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**PRO-VISION, INC.**

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REPORT ON FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 and 2022

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



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# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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JILL A. HENZE, CPA  
President

NICOLE BREEDLOVE HUNT, CPA  
CEO

## INDEPENDENT AUDITORS' REPORT

May 20, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 295 836	\$ 609 317
Restricted cash	102 706	628 530
Accounts receivable	6 584	-
Grants and promises to give receivable	288 301	2 500
Other receivable	20 799	20 799
Prepaid expenses	80 726	45 175
Investments	6 683	6 481
Property and equipment, net	14 764 499	14 872 294
Other assets	33 109	40 782
Right-of-use operating leases	34 768	94 370
Lease receivable	<u>4 735 900</u>	<u>5 476 000</u>
Total Assets	<u>\$ 20 369 911</u>	<u>\$ 21 796 248</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 32 344	\$ 19 195
Accrued expenses	304 085	126 545
Other liabilities	104 637	-
Unearned revenue	66 400	-
Notes payable	3 788 845	4 258 886
Right-of-use operating leases	33 307	94 370
Deferred lease income	<u>4 515 200</u>	<u>5 312 000</u>
Total Liabilities	<u>8 844 818</u>	<u>9 810 996</u>
Net assets without donor restrictions	10 984 975	11 402 802
Net assets with donor restrictions	<u>540 118</u>	<u>582 450</u>
Total Net Assets	<u>11 525 093</u>	<u>11 985 252</u>
Total Liabilities and Net Assets	<u>\$ 20 369 911</u>	<u>\$ 21 796 248</u>

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

**PRO-VISION, INC.**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31,

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2023</u>	<u>2022</u>
<b>Support and Revenues</b>				
Grants and contributions	\$ 959 263	\$ 430 034	\$ 1 389 297	\$ 900 500
Rental income	796 800	-	796 800	796 800
Investment income, net	5 921	-	5 921	( 1 419)
Other income	1 901	-	1 901	3 627
Product sales	17 765	-	17 765	-
Net assets released from restrictions	<u>472 366</u>	<u>( 472 366)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>2 254 016</u>	<u>( 42 332)</u>	<u>2 211 684</u>	<u>1 699 508</u>
<b>Expenses</b>				
<b>Program Services</b>				
Community outreach	244 376	-	244 376	196 374
Urban farm	631 520	-	631 520	570 768
Affordable housing	433 956	-	433 956	370 382
Character development	<u>842 759</u>	<u>-</u>	<u>842 759</u>	<u>808 044</u>
Total Program Services	<u>2 152 611</u>	<u>-</u>	<u>2 152 611</u>	<u>1 945 568</u>
<b>Support Services</b>				
Management and general	201 976	-	201 976	194 816
Fundraising	<u>317 256</u>	<u>-</u>	<u>317 256</u>	<u>210 557</u>
Total Supporting Services	<u>519 232</u>	<u>-</u>	<u>519 232</u>	<u>405 373</u>
Total Expenses	<u>2 671 843</u>	<u>-</u>	<u>2 671 843</u>	<u>2 350 941</u>
<b>Other Income</b>				
Employer retention credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>148 812</u>
Total Other Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>148 812</u>
Change in Net Assets	( 417 827)	( 42 332)	( 460 159)	( 502 621)
Net Assets at Beginning of Year	<u>11 402 802</u>	<u>582 450</u>	<u>11 985 252</u>	<u>12 487 873</u>
Net Assets at End of Year	<u>\$ 10 984 975</u>	<u>\$ 540 118</u>	<u>\$ 11 525 093</u>	<u>\$ 11 985 252</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, 2023**

