning of Year</b>	<u><b>6,646,962</b></u>	<u><b>38,182</b></u>	<u><b>6,685,144</b></u>
<b>NET ASSETS, End of Year</b>	<u><u><b>\$ 6,463,719</b></u></u>	<u><u><b>\$ 51,808</b></u></u>	<u><u><b>\$ 6,515,527</b></u></u>

See Accompanying Notes to Financial Statements

**PROVIDENCE NETWORK**  
**Statement of Functional Revenues and Expenses**  
**For the Year Ended March 31, 2023**

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE</b>				
Contributions				
Individuals	\$ 61,865	\$ -	\$ 367,437	\$ 429,302
Corporations	-	-	191,028	191,028
Church and Faith Based	11,196	-	37,345	48,541
Foundation Grants	43,025	-	446,198	489,223
Employee Retention Credit	-	505,257	-	505,257
In-Kind Support	32,759	1,000	-	33,759
Earned Income				
Resident Program Fees	536,215	-	-	536,215
Investment Earnings	-	650	-	650
Other Income	64,612	4,119	-	68,731
<b>Total Support and Revenue</b>	<b>749,672</b>	<b>511,026</b>	<b>1,042,008</b>	<b>2,302,706</b>
<b>EXPENSES</b>				
Salaries & Wages	541,317	111,761	131,064	784,142
Payroll Taxes	44,171	8,379	10,499	63,049
Retirement	28,692	6,729	6,948	42,369
Benefits	92,130	19,485	17,023	128,638
Worker's Compensation Insurance	15,240	106	244	15,590
Contract Labor	6,260	-	-	6,260
Human Resources & Processing Fees	12,060	564	2,493	15,117
Meetings & Conferences	5,156	1,311	1,562	8,029
Staff Development	12,120	910	1,258	14,288
Food & Meals	25,050	-	-	25,050
House Supplies	14,776	-	-	14,776
Resident Assistance	2,257	-	-	2,257
Program Events	10,841	-	213	11,054
Program Services	300	-	-	300
Program Supplies	5,195	-	-	5,195
Program Vehicle Expense	7,483	-	3	7,486
Database & Website	-	42	18,827	18,869
Direct Mail	-	-	2,640	2,640
Office Supplies	4,993	280	1,079	6,352
Professional Fees	14,104	68,830	29,463	112,397
Occupancy	272,421	-	-	272,421
Telephone/Internet/Cable	28,103	1,293	1,441	30,837
Postage	-	42	77	119
Dues & Subscriptions	2,487	608	297	3,392
Donor Development	-	-	2,420	2,420
Liability Insurance	68,101	2,634	1,085	71,820
Bank and Credit Card Fees	811	163	9,671	10,645
Interest Expense	97,358	10,990	-	108,348
Travel	3,618	5,868	1,352	10,838
Charitable Donations	309	(565)	1,065	809
Depreciation & Amortization	250,328	-	-	250,328
In-Kind Expenses	29,396	1,000	-	30,396
<b>Total Expenses</b>	<b>1,595,077</b>	<b>240,430</b>	<b>240,724</b>	<b>2,076,231</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (845,405)</b>	<b>\$ 270,596</b>	<b>\$ 801,284</b>	<b>\$ 226,475</b>

