

---

**PRO-VISION, INC.**

---

REPORT ON FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

**BREEDLOVE & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

## **TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-18

# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**17014 Seven Pines Drive**  
**Spring, Texas 77379**  
**(281) 379-1065**  
(281) 379-6322 (fax)

JILL A. HENZE, CPA  
President

NICOLE BREEDLOVE HUNT, CPA  
CEO

## INDEPENDENT AUDITORS' REPORT

March 15, 2022

Board of Directors  
Pro-Vision, Inc.  
Houston, Texas

### Opinion

We have audited the accompanying financial statements of Pro-Vision, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional 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 Pro-Vision, Inc. as of December 31, 2021 and 2020, and the changes in the net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pro-Vision, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro-Vision, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' 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, 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.

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 Pro-Vision, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro-Vision, 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.

*Brechner & Co., P.C.*

**PRO-VISION, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 347 250	\$ 533 217
Restricted cash	963 608	657 218
Grants and promises to give receivable, net of discount	259 327	961 908
Prepaid expenses	30 323	60 327
Due from affiliate	-	130 741
Investments	11 675	9 165
Property and equipment, net	15 098 741	15 283 410
Other assets	48 454	56 127
Total Assets	<u>\$ 16 759 378</u>	<u>\$ 17 692 113</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 149 145	\$ 23 189
Accrued expenses	94 823	125 898
Note Payable - Paycheck Protection Program	-	110 100
Notes Payable	4 150 737	4 528 287
Total Liabilities	<u>4 394 705</u>	<u>4 787 474</u>
Net assets without donor restrictions	11 478 648	11 715 874
Net assets with donor restrictions	886 025	1 188 765
Total Net Assets	<u>12 364 673</u>	<u>12 904 639</u>
Total Liabilities and Net Assets	<u>\$ 16 759 378</u>	<u>\$ 17 692 113</u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

**PRO-VISION, INC.**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31,

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Support and Revenues				
Grants and contributions	\$ 527 724	\$ 20 250	\$ 547 974	\$ 461 147
In-kind contributions	60 000	-	60 000	-
Rent income	744 000	-	744 000	744 000
Investment income	1 646	-	1 646	14 230
Other income	1 769	-	1 769	1 823
Product sales	15 422	-	15 422	21 896
Net assets released from restrictions	<u>322 990</u>	<u>( 322 990)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>1 673 551</u>	<u>( 302 740)</u>	<u>1 370 811</u>	<u>1 243 096</u>
Expenses				
Program Services				
Community outreach	171 295	-	171 295	280 933
Urban farm	558 221	-	558 221	408 806
Affordable housing	349 525	-	349 525	284 141
Character development	<u>686 325</u>	<u>-</u>	<u>686 325</u>	<u>645 916</u>
Total Program Services	<u>1 765 366</u>	<u>-</u>	<u>1 765 366</u>	<u>1 619 796</u>
Support Services				
Management and general	245 092	-	245 092	119 574
Fundraising	<u>153 459</u>	<u>-</u>	<u>153 459</u>	<u>331 489</u>
Total Supporting Services	<u>398 551</u>	<u>-</u>	<u>398 551</u>	<u>451 063</u>
Total Expenses	<u>2 163 917</u>	<u>-</u>	<u>2 163 917</u>	<u>2 070 859</u>
Other Income				
PPP funding forgiven	209 722	-	209 722	-
Small business administration grants	5 000	-	5 000	10 000
Employer retention credit	<u>38 418</u>	<u>-</u>	<u>38 418</u>	<u>-</u>
Total Other Revenue	<u>253 140</u>	<u>-</u>	<u>253 140</u>	<u>10 000</u>
Change in Net Assets	( 237 226)	( 302 740)	( 539 966)	( 817 763)
Net Assets at Beginning of Year	<u>11 715 874</u>	<u>1 188 765</u>	<u>12 904 639</u>	<u>13 722 402</u>
Net Assets at End of Year	<u><u>\$ 11 478 648</u></u>	<u><u>\$ 886 025</u></u>	<u><u>\$ 12 364 673</u></u>	<u><u>\$ 12 904 639</u></u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