	Program Services				Supporting Services			Total Supporting Services	Total
	Community Outreach	Urban Farm	Affordable Housing	Character Development	Total Program Services	Management and General	Fundraising		
<b>Salaries and Related Expenses</b>									
Employee benefits	\$ 16 931	\$ 30 476	\$ 33 862	\$ 67 725	\$ 148 994	\$ 20 317	\$ -	\$ 20 317	\$ 169 311
Payroll taxes	4 443	6 553	7 281	21 134	39 411	4 368	7 742	12 110	51 521
Salaries and wages	53 521	170 859	86 773	269 899	581 052	52 065	102 987	155 052	736 104
<b>Total Salaries and Related Expenses</b>	<b>74 895</b>	<b>207 888</b>	<b>127 916</b>	<b>358 758</b>	<b>769 457</b>	<b>76 750</b>	<b>110 729</b>	<b>187 479</b>	<b>956 936</b>
<b>Other Expenses</b>									
Advertising and promotion	1 368	2 463	2 738	5 474	12 043	1 644	259	1 903	13 946
Banking fees	87	157	174	350	768	105	27	132	900
Charitable Services	32	57	64	129	282	38	9 922	9 960	10 242
Computer and internet	688	2 946	1 374	3 503	8 511	824	-	824	9 335
Consultant fees	5 700	10 260	74 700	22 800	113 460	6 840	-	6 840	120 300
Contracted labor	2 880	63 002	560	4 120	70 562	336	-	336	70 898
Depreciation and amortization	39 473	116 921	78 946	157 890	393 230	47 370	-	47 370	440 600
Dues and subscriptions	612	2 001	1 223	2 726	6 562	734	360	1 094	7 656
Equipment lease	561	1 010	1 123	2 245	4 939	673	-	673	5 612
Events	1 286	29	32	4 687	6 034	19	106 480	106 499	112 533
Insurance expense	20 287	36 688	40 573	81 147	178 695	24 344	-	24 344	203 039
Interest expense	9 865	17 958	30 568	39 457	97 848	11 836	49 670	61 506	159 354
Office expense	264	474	526	1 167	2 431	316	-	316	2 747
Postage	108	1 755	215	431	2 509	129	736	865	3 374
Printing	67	121	134	269	591	81	3 960	4 041	4 632
Professional services	12 405	22 329	27 044	49 619	111 397	14 886	-	14 886	126 283
Property management	-	-	2 460	-	2 460	-	-	-	2 460
Property taxes	275	496	551	1 101	2 423	330	-	330	2 753
Rent	6 437	11 586	12 874	25 749	56 646	7 725	-	7 725	64 371
Repairs and maintenance	400	25 245	20 616	1 594	47 855	479	-	479	48 334
Scholarship and assistance	29 959	-	-	18 224	48 183	-	24 431	24 431	72 614
Supplies	2 418	52 519	3 176	26 499	84 612	1 906	6 522	8 428	93 040
Training	26	47	52	152	277	30	229	259	536
Transportation	330	14 356	660	15 818	31 164	395	1 683	2 078	33 242
Travel and meetings	1 018	4 131	2 035	12 565	19 749	1 221	2 248	3 469	23 218
Utilities	32 935	37 081	3 622	6 285	79 923	1 886	-	1 886	81 809
Federal income tax	-	-	-	-	-	1 079	-	1 079	1 079
<b>Total Other Expenses</b>	<b>169 481</b>	<b>423 632</b>	<b>306 040</b>	<b>484 001</b>	<b>1 383 154</b>	<b>125 226</b>	<b>206 527</b>	<b>331 753</b>	<b>1 714 907</b>
<b>Total Expenses</b>	<b>\$ 244 376</b>	<b>\$ 631 520</b>	<b>\$ 433 956</b>	<b>\$ 842 759</b>	<b>\$ 2 152 611</b>	<b>\$ 201 976</b>	<b>\$ 317 256</b>	<b>\$ 519 232</b>	<b>\$ 2 671 843</b>

