PRO-VISION, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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

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President

NICOLE BREEDLOVE HUNT, CPA
CEO

INDEPENDENT AUDITORS' REPORT

May 15, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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.

Breedlove & Co., P.C.

PRO-VISION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	2022	2021
ASSETS		
Cash and cash equivalents	$ 609 317	$ 347 250
Restricted cash	628 530	963 608
Grants and promises to give receivable, net of discount	2 500	220 909
Other receivable	84 231	38 418
Prepaid expenses	45 175	30 323
Investments	6 481	11 675
Property and equipment, net	14 872 294	15 098 741
Other assets	40 782	48 454
Right-of-use operating leases	94 370	153 972
Lease receivable	5 476 000	6 232 000
Total Assets	$ 21 859 680	$ 23 145 350
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 19 195	$ 149 145
Accrued expenses	189 977	94 823
Notes payable	4 258 886	4 150 737
Right-of-use operating leases	94 370	153 972
Deferred lease income	5 312 000	6 108 800
Total Current Liabilities	9 874 428	10 657 477
Net assets without donor restrictions	11 402 802	11 601 848
Net assets with donor restrictions	582 450	886 025
Total Net Assets	11 985 252	12 487 873
Total Liabilities and Net Assets	$ 21 859 680	$ 23 145 350

PRO-VISION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Support and Revenues				
Grants and contributions	$ 794 805	$ 105 695	$ 900 500	$ 547 974
In-kind contributions	-	-	-	60 000
Rental income	796 800	-	796 800	796 800
Investment income, net	(1 419)	-	(1 419)	1 646
Other income	3 627	-	3 627	1 769
Product sales	-	-	-	15 422
Net assets released from restrictions	409 270	(409 270)	-	-
Total Support and Revenues	2 003 083	(303 575)	1 699 508	1 423 611
Expenses				
Program Services				
Community outreach	196 374	-	196 374	171 295
Urban farm	570 768	-	570 768	558 221
Affordable housing	370 382	-	370 382	349 525
Character development	808 044	-	808 044	686 325
Total Program Services	1 945 568	-	1 945 568	1 765 366
Support Services				
Management and general	194 816	-	194 816	245 092
Fundraising	210 557	-	210 557	153 459
Total Supporting Services	405 373	-	405 373	398 551
Total Expenses	2 350 941	-	2 350 941	2 163 917
Other Income				
PPP funding forgiven	-	-	-	209 722
Small business administration grants	-	-	-	5 000
Employer retention credit	148 812	-	148 812	38 418
Total Other Revenue	148 812	-	148 812	253 140
Change in Net Assets	(199 046)	(303 575)	(502 621)	(487 166)
Net Assets at Beginning of Year	11 601 848	886 025	12 487 873	12 904 639
Prior Period Adjustment	-	-	-	70 400
Net Assets at Beginning of Year as Restated	11 601 848	886 025	12 487 873	12 975 039
Net Assets at End of Year	$ 11 402 802	$ 582 450	$ 11 985 252	$ 12 487 873

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					Supporting Services			
	Community Outreach	Urban Farm	Affordable Housing	Character Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses									
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	52 693	173 968	105 387	289 161	621 209	63 233	-	63 233	684 442
Total Salaries and Related Expenses	71 356	207 562	142 714	363 813	785 445	85 628	-	85 628	871 073
Other Expenses									
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 and 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	125 018	363 206	227 668	444 231	1 160 123	109 188	210 557	319 745	1 479 868
Total Expenses	$ 196 374	$ 570 768	$ 370 382	$ 808 044	$ 1 945 568	$ 194 816	$ 210 557	$ 405 373	$ 2 350 941