**PRO-VISION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program					Supporting Services				
	Community Outreach	Urban Farm	Affordable Housing	Character Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	2021 Total	2020 Total
Salaries and Related Expenses										
Employee benefits	\$ 5 334	\$ 10 667	\$ 8 000	\$ 21 334	\$ 45 335	\$ 8 000	\$ -	\$ 8 000	\$ 53 335	\$ 55 791
Payroll taxes	4 944	9 889	7 417	19 778	42 028	7 416	-	7 416	49 444	43 042
Salaries and wages	52 272	213 941	78 408	224 691	569 312	78 407	-	78 407	647 719	583 213
Total Salaries and Related Expenses	62 550	234 497	93 825	265 803	656 675	93 823	-	93 823	750 498	682 046
Other Expenses										
Advertising and promotion	1 579	5 044	2 369	6 317	15 309	2 369	-	2 369	17 678	668
Banking fees	133	272	200	534	1 139	200	43	243	1 382	4 363
Charitable Services	58	703	86	230	1 077	87	-	87	1 164	0
Computer and internet	241	1 690	362	965	3 258	362	4 013	4 375	7 633	6 267
Contracted services	6 119	25 640	9 663	34 777	76 199	8 804	-	8 804	85 003	26 627
Depreciation and amortization	41 515	83 030	62 273	166 061	352 879	62 273	-	62 273	415 152	367 791
Dues and subscriptions	1 439	6 998	9 938	5 755	24 130	2 158	-	2 158	26 288	7 395
Equipment lease	595	1 188	891	2 376	5 050	891	-	891	5 941	6 661
Events	1 287	2 575	2 340	5 149	11 351	1 931	-	1 931	13 282	-
Insurance expense	9 639	19 279	14 459	38 557	81 934	12 755	-	12 755	94 689	88 857
Interest expense	5 356	10 712	8 034	21 425	45 527	8 035	149 403	157 438	202 965	197 289
Licenses and permits	36	71	53	142	302	54	-	54	356	-
Office expense	1 885	1 471	1 095	2 920	7 371	1 096	-	1 096	8 467	9 439
Postage	231	507	347	924	2 009	346	-	346	2 355	1 624
Printing	288	576	432	1 152	2 448	432	-	432	2 880	443
Professional services	19 507	39 224	94 260	78 027	231 018	29 260	-	29 260	260 278	134 654
Property Management	2 556	8 261	19 870	2 973	33 660	944	-	944	34 604	261
Rent expense	4 846	9 691	7 268	19 382	41 187	7 269	-	7 269	48 456	32 497
Repairs and maintenance	64	5 892	9 652	258	15 866	96	-	96	15 962	31 376
Scholarship and assistance	2 896	5 792	4 344	12 284	25 316	4 343	-	4 343	29 659	10 592
Supplies	5 789	43 184	3 636	9 426	62 035	3 535	-	3 535	65 570	38 974
Training	-	851	-	-	851	-	-	-	851	-
Transportation	392	5 315	588	1 567	7 862	587	-	587	8 449	399
Travel and meetings	1 162	2 584	1 742	4 792	10 280	1 743	-	1 743	12 023	13 889
Utilities	1 132	43 174	1 798	4 529	50 633	1 699	-	1 699	52 332	94 198
Total Other Expenses	108 745	323 724	255 700	420 522	1 108 691	151 269	153 459	304 728	1 413 419	1 388 813
Total Expenses	\$ 171 295	\$ 558 221	\$ 349 525	\$ 686 325	\$ 1 765 366	\$ 245 092	\$ 153 459	\$ 398 551	\$ 2 163 917	\$ 2 070 859