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

**PRO-VISION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services					Supporting Services			Total
	Community Outreach	Urban Farm	Affordable Housing	Character Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	
<b>Salaries and Related Expenses</b>									
Employee benefits	\$ 13 564	\$ 24 415	\$ 27 128	\$ 54 255	\$ 119 362	\$ 16 276	\$ -	\$ 16 276	\$ 135 638
Payroll taxes	5 099	9 179	10 199	20 397	44 874	6 119	-	6 119	50 993
Salaries and wages	<u>52 693</u>	<u>173 968</u>	<u>105 387</u>	<u>289 161</u>	<u>621 209</u>	<u>63 233</u>	<u>-</u>	<u>63 233</u>	<u>684 442</u>
Total Salaries and Related Expenses	<u>71 356</u>	<u>207 562</u>	<u>142 714</u>	<u>363 813</u>	<u>785 445</u>	<u>85 628</u>	<u>-</u>	<u>85 628</u>	<u>871 073</u>
<b>Other Expenses</b>									
Advertising and promotion	2 725	4 943	5 449	10 927	24 044	3 269	-	3 269	27 313
Banking fees	891	594	652	1 288	3 425	386	77	463	3 888
Charitable Services	15	26	29	58	128	17	-	17	145
Computer and internet	495	7 073	990	2 044	10 602	595	-	595	11 197
Contracted services	815	72 281	1 630	8 960	83 686	978	-	978	84 664
Depreciation and amortization	42 227	76 010	84 456	168 911	371 604	50 675	-	50 675	422 279
Dues and subscriptions	558	1 778	2 682	2 320	7 338	671	-	671	8 009
Equipment lease	898	1 617	1 797	3 594	7 906	1 078	-	1 078	8 984
Events	1 385	1 369	1 521	3 268	7 543	912	45 566	46 478	54 021
Insurance expense	11 964	23 929	17 946	47 856	101 695	13 868	-	13 868	115 563
Interest expense	4 071	8 141	6 106	16 284	34 602	922	137 672	138 594	173 196
Licenses and permits	15	28	209	61	313	18	-	18	331
Office expense	123	222	247	1 835	2 427	148	-	148	2 575
Postage	662	1 324	458	946	3 390	276	24	300	3 690
Printing	31	55	62	123	271	37	1 683	1 720	1 991
Professional services	24 902	49 804	37 353	99 608	211 667	20 306	-	20 306	231 973
Property management	1 650	-	38 427	-	40 077	-	-	-	40 077
Rent expense	6 550	11 790	13 100	26 201	57 641	7 861	-	7 861	65 502
Repairs and maintenance	4 308	13 166	3 645	2 169	23 288	651	-	651	23 939
Scholarship assistance	12 466	838	931	13 542	27 777	558	24 324	24 882	52 659
Supplies	4 812	38 791	2 116	9 064	54 783	1 269	868	2 137	56 920
Training	49	380	99	198	726	59	-	59	785
Transportation	438	4 743	875	7 344	13 400	525	108	633	14 033
Travel and meetings	1 262	6 847	2 524	10 805	21 438	1 515	235	1 750	23 188
Utilities	1 706	37 457	4 364	6 825	50 352	2 048	-	2 048	52 400
Federal income tax	-	-	-	-	-	546	-	546	546
Total Other Expenses	<u>125 018</u>	<u>363 206</u>	<u>227 668</u>	<u>444 231</u>	<u>1 160 123</u>	<u>109 188</u>	<u>210 557</u>	<u>319 745</u>	<u>1 479 868</u>
<b>Total Expenses</b>	<u>\$ 196 374</u>	<u>\$ 570 768</u>	<u>\$ 370 382</u>	<u>\$ 808 044</u>	<u>\$ 1 945 568</u>	<u>\$ 194 816</u>	<u>\$ 210 557</u>	<u>\$ 405 373</u>	<u>\$ 2 350 941</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,

	2023	2022
<b>Operating Activities</b>		
Decrease in Net Assets	\$ ( 460 159)	\$ ( 502 621)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by / (Used for) Operating Activities		
Amortization and depreciation	440 600	422 279
Unrealized (gain) / loss on investments	( 202)	2 347
Noncash lease income	( 58 161)	( 40 800)
(Increase) / Decrease in accounts receivable	( 6 584)	-
(Increase) / Decrease in grants and promises to give receivable	( 285 801)	172 596
(Increase) / Decrease in prepaid expenses and other current assets	27 881	( 14 852)
Increase / (Decrease) in accounts payable	13 149	( 129 950)
Increase / (Decrease) in accrued expenses	114 108	95 154
Increase / (Decrease) in other liabilities and unearned revenue	171 037	-
Net Cash Provided by / (Used for) Operating Activities	( 44 132)	4 153
<b>Investing Activities</b>		
Purchase of property and equipment	( 325 132)	( 188 160)
Sale of investments	-	2 847
Net Cash Used for Investing Activities	( 325 132)	( 185 313)
<b>Financing Activities</b>		
Proceeds from notes payable	350 000	300 000
Decrease in accrued interest payable	-	29 443
Payments on notes payable	( 820 041)	( 221 294)
Net Cash Provided by / (Used for) Financing Activities	( 470 041)	108 149
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	( 839 305)	( 73 011)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	1 237 847	1 310 858
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 398 542	\$ 1 237 847
<b>Supplemental Disclosures</b>		
Interest Paid	\$ 159 354	\$ 173 196
Income Tax Paid	\$ 1 079	\$ 546
Cash paid for amounts included in the measurement of operating leases	\$ 64 371	\$ 65 502
Cash received for amounts included in the measurement of lease receivable	\$ 756 000	\$ 756 000

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

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022**

**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. 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.

**D. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR BAD DEBTS**

Accounts receivable represents amounts due from product sales earned in 2023. All amounts are considered to be fully collectible at year end. Therefore, no allowance for doubtful accounts is recorded at December 31, 2023.

