



**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

**COMBINED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023**  
*(With Independent Auditor's Report Thereon)*

**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**House of Providence and Related Organization**  
**(A Nonprofit Organization)**

### Report on the Audit of the Combined Financial Statements

#### Opinion

We have audited the combined financial statements of House of Providence and Related Organization (collectively, the "Organization") (A Nonprofit Organization), which comprise the combined statement of financial position as of September 30, 2023, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of House of Providence and Related Organization (A Nonprofit Organization) as of September 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of House of Providence and Related Organization (A Nonprofit Organization) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about House of Providence and Related Organization's (A Nonprofit Organization) ability to continue as a going concern for one year after the date that the combined financial statements are issued.

## Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 House of Providence and Related Organization's (A Nonprofit Organization) 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about House of Providence and Related Organization's (A Nonprofit Organization) 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.



Troy, Michigan  
January 17, 2024

**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

**COMBINED STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2023**

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**Assets**

Current assets	
Cash	\$ 1,428,596
Accounts receivable	137,205
Grant receivable	50,000
Prepaid expenses	<u>25,342</u>
Total current assets	1,641,143
Land, building and equipment, net (note 2)	<u>2,553,345</u>
Total assets	<u><u>\$ 4,194,488</u></u>

**Liabilities and Net Assets**

Current liabilities	
Accounts payable	\$ 14,187
Accrued payroll and related expenses	57,016
Deferred revenue	<u>22,525</u>
Total current liabilities	93,728
Net assets	
Without donor restrictions	4,037,012
With donor restrictions (note 3)	<u>63,748</u>
Total net assets	<u>4,100,760</u>
Total liabilities and net assets	<u><u>\$ 4,194,488</u></u>

See accompanying notes to combined financial statements

**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Program revenue - State of Michigan	\$ 2,564,015	\$ -	\$ 2,564,015
Donations	387,996	100,938	488,934
Special events	62,886	-	62,886
Gain on sale of equipment	9,523	-	9,523
	<u>3,024,420</u>	<u>100,938</u>	<u>3,125,358</u>
Total revenues and other support	3,024,420	100,938	3,125,358
Net assets released from restrictions	<u>37,190</u>	<u>(37,190)</u>	<u>-</u>
Total revenues, other support, and net assets released from restrictions	3,061,610	63,748	3,125,358
Expenses			
Program services	1,875,237	-	1,875,237
General and administrative	693,668	-	693,668
Fundraising	40,222	-	40,222
	<u>2,609,127</u>	<u>-</u>	<u>2,609,127</u>
Total expenses	2,609,127	-	2,609,127
Increase in net assets	452,483	63,748	516,231
Net assets - October 1, 2022	<u>3,584,529</u>	<u>-</u>	<u>3,584,529</u>
Net assets - September 30, 2023	<u>\$ 4,037,012</u>	<u>\$ 63,748</u>	<u>\$ 4,100,760</u>

See accompanying notes to combined financial statements

**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2023**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Employee compensation				
Salaries and wages	\$ 1,218,333	\$ 372,820	\$ 8,770	\$ 1,599,923
Payroll taxes	<u>88,885</u>	<u>27,199</u>	<u>640</u>	<u>116,724</u>
Total employee compensation	1,307,218	400,019	9,410	1,716,647
Other expenses				
Conference and meetings	-	35,074	-	35,074
Consulting	18,400	-	-	18,400
Contributions	30,094	-	-	30,094
Depreciation expense	88,664	14,720	-	103,384
Fundraising	-	-	30,812	30,812
Grocery and supplies	42,240	-	-	42,240
Interest expense	1,617	-	-	1,617
License, permits and fees	18,321	21,842	-	40,163
Occupancy costs	195,262	31,787	-	227,049
Office expenses	-	153,221	-	153,221
Professional fees	-	33,456	-	33,456
Resident expenses	84,384	-	-	84,384
Subcontract labor	3,931	-	-	3,931
Telecommunications	21,701	-	-	21,701
Transportation	41,605	-	-	41,605
Utilities	<u>21,800</u>	<u>3,549</u>	<u>-</u>	<u>25,349</u>
Total functional expenses	<u><u>\$ 1,875,237</u></u>	<u><u>\$ 693,668</u></u>	<u><u>\$ 40,222</u></u>	<u><u>\$ 2,609,127</u></u>