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

**PRO-VISION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program					Supporting Services			
	Community Outreach	Urban Farm	Affordable Housing	Character Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020 Total
Salaries and Related Expenses									
Employee benefits	\$ 9 198	\$ 15 091	\$ 9 198	\$ 18 395	\$ 51 882	\$ 3 909	\$ -	\$ 3 909	\$ 55 791
Payroll taxes	7 096	11 642	7 096	14 192	40 026	3 016	-	3 016	43 042
Salaries and wages	96 149	157 753	96 149	192 298	542 349	40 864	-	40 864	583 213
Total Salaries and Related Expenses	<u>112 443</u>	<u>184 486</u>	<u>112 443</u>	<u>224 885</u>	<u>634 257</u>	<u>47 789</u>	<u>-</u>	<u>47 789</u>	<u>682 046</u>
Other Expenses									
Advertising and promotion	81	108	83	202	474	34	160	194	668
Banking fees	529	705	539	1 323	3 096	225	1 042	1 267	4 363
Computer and internet	760	1 012	775	1 901	4 448	323	1 496	1 819	6 267
Consultant fees	14 423	19 202	14 698	36 042	84 365	6 130	28 376	34 506	118 871
Contracted services	3 231	4 301	3 292	8 074	18 898	1 373	6 356	7 729	26 627
Depreciation and amortization	44 626	59 413	45 476	111 512	261 027	18 966	87 798	106 764	367 791
Dues and subscriptions	897	1 195	914	2 242	5 248	381	1 766	2 147	7 395
Equipment lease	808	1 076	824	2 019	4 727	344	1 590	1 934	6 661
Insurance expense	10 782	14 354	10 987	26 940	63 063	4 582	21 212	25 794	88 857
Interest expense	23 938	31 870	24 394	59 818	140 020	10 174	47 095	57 269	197 289
Miscellaneous	23 722	31 582	24 173	59 275	138 752	10 082	46 670	56 752	195 504
Office expense	1 145	1 525	1 167	2 862	6 699	487	2 253	2 740	9 439
Postage	197	262	201	493	1 153	84	387	471	1 624
Printing	54	71	55	134	314	23	106	129	443
Professional services	16 338	21 752	16 649	40 827	95 566	6 944	32 144	39 088	134 654
Property taxes	32	42	32	79	185	14	62	76	261
Rent expense	3 943	5 250	4 018	9 853	23 064	1 676	7 757	9 433	32 497
Repairs and maintenance	3 807	5 068	3 879	9 514	22 268	1 618	7 490	9 108	31 376
Scholarship assistance	1 285	1 711	1 310	3 211	7 517	546	2 529	3 075	10 592
Supplies	4 729	6 296	4 819	11 817	27 661	2 010	9 303	11 313	38 974
Transportation	48	64	49	122	283	21	95	116	399
Travel and meetings	1 685	2 244	1 717	4 211	9 857	716	3 316	4 032	13 889
Utilities	11 430	15 217	11 647	28 560	66 854	4 858	22 486	27 344	94 198
Federal income tax	-	-	-	-	-	174	-	174	174
Total Other Expenses	<u>168 490</u>	<u>224 320</u>	<u>171 698</u>	<u>421 031</u>	<u>985 539</u>	<u>71 785</u>	<u>331 489</u>	<u>403 274</u>	<u>1 388 813</u>
Total Expenses	<u>\$ 280 933</u>	<u>\$ 408 806</u>	<u>\$ 284 141</u>	<u>\$ 645 916</u>	<u>\$ 1 619 796</u>	<u>\$ 119 574</u>	<u>\$ 331 489</u>	<u>\$ 451 063</u>	<u>\$ 2 070 859</u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.



**PRO-VISION, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
Operating Activities		
Decrease in Net Assets	\$ ( 539 966)	\$ ( 817 763)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities		
Amortization and depreciation	415 152	367 791
Unrealized loss on investments	454	310
In-kind contributions	( 60 000)	-
PPP funding forgiven	( 110 100)	-
Decrease in grants and promises to give receivable, net of discount	702 581	396 418
Decrease in prepaid expenses and other current assets	160 745	139 145
Increase (Decrease) in accounts payable	125 956	( 16 356)
Increase (Decrease) in accrued expenses	( 31 075)	52 679
Net Cash Provided by Operating Activities	<u>663 747</u>	<u>122 224</u>
Investing Activities		
Purchase of property and equipment	( 162 810)	( 191 848)
Purchase of investments	( 2 964)	-
Sale of investments	<u>-</u>	<u>760</u>
Net Cash Used for Investing Activities	<u>( 165 774)</u>	<u>( 191 088)</u>
Financing Activities		
Proceeds from notes payable	-	260 000
Increase in accrued interest payable	38 850	8 250
Payments on notes payable	<u>( 416 400)</u>	<u>( 268 950)</u>
Net Cash Used for Financing Activities	<u>( 377 550)</u>	<u>( 700)</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	120 423	( 69 564)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>1 190 435</u>	<u>1 259 999</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 1 310 858</u>	<u>\$ 1 190 435</u>
Supplemental Disclosures		
Interest Paid	<u>\$ 202 965</u>	<u>\$ 197 289</u>
Income Tax Paid	<u>\$ -</u>	<u>\$ 174</u>
Non Cash Activities		
Contributed property and equipment	<u>\$ 60 000</u>	<u>\$ -</u>
Forgiveness of Paycheck protection program funding	<u>\$ 110 100</u>	<u>\$ -</u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