**E. 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.

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

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, 2023.

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, 2023 and 2022, the Organizations investments consisted of mutual funds and equities totaling \$6,683 and \$6,481, respectively. Investments are reported at fair value using a Level 1 measure.

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

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. DONATED ASSETS

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

I. LEASES

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. The FASB subsequently issued several ASUs, which amend and clarify Topic 842.

The Organization adopted Topic 842 on January 1, 2022, utilizing an optional transition method, which allowed the recognition of a cumulative effect adjustment to the opening balance of net assets without donor restrictions on the initial date of adoption and the application of new disclosure requirements beginning in the period of adoption. In addition, it adopted ongoing accounting policies to not recognize right-of-use (ROU) assets and lease liabilities for leasing arrangements with terms of less than one year and to not separate lease and non-lease components for all classes of underlying assets.

The adoption of the new standard had a material impact on its statements of financial position for the recognition of ROU assets and lease liabilities, lease receivable and deferred lease income for its operating leases. Adoption of the standard had little to no impact on the Organization's cash flow statements.

J. 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 those resources be maintained in perpetuity.

K. 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.

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. CONTRIBUTIONS (Continued)

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.

L. 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.

M. 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.

N. ADVERTISING

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2023 and 2022 were \$13,946 and \$27,313, respectively.

O. 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*, (ASU 740), 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. ASC 740 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.

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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.

Q. RECLASSIFICATIONS

Certain 2022 amounts have been reclassified to conform with the 2023 financial statement presentation.

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, 2023 and 2022, the Organization had approximately \$145,000 and \$985,000 respectively, of cash balances that were not insured by the FDIC.

NOTE (3) RESTRICTED CASH

Cash balances totaling \$102,706 for the year ended December 31, 2023 are restricted for the building campaign related to construction costs of building and improvements.

Cash balances totaling \$628,530 for the year ended December 31, 2022 are restricted for the building campaign related to construction costs of building and improvements.

NOTE (4) GRANTS AND PROMISES TO GIVE RECEIVABLE

The promises to give as of December 31, 2023, are unconditional with \$288,301 due in 2024. There were no amounts recorded for allowance for uncollectible promises to give receivable for the year ended December 31, 2023.

The promises to give as of December 31, 2022, are unconditional with \$2,500 due in 2023. There were no amounts recorded for allowance for uncollectible promises to give receivable for the year ended December 31, 2022.

Grants and promises to give receivable are summarized as follows:

	2023	2022
Capital Campaign	\$ -	\$ 2 500
Urban Farm	283 801	-
Operations - Unrestricted	4 500	-
Receivable in less than one year	288 301	2 500
Total unconditional promises to give	<u>\$ 288 301</u>	<u>\$ 2 500</u>

Certain promises to give receivable are from board members, see *Note 13 – Related Party Transactions*.



PRO-VISION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (5) PROPERTY AND EQUIPMENT

As of December 31, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 4 985 040	\$ 4 738 692
Buildings and improvements	13 567 616	13 567 616
Construction in progress	-	56 047
Furniture and fixtures	284 418	284 418
Equipment	668 893	534 062
Vehicles	<u>14 500</u>	<u>14 500</u>
Subtotal property and equipment	19 520 467	19 195 335
Less: accumulated depreciation	<u>( 4 755 968)</u>	<u>( 4 323 041)</u>
Total property and equipment, net	<u>\$ 14 764 499</u>	<u>\$ 14 872 294</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2023 and 2022 were \$440,600 and \$422,279 respectively.

For the years ended December 31, 2023 and 2022 no contributions in kind were received.

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. On 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. Additionally, in January, 2019 the note terms were renegotiated, and the interest rate was reduced to 4.85%. The note is secured against land and improvements at 4590 Wilmington, plus grants and pledges receivable. The maturity date for this note was extended for one year to February 12, 2023.

During the year ended December 31, 2023, the Organization repaid the balance of the note payable in full.

At December 31, 2022 the balance of the note payable was \$740,621.

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.