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	Total
Salaries and Related Expenses									
Employee benefits	$ 5 334	$ 10 667	$ 8 000	$ 21 334	$ 45 335	$ 8 000	$ -	$ 8 000	$ 53 335
Payroll taxes	4 944	9 889	7 417	19 778	42 028	7 416	-	7 416	49 444
Salaries and wages	52 272	213 941	78 408	224 691	569 312	78 407	-	78 407	647 719
Total Salaries and Related Expenses	62 550	234 497	93 825	265 803	656 675	93 823	-	93 823	750 498
Other Expenses									
Advertising and promotion	1 579	5 044	2 369	6 317	15 309	2 369	-	2 369	17 678
Banking fees	133	272	200	534	1 139	200	43	243	1 382
Charitable Services	58	703	86	230	1 077	87	-	87	1 164
Computer and internet	241	1 690	362	965	3 258	362	4 013	4 375	7 633
Contracted services	6 119	25 640	9 663	34 777	76 199	8 804	-	8 804	85 003
Depreciation and amortization	41 515	83 030	62 273	166 061	352 879	62 273	-	62 273	415 152
Dues and subscriptions	1 439	6 998	9 938	5 755	24 130	2 158	-	2 158	26 288
Equipment lease	595	1 188	891	2 376	5 050	891	-	891	5 941
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
Interest expense	5 356	10 712	8 034	21 425	45 527	8 035	149 403	157 438	202 965
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
Postage	231	507	347	924	2 009	346	-	346	2 355
Printing	288	576	432	1 152	2 448	432	-	432	2 880
Professional services	19 507	39 224	94 260	78 027	231 018	29 260	-	29 260	260 278
Property management	2 556	8 261	19 870	2 973	33 660	944	-	944	34 604
Rent expense	4 846	9 691	7 268	19 382	41 187	7 269	-	7 269	48 456
Repairs and maintenance	64	5 892	9 652	258	15 866	96	-	96	15 962
Scholarship assistance	2 896	5 792	4 344	12 284	25 316	4 343	-	4 343	29 659
Supplies	5 789	43 184	3 636	9 426	62 035	3 535	-	3 535	65 570
Training	-	851	-	-	851	-	-	-	851
Transportation	392	5 315	588	1 567	7 862	587	-	587	8 449
Travel and meetings	1 162	2 584	1 742	4 792	10 280	1 743	-	1 743	12 023
Utilities	1 132	43 174	1 798	4 529	50 633	1 699	-	1 699	52 332
Total Other Expenses	108 745	323 724	255 700	420 522	1 108 691	151 269	153 459	304 728	1 413 419
Total Expenses	$ 171 295	$ 558 221	$ 349 525	$ 686 325	$ 1 765 366	$ 245 092	$ 153 459	$ 398 551	$ 2 163 917

PRO-VISION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
Operating Activities		
Decrease in Net Assets	$ (502 621)	$ (487 166)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities		
Amortization and depreciation	422 279	415 152
Unrealized loss on investments	2 347	454
In-kind contributions	-	(60 000)
PPP funding forgiven	-	(110 100)
Noncash lease income	(40 800)	(52 800)
Decrease in grants and promises to give receivable, net of discount	172 596	702 581
(Increase) Decrease in prepaid expenses and other current assets	(14 852)	160 745
Increase (Decrease) in accounts payable	(129 950)	125 956
Increase (Decrease) in accrued expenses	95 154	(31 075)
Net Cash Provided by Operating Activities	4 153	663 747
Investing Activities		
Purchase of property and equipment	(188 160)	(162 810)
Purchase of investments	-	(2 964)
Sale of investments	2 847	-
Net Cash Used for Investing Activities	(185 313)	(165 774)
Financing Activities		
Proceeds from notes payable	300 000	-
Decrease in accrued interest payable	29 443	38 850
Payments on notes payable	(221 294)	(416 400)
Net Cash Provided by / (Used for) Financing Activites	108 149	(377 550)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(73 011)	120 423
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	1 310 858	1 190 435
Cash, Cash Equivalents and Restricted Cash at End of Year	$ 1 237 847	$ 1 310 858
Supplemental Disclosures		
Interest Paid	$ 173 196	$ 202 965
Income Tax Paid	$ 546	$ -
Cash paid for amounts included in the measurement of operating leases	$ 65 502	$ 48 456
Cash received for amounts included in the measurement of lease receivable	$ 756 000	$ 744 000
Non Cash Activities		
Contributed property and equipment	$ -	$ 60 000
Forgiveness of Paycheck Protection Program funding	$ -	$ 110 100

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

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.

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.

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.

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, 2022.

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, 2022 and 2021, the Organizations investments consisted of mutual funds and equities totaling $6,481 and $11,675, 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, 2022 and 2021 were $27,313 and $17,678, respectively.

N. 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.

O. 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, 2022 and 2021, the Organization had approximately $985,000 and $1,058,000 respectively, of cash balances that were not insured by the FDIC.

NOTE (3) RESTRICTED CASH

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.

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.

NOTE (4) GRANTS AND PROMISES TO GIVE RECEIVABLE

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.

The promises to give as of December 31, 2021, are unconditional with $220,909 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.

Grants and promises to give receivable are summarized as follows:

	2022	2021
Capital Campaign	$ 2 500	$ 248 501
Receivable in less than one year	2 500	173 501
Receivable in more than one year	-	75 000
Total unconditional promises to give	2 500	248 501
Less discounts to net present value	-	(27 592)
Net unconditional promises to give	$ 2 500	$ 220 909

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

NOTE (5) PROPERTY AND EQUIPMENT

As of December 31, 2022 and 2021, property and equipment consisted of the following:

	2022	2021
Land	$ 4 738 692	$ 4 625 899
Buildings and improvements	13 567 616	13 567 616
Construction in progress	56 047	12 231
Furniture and fixtures	284 418	281 289
Equipment	534 062	505 641
Vehicles	14 500	74 964
Subtotal property and equipment	19 195 335	19 067 640
Less: accumulated depreciation	(4 323 041)	(3 968 899)
Total property and equipment, net	$ 14 872 294	$ 15 098 741

Depreciation and amortization expense charged to operations for the years ended December 31, 2022 and 2021 were $422,279 and $415,152, respectively.