## **PRO-VISION, INC.**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

#### **NOTE (1) SIGNIFICANT ACCOUNTING POLICIES**

Pro-Vision, Inc. (the Organization) is a non-profit organization established in 1991. The Organization has provided educational and counseling services to adults and youth of Houston, Texas since that date. The Organization is primarily supported through donor contributions and rental income from property and buildings it leases to a related party, which are utilized for the various programs. The Organization also provides other programs that teach moral and ethical living and critical job skills.

##### **A. BASIS OF ACCOUNTING**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

##### **B. BASIS OF PRESENTATION**

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

##### **C. PROMISES TO GIVE**

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

##### **D. NET ASSETS**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

##### **E. USE OF ESTIMATES**

The preparation of financial statements in conformity 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.

##### **F. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all monies in banks and highly-liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

## PRO-VISION, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (Continued)

#### NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### G. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	10-40 years
Furniture and equipment	5-20 years
Vehicles	5 years
Construction in progress	NA
Land	NA

##### H. CONTRIBUTIONS

Gifts of cash and other assets received without donor stipulations are reported as support and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as support and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as support and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment, and other long-lived assets are reported as support and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as support and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

##### I. CONTRIBUTED SERVICES

The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's programs. Contributions of services are recognized as support at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition.

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(Continued)

**NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. DONATED ASSETS**

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

**K. INCOME TAXES**

The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization conducted unrelated business activities in the current fiscal year. The Organization has made no provision for federal income taxes in the accompanying financial statements as the tax burden is considered immaterial.

The Organization applies the provisions of FASB ASC Topic 740, Income Taxes, (formerly FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**L. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- i. Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- ii. Level 2—Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets
  - quoted prices for identical or similar assets or liabilities in inactive markets
  - inputs other than quoted prices that are observable for the asset or liability
  - inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- iii. Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(Continued)

**NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at December 31, 2021.

- iv. Equities and mutual funds: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

At December 31, 2021 and 2020, the Organizations investments consisted of mutual funds and equities totaling \$11,675 and \$9,165, respectively. Investments are reported at fair value using a Level 1 measure.

**M. ADVERTISING**

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2021 and 2020 were \$17,678 and \$668, respectively.

**N. FUNCTIONAL ALLOCATION OF EXPENSE**

Expenses are categorized in the Statement of Activities as program services, fundraising and management and general. The Organization's expenses are allocated on a functional basis among these benefited categories.

Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses, that are common to several functions, are allocated to program services on the basis of time and effort.

**NOTE (2) CONCENTRATION OF CREDIT RISKS**

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The Organization maintains cash balances at a financial institution located in Texas.

At December 31, 2021 and 2020, the Organization had approximately \$1,058,000 and \$939,000 respectively, of cash balances that were not insured by the FDIC.

**NOTE (3) RESTRICTED CASH**

Cash balances totaling \$963,608 for the year ended December 31, 2021 are restricted for the building campaign related to construction costs of building and improvements

Cash balances totaling \$657,218 for the year ended December 31, 2020 are restricted for the building campaign related to construction costs of building and improvements.

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020  
(Continued)

**NOTE (4) GRANTS AND PROMISES TO GIVE RECEIVABLE**

The promises to give as of December 31, 2021, are unconditional with \$259,327 due in 2021. Promises to give that are due after 2021 are discounted at 5.0%. The unamortized discount on promises to give is \$27,592 as of December 31, 2021. There were no amounts recorded for allowance for uncollectible promises to give receivable for the year ended December 31, 2021.

The promises to give as of December 31, 2020, are unconditional with \$961,908 due in 2020. Promises to give that are due after 2020 are discounted at 5.0%. The unamortized discount on promises to give is \$24,092 as of December 31, 2020. There were no amounts recorded for allowance for uncollectible promises to give receivable for the year ended December 31, 2020.