**PRO-VISION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**  
(Continued)

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

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, 2022.
- 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, 2023 and 2022, the balance of the note payable was \$2,947,185 and \$3,057,878, 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 at 2.75% interest. During the year ended December 31, 2022, the Organization applied for additional loan funds under this note and on April 20, 2022 received an additional \$300,000. From the date the loan proceeds were received interest accrued. Repayments were deferred and commenced December 2022, with payments being applied against the accrued interest until repaid. At December 31, 2023 the balance on the note was \$453,902, including accrued interest. At December 31, 2022 the balance on the note was \$460,387, including accrued interest.

On August 2, 2023, the Organization entered into a 2-year loan agreement with a board member. The loan was in the amount of \$300,000 at 0% interest. The note is payable in full on August 2, 2025. At December 31, 2023 the balance on the note was \$300,000.

On June 29, 2023, the Organization entered into a loan agreement with John Deere Financial to purchase new equipment. The interest rate is 2.203%, and the term is 6 years with principal and interest payments of \$608 due monthly. The equipment was placed in service on June 29, 2023 and is pledged as collateral on the note. During the year ended December 31, 2023 the Organization made principal and interest payments of \$3,211 and \$436, respectively. On December 31, 2023 the Organization owed \$37,758 to the lender.

During the year end December 31, 2023, the Organization entered into a loan agreement with Pro-Vision Villages at Chocolate Bayou, in the amount of \$50,000 to assist in the payment of property taxes on the land set aside for the Affordable Housing program. This amount is an interest free note and is payable on demand.

The balance of the notes payable for the years ended December 31, 2023 and 2022 was \$3,788,845 and \$4,258,886, respectively.

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (6) NOTES PAYABLE (Continued)

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

Year Ending December 31,	Amount
2024	\$ 186 684
2025	440 435
2026	146 513
2027	152 861
2028	2 468 089
Thereafter	394 263
Total	\$ 3 788 845

Interest expense for the years ended December 31, 2023 and 2022 was \$159,354 and \$173,196, respectively.

NOTE (7) NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023 and 2022, the Organization had net assets with donor restrictions of \$540,118 and \$582,450. These amounts are restricted for the following purposes:

	2023	2022
Capital Campaign	\$ 256 317	\$ 582 450
Urban Farm	283 801	-
Total Net Assets with Donor Restrictions	\$ 540 118	\$ 582 450

NOTE (8) 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:

	2023	2022
Character Development	\$ 26 233	\$ 33 195
Affordable Housing	80 000	86 124
Capital Campaign	326 133	289 951
Urban Farm	40 000	-
Total Net Assets Released from Restrictions	\$ 472 366	\$ 409 270

## PRO-VISION, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 and 2022 (Continued)

#### NOTE (9) LIQUIDITY AND AVAILABILITY

For the year ended December 31, 2023, 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 \$618,203 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 \$295,836, accounts receivable of \$6,584, grants and promises to give receivable of \$288,301, other receivables of \$20,799 and investments of \$6,683. The financial assets of the Organization reduced by amounts not available for general use of \$540,118 results in the Organization having 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, 2022, 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 \$702,529 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 \$609,317, grants and promises to give receivable of \$2,500, other receivables of \$84,231 and investments of \$6,481. The financial assets of the Organization reduced by amounts not available for general use of \$582,450 results in the Organization having sufficient financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

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.

#### NOTE (10) 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, 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 serves as a healthy resource by making organic produce accessible to the Sunnyside community and introducing and teaching modern agriculture techniques to its participants through its agricultural programs. It emphasizes discussion of health and proper nutrition, welcoming fresh vegetables and recipes into the home kitchen, sustainable land use practices and agricultural skills. 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 Housing Initiative will transform underused, industrial, and inner-city properties, in a once desolate and forgotten neighborhood, into a large and thriving affordable housing community. This activity of the model not only assumes that improved housing stock will enhance the physical space of a neighborhood, but it will also enhance community members' well-being and civic responsibility. The organization has accumulated 64 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.

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (10) PROGRAMS AND SUPPORTING SERVICES (Continued)

Character Development – The Character Development Program is anchored by the Manhood Development Program and S.H.E. (Strong, Healthy and Empowered) and provides supportive initiatives for the families of the young people participating in these programs. The program develops the character and integrity of each member by combining close mentoring relationships with exposure to situations that reinforce moral and ethical thinking. They are given the opportunity to participate in camps, job enterprise employment, and leadership positions to help develop discipline, self-esteem, and confidence to become outstanding citizens within their community and role models within their area of influence.

