Pro-Vision, Inc.

Financial Statements for the Year Ended December 31, 2017
(with comparative totals for 2016)

Bennoch & Tipton LLC
CERTIFIED PUBLIC ACCOUNTANTS

Pro-Vision, Inc.

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Pro-Vision, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro-Vision, Inc. as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Pro-Vision, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bennoch & Tipton LLC
Certified Public Accountants
Houston, Texas

May 25, 2018

PRO-VISION, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017 (with comparative totals for 2016)

ASSETS	2017	2016
Cash and cash equivalents	$ 1,792,603	$ 576,837
Grants receivable	20,000	-
Promises to give - Capital Campaign, net of discount	1,144,539	604,081
Promises to give - related party	-	254,000
Due from affiliate	9,284	40,252
Investments	10,162	8,536
Property and equipment, net	5,974,345	6,184,188
Other assets	1,450	1,450
TOTAL ASSETS	$ 8,952,383	$ 7,669,344
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 25,141	$ 32,071
Accrued expense	29,242	19,286
Notes payable	1,078,360	1,146,559
Total Liabilities	1,132,743	1,197,916
Net Assets		
Unrestricted	5,149,486	5,367,557
Temporarily restricted	2,670,154	1,103,871
Total Net Assets	7,819,640	6,471,428
TOTAL LIABILITIES AND NET ASSETS	$ 8,952,383	$ 7,669,344

The accompanying notes are an integral part of these financial statements.

PRO-VISION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

UNRESTRICTED NET ASSETS	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Unrestricted Public Support and Revenues				
Grants and contributions - Capital Campaign	$ -	$ 1,771,562	$ 1,771,562	$ 2,515,283
Grants and contributions - other	423,429	-	423,429	627,873
Rental income	544,950	-	544,950	500,000
Special events, net of direct benefit to to donor of $14,125	64,475	-	64,475	-
Dividends	818	-	818	815
Unrealized gain on investments	-	-	-	726
Other income	15,008	-	15,008	6,500
Total Unrestricted Public Support and Revenues	1,048,680	1,771,562	2,820,242	3,651,197
Net assets released from temporary restrictions	205,279	(205,279)	-	-
Total Unrestricted Public Support and Revenues, and Releases from Temporary Restrictions	1,253,959	1,566,283	2,820,242	3,651,197
EXPENSES				
Program expenses	1,177,624	-	1,177,624	1,178,549
Total Program Expenses	1,177,624	-	1,177,624	1,178,549
Supporting Services:				
Management and general	117,762	-	117,762	203,178
Fundraising	176,644	-	176,644	186,897
Total Supporting Services	294,406	-	294,406	390,075
Total Expenses	1,472,030	-	1,472,030	1,568,624
Change in Net Assets	(218,071)	1,566,283	1,348,212	2,082,573
Net Assets, Beginning of Year	5,367,557	1,103,871	6,471,428	4,388,855
NET ASSETS, END OF YEAR	$ 5,149,486	$ 2,670,154	$ 7,819,640	$ 6,471,428

The accompanying notes are an integral part of these financial statements.

PRO-VISION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Change in net assets	$ 1,348,212	$ 2,082,573
Adjustments to reconcile change in net assets		
activities to net cash from operating:		
Depreciation	210,114	213,502
Bad debt expense	-	90,000
Unrealized gain on investments	-	(726)
Donation of land	-	(1,732,108)
Change in operating assets and liabilities		
Grants receivable	(20,000)	-
Pledges receivable	(540,458)	(444,561)
Pledges receivable - related party	254,000	(98,000)
Due from affiliate	30,968	(52)
Accounts payable	(6,930)	(3,469)
Accrued expense	9,956	4,667
Net Cash from Operating Activities	1,285,862	111,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,626)	-
Additions of property and equipment	(271)	(133,762)
Net Cash from Investing Activities	(1,897)	(133,762)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(68,199)	(64,871)
Net Cash from Financing Activities	(68,199)	(64,871)
Net Change in Cash and Cash Equivalents	1,215,766	(86,807)
Cash and Cash Equivalents, Beginning of Year	576,837	663,644
Cash and Cash Equivalents, End of Year	$ 1,792,603	$ 576,837
Supplemental Disclosures		
Cash paid during the year for interest	$ 55,633	$ 58,282
Contribution of land from CDBG Grant	$ -	$ 1,732,108

The accompanying notes are an integral part of these financial statements.

NOTE 1 – DESCRIPTION OF ORGANIZATION

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 obtains public and private resources (financial and/or in-kind) which are utilized for the various programs. The Organization also provides other programs that teach moral and ethical living and critical job skills.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment or payment of long-term debt.

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.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Short-term Investments

The organization invests cash in excess of its immediate needs in money market funds. Short term investments are reported at fair value.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

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 by various reasonable bases.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Contributed Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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 did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

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.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2017 and 2016, advertising expense was $9,186 and $6,982, respectively.

Fair Value Measurement

The organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

NOTE 3 – CONCENTRATION OF CREDIT RISK

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, 2017 and 2016, the Organization had approximately $1,434,000 and $323,000, respectively, of cash balances that were not insured by the FDIC.