Grants and promises to give receivable are summarized as follows:

	2021	2020
Capital Campaign	\$ 286 919	\$ 986 000
Receivable in less than one year	211 919	611 000
Receivable in more than one year	75 000	375 000
Total unconditional promises to give	286 919	986 000
Less discounts to net present value	( 27 592)	( 24 092)
Net unconditional promises to give	<u>\$ 259 327</u>	<u>\$ 961 908</u>

Certain promises to give receivable are from board members, see *Note 14 – Related Party Transactions*.

**NOTE (5) PROPERTY AND EQUIPMENT**

As of December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	\$ 4 625 899	\$ 4 499 450
Buildings and improvements	13 567 616	13 564 678
Construction in progress	12 231	-
Furniture and fixtures	281 289	270 070
Equipment	505 641	435 667
Vehicles	74 964	74 964
Subtotal property and equipment	19 067 640	18 844 829
Less: accumulated depreciation and amortization	( 3 968 899)	( 3 561 419)
Total property and equipment, net	<u>\$ 15 098 741</u>	<u>\$ 15 283 410</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2021 and 2020 were \$415,152 and \$367,791, respectively.

During the year ended December 31, 2021 the organization received contribution in kind of gymnasium equipment with a fair market value of \$60,000. This amount is included in Equipment above. For the year ended December 31, 2020 no contributions in kind were received.

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(Continued)

**NOTE (6) NOTES PAYABLE**

The Organization has a secured promissory note with Amegy Bank that had a maximum available draw of \$1,452,177. The note matured on November 14, 2015. Interest at 5.75% and principal based on a 20-year amortization payable monthly from November 15, 2012 through November 14, 2015. In October 14, 2015, the Organization signed an amendment to the note which reduced the maximum available draw to \$1,300,000 and extended the maturity date to January 12, 2022. The organization is currently renegotiating the terms of renewal for this note. As of the date of the report no formal agreement has been signed.

Additionally, the interest rate was reduced to 4.85%. The security consists of land and improvements at 4590 Wilmington, plus grants and pledges receivable. For the years ended December 31, 2021 and 2020, the balance of the note payable was \$830,791 and \$872,227, respectively.

On February 22, 2018, the Organization entered into a construction loan agreement with Amegy Bank. The construction loan agreement is in the form of an advancing term loan for construction of improvements in a principal amount of up to \$4,000,000. Interest is a fixed rate per annum equal to four and one-half percent (4.5%) with a maturity date of February 22, 2028.

Repayment of principal and interest are as follows:

- a. Accrued and unpaid interest on the Note is due and payable monthly commencing on April 1, 2018 until and including February 1, 2021.
- b. Installments of principal in an amount sufficient to reduce the outstanding aggregate principal amount of all advances to an amount not to exceed
  - i. \$3,500,000 due and payable on February 22, 2020;
  - ii. \$3,250,000 due and payable on February 22, 2021;
- c. Monthly installments of principal and interest, each in an amount sufficient to amortize the principal amount of all advances outstanding on the February 22, 2021, over a period of twenty (20) years at an interest rate equal to four and one-half percent (4.5%) due and payable commencing March 1, 2021, until February 22, 2028.
- d. Final installment in the amount of all outstanding principal, plus accrued and unpaid interest due and payable on the maturity date of February 22, 2028.

For the years ended December 31, 2021 and 2020, the balance of the note payable was \$3,163,609 and \$3,497,910, respectively.

On June 3, 2020, the Organization entered into a 30-year loan agreement with Small Business Administration. The loan was in the amount of \$150,000. Interest at 2.75%. Repayments are deferred for two-years and will commence June 2022. Interest will accrue from the date the loan proceeds were received. At December 31, 2021 the balance on the note was \$156,337, included in this amount is \$6,337 of accrued interest. At December 31, 2020 the balance of the note was \$158,150. Included in the amount is \$8,250 of accrued interest.

The balance of the notes payable for the years ended December 31, 2021 and 2020 were \$4,150,737 and \$4,528,287, respectively.

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(Continued)

**NOTE (6) NOTES PAYABLE (Continued)**

The future maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 939 262
2023	114 846
2024	120 059
2025	125 511
2026	131 161
Thereafter	<u>2 719 898</u>
Total	<u>\$ 4 150 737</u>

Interest expense for the years ended December 31, 2021 and 2020 was \$202,965 and \$197,289, respectively.