For the year ended December 31, 2022 no contributions in kind were received. 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.

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. 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. The maturity date for this note was extended for one year to February 12, 2023. 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, in January, 2019 the note terms were renegotiated and 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, 2022 and 2021, the balance of the note payable was $740,621 and $830,791 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.

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, 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, 2022 and 2021, the balance of the note payable was $3,057,878 and $3,163,609, 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%. During the year ended December 31, 2022, applied for additional loan funds under this note and on April 20, 2022 received an additional $300,000. Repayments were deferred and commenced December 2022. Interest will accrue from the date the loan proceeds were received. At December 31, 2022 the balance on the note was $460,387. Included in this amount is $12,475 of accrued interest. At December 31, 2021 the balance on the note was $156,337. Included in this amount is $6,337 of accrued interest.

The balance of the notes payable for the years ended December 31, 2021 and 2020 were $4,258,886 and $4,150,737, respectively.

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

Year Ending December 31,	Amount
2023	$ 868 075
2024	128 311
2025	133 993
2026	139 929
2027	146 131
Thereafter	2 842 447
Total	$ 4 258 886

Interest expense for the years ended December 31, 2022 and 2021 was $173,196 and $202,965, 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.

NOTE (8) NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Affordable Housing	$ -	$ 13 624
Capital Campaign	582 450	872 401
Total Net Assets with Donor Restrictions	$ 582 450	$ 886 025

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:

	2022	2021
Character Development	$ 33 195	$ 20 250
Affordable Housing	86 124	108 646
Capital Campaign	289 951	194 094
Total Net Assets Released from Restrictions	$ 409 270	$ 322 990

NOTE (10) LIQUIDITY AND AVAILABILITY

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 $747,704 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, prepaid expenses of $45,175, 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.

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 $220,909, other receivable of $38,418, 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.

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 (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:

<u>Community Outreach</u> – 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.

<u>Urban Farm</u> – 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.

<u>Affordable Housing</u> – 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.

NOTE (11) PROGRAMS AND SUPPORTING SERVICES (Continued)

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, 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.

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.

NOTE (13) PENSION 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 2022 was $4,104.

During the year end December 31, 2021, the Organization did not offer a pension plan to its employees and therefore, has no past pension obligations.

NOTE (14) RELATED PARTY TRANSACTIONS

For the years ended December 31, 2022 and 2021, the Organization received approximately $110,200 and $86,000, respectively from various board members for board dues and capital campaign pledges.

NOTE (15) 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. The December 31, 2021 balance sheet has been restated to include the right-of-use operating leases and operating lease liability. However, as a result of adopting FASB ASC 842, no impact was made on the Organization's results of operations.

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, 2022 and 2021, the right-of-use operating lease asset had a balance of $94,370 and $153,972, as shown in total assets on the balance sheet. The operating lease liability is included in total liabilities as of December 31, 2022 and 2021, $94,370 and $153,972, respectively. The lease asset and liability were calculated utilizing the average monthly payment over the lease term, for the years ended December 31, 2022 and 2021. At December 31, 2022, the remaining lease term was 19 months.

Maturities of the operating lease liabilities as of December 31, 2022 are as follows:

Year ending December 31,		
2023	$	59 602
2024		34 768
Present Value of Lease Liabilities	$	94 370

NOTE (16) 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, 2022 and 2021, 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	485 894
Total cost	15 775 326
Less Accmulated Depreciation Buildings	(3 746 902)
Less Accmulated Depreciation Equipment	(433 949)
Total cost, net	$ 11 594 475

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

Year ending December 31,	
2023	$ 792 000
2024	792 000
2025	808 000
2026	840 000
2027	840 000
Thereafter	1 404 000
Total	$ 5 476 000

NOTE (17) PRIOR PERIOD ADJUSTMENT

Due to implementing FASB ASC 842 *Leases,* the financial Statements have been restated for the year ended December 31, 2021, to recognize the right-of use operating lease and lease receivable balances in the amount of $153,972 and $6,232,000 respectively. In addition, a right-of-use operating lease liability and deferred lease income balances in the amount of $153,972 and $6,108,800 respectively. The recognition of these asset and liability balances resulted in a net change of $70,400 to net assets without donor restrictions.

For the year ended December 31, 2021 rental income was restated to recognize rental income using the average monthly lease income over the term of the lease agreement. This resulted in an increase in rental income of $52,800 for the year then ended.

NOTE (18) SUBSEQUENT EVENTS

As discussed in Note 6 – Notes Payable, the promissory note with Amegy Bank matured on February 12, 2023. 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 May 15, 2023, 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.