See Accompanying Notes to Financial Statements



**PROVIDENCE NETWORK**  
**Statement of Functional Revenues and Expenses**  
**For the Year Ended March 31, 2022**

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE</b>				
Contributions				
Individuals	\$ 36,192	\$ -	\$ 470,112	\$ 506,304
Corporations	31,000	-	103,000	134,000
Church and Faith Based	9,400	-	33,994	43,394
Foundation Grants	189,638	-	272,724	462,362
In-Kind Support	120,456	1,000	800	122,256
Earned Income				
Resident Program Fees	507,540	-	-	507,540
Investment Earnings	-	135	-	135
Other Income	10,243	3,349	-	13,592
<b>Total Support and Revenue</b>	<b>904,469</b>	<b>4,484</b>	<b>880,630</b>	<b>1,789,583</b>
<b>EXPENSES</b>				
Salaries & Wages	587,398	66,247	109,259	762,904
Payroll Taxes	46,432	4,765	8,135	59,332
Benefits	146,760	34,267	19,878	200,905
Meetings & Conferences	1,743	1,006	61	2,810
Staff Development	11,957	5,276	1,008	18,241
Food & Meals	28,633	-	-	28,633
Automobile Expenses	9,196	160	98	9,454
Resident Drug Testing	4,310	-	-	4,310
Resident Assistance	6,210	-	-	6,210
Program Events	5,218	-	-	5,218
Fundraising Events	-	-	1,432	1,432
Database & Website	102	214	16,141	16,457
Supplies	22,685	3,359	570	26,614
Professional Fees	5,323	18,367	20,597	44,287
Occupancy	232,426	10	-	232,436
Telephone/Internet/Cable	25,460	2,496	978	28,934
Postage	-	7	760	767
Printing	54	-	2,234	2,288
Dues & Subscriptions	3,635	2,383	71	6,089
Donor Development	-	-	943	943
Liability Insurance	64,070	2,964	148	67,182
Bank and Credit Card Fees	15	631	8,502	9,148
Interest Expense	111,686	(11,912)	-	99,774
Depreciation & Amortization	246,555	-	-	246,555
In-Kind Expenses	76,477	1,000	800	78,277
Administration Allocations	30,794	(35,428)	4,634	-
<b>Total Expenses</b>	<b>1,667,139</b>	<b>95,812</b>	<b>196,249</b>	<b>1,959,200</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (762,670)</b>	<b>\$ (91,328)</b>	<b>\$ 684,381</b>	<b>\$ (169,617)</b>

See Accompanying Notes to Financial Statements

**PROVIDENCE NETWORK**  
**Statements of Cash Flows**  
**Years Ended March 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Support and Revenue Received	\$ 1,776,306	\$ 1,785,316
Salaries and Operating Expenses Paid	(1,689,741)	(1,782,214)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>86,565</b>	<b>3,102</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(213,149)	(51,676)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(213,149)</b>	<b>(51,676)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds (Payments) of Line of Credit	160,000	(1,055,000)
Proceeds (Payments) of Long Term Debt	(51,896)	1,099,977
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>108,104</b>	<b>44,977</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(18,480)</b>	<b>(3,597)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>103,793</b>	<b>107,390</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 85,313</b>	<b>\$ 103,793</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Change in Net Assets</b>	<b>\$ 226,475</b>	<b>\$ (169,617)</b>
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:</b>		
Depreciation and Amortization	250,328	246,555
Donated Equipment and Improvements	(1,894)	(45,129)
<b>Changes in Operating Assets and Liabilities:</b>		
(Increase) Decrease in Accounts Receivable	(510,810)	5,559
(Increase) Decrease in Pledges Receivable	(13,696)	(9,826)
(Increase) Decrease in Prepaid Expenses	21,510	1,948
Increase in Payables and Accrued Expenses	114,652	(26,388)
<b>Total Adjustments</b>	<b>(139,910)</b>	<b>172,719</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 86,565</b>	<b>\$ 3,102</b>
<b>Other Information:</b>		
Interest Paid	\$ 100,307	\$ 91,571
<b>Non-Cash Revenue and Expenses</b>		
In Kind Contributions	33,759	122,256
In Kind Expenses	(31,865)	(77,127)
In Kind Capitalized	(1,894)	(45,129)

See Accompanying Notes to Financial Statements

**PROVIDENCE NETWORK**  
Notes to Financial Statements  
March 31, 2023 and 2022

**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" affordable sober living apartment 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 received 23.28% of its revenues from program fees and rent paid by the residents. The remaining is split 21.94% from Government Employee Retention Credits, 2.76% from insurance proceeds, 51.99% from private contributions and grants and .03% from interest and miscellaneous revenue.