**NOTE (7) NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM**

On February 1, 2021, the Organization received \$98,000 in Paycheck Protection Program (PPP) funding to assist the Organization to continue to meet its payroll and lease obligations following the ongoing effects of the coronavirus pandemic. It was required that these funds be used to cover payroll expenses, lease payments and utility expenses. On August 24, 2021 the Organization received notification that the funding and accrued interest of \$545 had been fully forgiven.

On July 27, 2021, the Organization received \$5,000 from the Small Business Administration under the economic injury disaster loan program. The funds were fully forgiven.

On April 30, 2020, the Organization applied for Paycheck Protection Program funding to assist the Organization to continue to meet its payroll and lease obligations following mandated shutdowns due to the coronavirus pandemic. The Organization was awarded \$110,100 in program funds that were required to be used to cover payroll expenses, lease payments and utility expenses. On April 27, 2021, the Organization submitted the required documentation to the Small Business Administration, and the funding was fully forgiven, including accrued interest of \$1,077.

**NOTE (8) NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31<sup>st</sup> each year are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Affordable Housing	\$ 13 624	\$ 122 270
Capital Campaign	<u>872 401</u>	<u>1 066 495</u>
Total Net Assets with Donor Restrictions	<u>\$ 886 025</u>	<u>\$1 188 765</u>



**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(Continued)

**NOTE (9) NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

The following amounts were released from restrictions for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Urban Farm	\$ -	\$ 159 324
Character Development	20 250	489 777
Affordable Housing	108 646	864 970
Capital Campaign	<u>194 094</u>	<u>646 517</u>
Total Net Assets Released from Restrictions	<u>\$ 322 990</u>	<u>\$2 160 588</u>

**NOTE (10) LIQUIDITY AND AVAILABILITY**

For the year ended December 31, 2021, the Organization's operations were dependent on private and public donations from individuals, foundations, and corporations as well as contractual lease income. The Organization had \$648,575 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$347,250, grants and promises to give receivable of \$259,327, prepaid expenses of \$30,323, and investments of \$11,675. The financial assets of the Organization reduced by amounts not available for general use of \$886,025 results in the Organization having not sufficient financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

For the year ended December 31, 2020, the Organization's operations were dependent on private and public donations from individuals, foundations, and corporations as well as contractual lease income. The Organization had \$1,320,358 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$533,217, grants and promises to give receivable of \$586,908, prepaid expenses of \$60,327, investments of \$9,165 and due from affiliate of \$130,741. The financial assets of the Organization reduced by amounts not available for general use of \$1,188,765 resulted in the Organization not having sufficient financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. On January 30, 2020, the World Health Organization ("the WHO") announced the COVID-19 outbreak and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Organization sets a goal of having financial assets on hand to meet 60 days of normal cash operating expenses, which are, on average, around \$285,000. As part of its liquidity management, The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization also intends to transfer excess operating funds, in excess of its 60-day operating needs, to a short-term savings account which, should an unforeseen liquidity need arise, the Organization could draw upon to meet cash requirements.

## PRO-VISION, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (Continued)

#### NOTE (10) LIQUIDITY AND AVAILABILITY (Continued)

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the state and local situations on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the current responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial position, or liquidity for fiscal 2021.

#### NOTE (11) PROGRAMS AND SUPPORTING SERVICES

The costs of providing the various programs and other activities are shown in the accompanying statement of functional expenses. The following programs and supporting services are included in the accompanying financial statements:

Community Outreach – This program encompasses various initiatives to engage and connect with residents of the immediate community that Pro-Vision seeks to serve. This includes supporting community-oriented events sponsored by faith-based organizations, attendance and representation at community town halls, and meeting with local elected officials to ensure the needs of the community are being served by local government.

Urban Farm – The Urban Farm started as a community garden effort to help the residents to learn and understand the importance of healthy eating habits. This led to the construction of greenhouses and the establishment of an advanced aquaponic farming system to grow healthy leafy vegetables for donation to local food banks and sale to local commercial food establishments. The goal of the commercial sales is to generate funds which can be used to support the remaining program services and lower the need for outside financial support.