NOTE (11) CONCENTRATIONS

For the year ended December 31, 2023, approximately twenty percent (20%) of the Organization's contribution revenue came from one (1) donor. At December 31, 2023, approximately one hundred percent (98%) of the Organization's promises to give was due from one (1) donor.

For the year ended December 31, 2022, approximately thirty four percent (34%) of the Organization's contribution revenue came from one (1) donor. At December 31, 2022, approximately one hundred percent (100%) of the Organization's promises to give was due from one (1) donor.

NOTE (12) 401(K) PLAN

On October 1, 2022, the Organization established the Pro-Vision, Inc. 401(K) Plan (the “Plan”). The Plan is offered to full-time employees who are at least 21 years of age and have completed ninety days (90) of employment. The Organization contributes 3% of the eligible employee’s annual covered salary, regardless of employee contributions. The amount of expense charged to operations for the year ended December 31, 2023 and 2022 was \$21,579 and \$4,104, respectively.

NOTE (13) RELATED PARTY TRANSACTIONS

For the years ended December 31, 2023 and 2022, the Organization received approximately \$315,200 and \$110,200, respectively from various board members for board dues and capital campaign pledges.

PRO-VISION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (14) LEASE COMMITMENTS

The Organization adopted FASB ASC 842 *Leases* due to the Organization entering into new long-term leases during the prior year whose term exceeds 12 months. These leases are the only leases required to be included on the balance sheet under FASB ASC 842.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The exercise of lease renewal options is at the Organization's sole discretion.

As of December 31, 2023 and 2022, the right-of-use operating lease asset had a balance of \$34,768 and \$94,370, as shown in total assets on the balance sheet. The operating lease liability is included in total liabilities as of December 31, 2023 and 2022, \$33,307 and \$94,370, respectively. The lease asset and liability were calculated utilizing the average monthly payment over the lease term, for the years ended December 31, 2023 and 2022. At December 31, 2023, the remaining lease term was 7 months.

Maturities of the operating lease liabilities as of December 31, 2023 are as follows:

	<u>Year ending December 31,</u>	
	2024	\$ 33 307
Present Value of Lease Liabilities		<u>\$ 33 307</u>

NOTE (15) LEASING ACTIVITIES

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). Total payments from the School to the Organization under the lease agreement amounted to \$756,000 and \$744,000 for each of the years ended December 31, 2023 and 2022, respectively. These payments were applied against the lease receivable balance at each year end. The Organization is reporting the lease receivable balances at each year end in line with FASB ASC 842 *Leases*.

Lease income is included on the statement of activities as rental income. Cash receipts from operating leases are classified within cash flows from operating activities.

The following is an analysis of the carrying amounts of the underlying assets related to operating leases:

Land	\$ 1 732 108
Buildings	13 557 324
Equipment	<u>485 894</u>
Total cost	15 775 326
Less Accumulated Depreciation Buildings	( 4 112 686)
Less Accumulated Depreciation Equipment	<u>( 449 148)</u>
Total cost, net	<u>\$ 11 213 492</u>

**PRO-VISION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 and 2022  
(Continued)

NOTE (15) LEASING ACTIVITIES (Continued)

The following is an analysis of the maturity of the undiscounted operating lease payments to be received:

<u>Year ending December 31,</u>	
2024	\$ 792 000
2025	808 000
2026	840 000
2027	840 000
2028	840 000
Thereafter	<u>615 900</u>
Total	<u>\$ 4 735 900</u>

NOTE (16) INSURANCE PROCEEDS

On July 6, 2023 the Organization experienced property damage to two Greenhouses following a weather event. The Organization submitted an insurance claim to repair the damage.

In December 2023 the Organization received \$104,637 in insurance proceeds relating to the claim. Those proceeds were deposited into the Organization's checking account. At year end the organization had entered into a contract for the repairs. These funds are shown in other liabilities on the Statement of Net Assets. The total cost of the project is not known at year end.

Subsequent to year end the Organization received another \$83,282 related to this claim and may be able to claim up to an additional \$49,000 should the total cost of repairs exceed \$197,883.

NOTE (17) UNEARNED REVENUES

At December 31, 2023, the Organization held \$66,400 in rental revenue received in advance along with the insurance proceeds discussed in *Note 16*.

NOTE (18) SUBSEQUENT EVENTS

As discussed in *Note 16 – Insurance Proceeds*, the Organization received an additional \$83,282 related to the insurance claim made during the year to repair the damage to property following a weather event.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 20, 2024, 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.