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, 2023 and 2022, 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 market value if donated. Property and equipment are depreciated over the estimated useful lives of the assets which range from five to seventy five 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 30% and 38% of total contributions for the years ended March 31, 2023 and 2022, 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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 26,000	\$ 12,304
One to five years	-	-
	<u>26,000</u>	<u>12,304</u>
Less: Allowance for Doubtful Accounts	-	-
	<u>\$ 26,000</u>	<u>\$ 12,304</u>

Pledges committed for less than one year are reflected as Current Assets.

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 - PROGRAM EVENTS EXPENSES**

Providence Network sponsors three to four 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.

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

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

	<u>2023</u>	<u>2022</u>
Equipment and Improvements	\$ 1,894	\$ 45,129
Counseling Services	600	54,295
Food for program residents	7,220	7,510
Professional Fees	11,643	7,400
Supplies and Apartment Furnishings	<u>12,402</u>	<u>7,922</u>
	<u>\$ 33,759</u>	<u>\$ 122,256</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 \$536,215 and \$507,540 for the years ended March 31, 2023 and 2022, respectively.

**NOTE 7 - OTHER INCOME**

Other income amounted to \$68,731 and \$13,592 for the years ended March 31, 2023 and 2022 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**

In March of 2023, 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 .45 percent with a 3.75% floor. The maturity date of this line is March 10, 2025 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, CO 80205. The balance outstanding on March 31, 2023 was \$315,000. This balance was paid in full in April of 2023.

**NOTE 9 - NOTE PAYABLE**

In March of 2021, the Organization obtained a note payable with a bank in the amount of \$2,681,500. The agreement requires monthly principal and interest payments of \$12,302 with an annualized interest rate of 3.62%. The maturity date of this note is March 10, 2031. The note is collateralized with a first deed of trust on real estate located at 1201 E. 16<sup>th</sup> Ave. Denver, CO 80218. The note has an outstanding balance of \$2,579,581 on March 31, 2023 with accrued interest of \$8,041.

The future commitments for this note payable are:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31, 2024	55,203	92,424	147,627
March 31, 2025	57,235	90,392	147,627
March 31, 2026	59,342	88,285	147,627
March 31, 2027	61,526	86,101	147,627
March 31, 2028	63,790	83,837	147,627
Thereafter	\$2,282,485	\$ 310,987	\$ 2,593,472

**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. Employer contributions are discretionary as determined at the beginning of each fiscal year, may adjust throughout the year, and vest immediately. Employer contributions amounted to \$42,369 and \$43,402 for years ended March 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Joy House	\$ 32,200	\$ 26,450
Joy House Graduate Scholarship	601	3,962
Gibson House	2,127	10,000
Victory House	-	1,485
Salary Specific Fund	5,318	4,604
Educational Fund	4,307	4,307
Providence House Food Program	445	-
Christmas Fund	-	1,000
	<u>\$ 44,998</u>	<u>\$ 51,808</u>

**NOTE 12 – Employee Retention Credit Receivable**

Under the recently enacted American Rescue Plan Act the Organization became eligible to apply for the employee retention tax credits (ERTC), a provision of the CARES Act. It can be claimed through December 31, 2021 by eligible employers who retained employees during the COVID-19 pandemic. Employers are eligible for the credit if they experienced either a full or partial suspension of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on comparing quarterly revenue results for 2020 and 2021 with the comparable quarters in 2019. The ERTC is a refundable credit that the Organization can claim on qualified wages paid to employees, including certain health insurance costs. The Organization filed a claim for \$505,257 with the Internal Revenue Service based on years ended December 31, 2021 and 2020.

**NOTE 13 - SUBSEQUENT EVENTS**

In April of 2023, the Organization received the \$505,257 Employee Retention Tax Credit (ERTC) outlined in Note 12 and paid off the \$315,000 line of credit balance highlighted in Note 8. Professional fees of \$67,391 to process the ERTC application account for a significant portion of the increase in 2023 administration expenses.

Management has evaluated all other subsequent events through July 25, 2023, the date these financials were made available, and found nothing that had a material effect on the financial statements.