Affordable Housing – The affordable housing program has been a long-term goal of the organization to assist residents in securing comfortable housing at a cost they can afford as a way to improve the quality of life in the community. The organization has accumulated 57 acres in the community with the goal to secure additional acreage which will allow the construction of affordable housing units in a mixed income community. The community will include units intended for senior citizens to provide a pool of wisdom that can be shared with the youth of the community.

Character Development – The development of character in the youth of the community is the signature program on which the organization was first founded as an after-school care program for disadvantaged youth. This is a critical need in a community surrounded by poverty and hopelessness and provides an opportunity for the youth to begin the process of overcoming their obstacles to a satisfying and productive life. The youth are provided life coaches who provide instruction and practical application of life skills which can be applied to help them succeed in life. They are given the opportunity to participate in camps, job enterprise employment, and leadership positions to help develop discipline, self-esteem, and confidence in their own ability to be successful in life.

#### NOTE (12) CONCENTRATIONS

For the year ended December 31, 2021, approximately eleven percent (11%) of the Organization's contribution revenue came from one (1) donor. At December 31, 2021, approximately twenty-nine percent (29%) of the Organization's promises to give was due from one (1) donor.

For the year ended December 31, 2020, approximately sixty-two percent (62%) of the Organization's contribution revenue came from one (1) donor. At December 31, 2020, approximately seventy-eight percent (78%) of the Organization's promises to give came from one (1) donor.

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(Continued)

**NOTE (13) PENSION PLAN**

The Organization does not offer a pension plan to its employee and therefore, has no present, past or future pension obligations.

**NOTE (14) RELATED PARTY TRANSACTIONS**

For the years ended December 31, 2021 and 2020, the Organization received approximately \$86,000 and \$84,000, respectively from various board members for board dues and capital campaign pledges.

**NOTE (15) RENTAL INCOME**

The Organization has a ten (10) year operating lease agreement with Pro-Vision Educational Services, Inc. (the School) that began September 1, 2019 and expires August 31, 2029. The terms of the lease require monthly rental payments of \$62,000 for thirty-six (36) months, \$66,000 for the next thirty-six (36) months and \$70,000 for the final forty-eight (48). The Organization had a sixty (60) month operating lease agreement with the School that began September 1, 2014 and expired August 31, 2019. The terms of the lease required monthly rental payments of \$35,000 each month for twenty-four (24) months and \$40,000 each month for the next thirty-six (36) months. Total payments from the School to the Organization under the lease agreement amounted to \$744,000 for each of the years ended December 31, 2021 and 2020, respectively.

**NOTE (16) OPERATING LEASE**

The Organization conducts its operations from facilities that are leased under a 3-year non-cancelable operating lease expiring June 30, 2021. The lease agreement is a joint lease agreement with the School, and the cost is shared equally with each tenant paying the landlord directly for their share. Under the lease, base rent expense is \$5,405 per month, and increases each year.

During the year ended December 31, 2021 the Organization solely entered into a 3-year non-cancelable operating lease expiring July 31, 2024. Under the lease, base rent expense is \$4,675 and increases annually.

The lease expense for the years ended December 31, 2021 and 2020 was \$48,456 and \$32,497, respectively.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2021:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 57 557
2023	61 063
2024	<u>36 813</u>
Total	<u>\$ 155 433</u>

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(Continued)

**NOTE (17) DUE FROM AFFILIATE**

On April 10, 2019 the Organization entered into a 25 month note receivable agreement with the School. The loan was in the amount of \$350,000 with an interest rate of 6%. Repayments were deferred for six months and began in October 2019. At January 1, 2021 the balance on the note was \$130,741. During the year ended December 31, 2021 principal repayments received on this note were \$130,741, and the note receivable was fully repaid by the School during the year. Interest earned on this note during the year ended December 31, 2021 was \$1,216.

At January 1, 2020 the balance on the note was \$303,174. During the year ended December 31, 2020 principal repayments received on this note were \$172,433. Interest earned on this note during the year ended December 31, 2020 was \$13,713.

**NOTE (18) SUBSEQUENT EVENTS**

As discussed in Note 6 – Notes Payable, the promissory note with Amegy Bank matured on January 12, 2022. The terms of this note are currently being renegotiated with Amegy Bank. It is the Organization's intent to sign an amendment to the note once all terms have been agreed with the bank. As of the date of this report, the bank does not consider this note to be in default and negotiations are on-going.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 15, 2022, the date the financial statements were available to be issued and noted that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the financial statements.