NOTE 4 – PROMISES TO GIVE

The promises to give as of December 31, 2017, are unconditional and due $886,049 in 2018 and $336,734 over the following five years. Promises to give that are due after 2018 are discounted at 5.0%. The unamortized discount on promises to give is $78,244 as of December 31, 2017. Allowance for uncollectible promises receivable are $0 and $60,000 for the years ended December 31, 2017 and 2016, respectively.

	2017	2016
Capital Campaign	$ 1,222,783	$ 675,000
Related Party	-	254,000
CDBG Grant		-
Other	-	60,000
	1,222,783	989,000
Receivable in less than one year	886,049	589,000
Receivable in one to five years	336,734	400,000
Total unconditional promises to give	1,222,783	989,000
Less discounts to net present value	(78,244)	(70,919)
Less allowance for uncollectible promises receivable	-	(60,000)
Net unconditional promises to give	$ 1,144,539	$ 858,081

Bad debt for the years ended December 31, 2017 and 2016 was $0 and $90,000 respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017 and 2016:

	2017	2016
Land	$ 2,022,702	$ 2,022,702
Buildings	6,057,681	6,057,681
Construction in progress	62,384	62,384
Furniture and fixtures	248,857	248,857
Equipment	220,591	220,320
Vehicles	74,964	74,964
	8,687,179	8,686,908
Less: accumulated depreciation	(2,712,834)	(2,502,720)
Total	$ 5,974,345	$ 6,184,188

Depreciation expense for the years ended December 31, 2017 and 2016 was $210,114 and $213,502, respectively.

The Organization's land and building are pledged as collateral for the Organization's mortgage note payable.

In April 2016, the City of Houston granted the Organization $2,800,000 to purchase land and provide for construction cost of a new gymnasium for Pro-Vision Educational Services, Inc. (PVES), a related party, see *Note 7*. The Organization purchased land adjacent to the school for $1,732,108 on April 29, 2016. The Organization entered into a “Declaration of Land Use Restriction” agreement with the City in consideration for the grant. During the term of the Agreement and Restricted Use Period, five (5) years, the facility must be used as a multi-purpose gymnasium by persons at least 51% of whom must be members of low income families. The remaining balance of the grant of $1,067,892 will go towards the construction cost of the new gymnasium under a cost reimbursement basis. The Organization will recognize the revenue when the expenses have been incurred and submitted for reimbursement.

NOTE 6 –INVESTMENTS

Pro-Vision, Inc. has funds invested with an investment firm, a portion of which are included in cash and cash equivalents on the Statement of Financial Position. The following is a summary of the investments portion at December 31, 2017 and 2016:

Investments, at fair value		2017	Iun	2016
Investments, at fair value				
Mutual funds - equities	$	10,162	$	8,536
Total	$	10,162	$	8,536

Investment income consist of the following for the year ended December 31, 2017 and 2016:

Column1		2017	Co	2016
Dividends reinvested	$	818	$	815
Unrealized gain/(loss) on investments		-		726
Total	$	818	$	1,541

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization has a sixty (60) month operating lease agreement with Pro-Vision Educational Services, Inc. (PVES) that began September 1, 2014 and expires August 31, 2019. The terms of the lease require monthly rental payments to $35,000 each month for twenty-four (24) months and $40,000 each month for the next thirty-six (36) months. Additionally, the Organization has a twenty-four (24) month operating lease agreement with PVES for transportation, recruiting, and development cost. The lease requires monthly installments of $5,000 and expired August 31, 2017. The lease was renewed for an additional twelve (12) months under the same payment terms. Total payments from PVES to the Organization under the lease agreements amounted to $544,950 and $500,000 as of December 31, 2017 and 2016, respectively.

NOTE 8 – NOTES PAYABLE

The Organization has a secured promissory note with Amegy Bank that had a maximum available draw of $1,452,177. The note matured on November 14, 2015. Interest at 5.75% and principal based on a 20-year amortization payable monthly from November 15, 2012 through November 14, 2015. In October 14, 2015, the Organization signed an amendment to the note which reduced the maximum available draw to $1,300,000 and extended the maturity date to October 14, 2021. Additionally, the interest rate was reduced to 4.85%. The security consists of land and improvements at 4590 Wilmington, plus grants and pledges receivable. As of December 31, 2017 and 2016, the balance of the note payable was $1,078,360 and $1,146,559, respectively.

Year ending December 31,	Column2	Co	2017
2018			$ 71,737
2019			75,346
2020			79,007
2021			852,270
Total			$ 1,078,360

Interest expense for the years ended December 31, 2017 and 2016 was $55,633 and $58,282, respectively.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purpose:

Column1	2017	Co	2016
Gym Construction	$ 2,670,154		$ 1,103,871
Total	$ 2,670,154		$ 1,103,871

NOTE 10 – PENSION PLAN

Pro-Vision, Inc. does not offer a pension plan to its employee and therefore, has no present, past or future pension obligations.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 25, 2018, the date the financial statements were available to be issued.