See accompanying notes to combined financial statements

**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

**COMBINED STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2023**

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Cash flows from operating activities	
Increase in net assets	\$ 516,231
Adjustments	
Depreciation	103,384
Gain on sale of equipment	(9,523)
Decrease/(increase) in assets	
Accounts receivable	(17,699)
Grant receivable	(50,000)
Prepaid expenses	9,076
Increase/(decrease) in liabilities	
Accounts payable	(3,961)
Accrued payroll and related expenses	6,014
Deferred revenue	22,525
	<hr/>
Total adjustments	59,816
	<hr/>
Net cash provided from operating activities	576,047
Cash flows from investing activities	
Proceeds from sale of equipment	57,000
Acquisition of land, building and equipment	<hr/> (100,113)
Net cash used in investing activities	(43,113)
Cash flows from financing activities	
Repayments on long-term debt	<hr/> (490,468)
Net increase in cash	42,466
Cash - October 1, 2022	<hr/> 1,386,130
Cash - September 30, 2023	<hr/> <u>\$ 1,428,596</u>
<b><u>Disclosure of Cash Flow Information</u></b>	
Interest paid	<hr/> <u>\$ 1,617</u>

See accompanying notes to combined financial statements



**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 1 – Nature of Business and Significant Accounting Policies**

Nature of Business

House of Providence, a 501(c)(3) organization, is a therapeutic residential facility for minors who are wards of the State of Michigan.

Promise Village, a 501(c)(3) organization, is an entity that owned the residential facility that House of Providence utilized for their boy's program which was closed in 2022. During 2023, all net assets were transferred to House of Providence.

Principles of Combination

The accompanying combined financial statements reflect the combined financial position, activities and changes in net assets, functional expenses and cash flows of House of Providence and Promise Village. Combination of these entities is required, as there is an element of control and the relationship of the two entities is one of economic interest. All material affiliate accounts, and transactions have been eliminated in combination. Collectively, the combined entities are referred to as the "Organization".

Basis of Presentation

The combined financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to non-profit organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or passage of time.

Revenue Recognition

Program revenue with the State of Michigan is earned on a per diem basis and is unrestricted, with payment typically being received within 30 days of the billing date. Included in this revenue is a one-time lump-sum payment to cover increased wages due to the current economic conditions. This revenue was recognized upon receipt. Conditional promises to give are not recognized in the combined 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 at 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. As of September 30, 2023, there were no receivables due in excess of one year.

**HOUSE OF PROVIDENCE  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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Special event revenue is generated through ticket sales and sponsorship agreements associated with the event. Revenue is recognized upon the event occurring. Any revenues received in advance of the event are reported as deferred revenue. All revenue is considered to be without donor restrictions unless specifically restricted by the funding sources. Below are the beginning and ending contract liabilities associated with our contracts with customers:

Deferred revenue – October 1, 2022	\$ <u><u>-</u></u>
Deferred revenue – September 30, 2023	\$ <u><u>22,525</u></u>

Leases

The Organization does not have significant long-term leases. The Organization leases office equipment on an as needed basis. Short-term lease expense totaled approximately \$3,800 for the year ended September 30, 2023.

Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income”. No income tax was incurred during the year ended September 30, 2023.

The Organization’s income tax filings are subject to audit by various taxing authorities. The Organization’s open audit periods are 2020 - 2023.

Functional Expenses

The costs of providing program and supporting services have been reported on a functional basis in the combined statement of activities and changes in net assets. In the combined statement of functional expenses, salaries and wages, payroll taxes, office expense, permits and fees, and meetings are allocated based off of estimated effort and time spent. Occupancy costs, depreciation and utilities are allocated on a square footage basis. Certain costs such as grocery and supplies and resident expenses are allocated to program expenses as they directly relate to the program.

**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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Cash

The Organization maintains cash balances at high credit quality financial institutions. The Organization's accounts at each institution are insured by the National Credit Union Administration (NCUA) up to \$250,000. The Organization had cash balances of approximately \$1,186,000 held at financial institutions in excess of the NCUA insurance limits for the year ended September 30, 2023. The Organization has not experienced any losses on such accounts and management does not believe that the Organization is exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable from the State of Michigan are stated based on contractual rates. The Organization considers all accounts receivable collectible; as a result, no allowance for bad debt is considered necessary. If amounts become uncollectible, they are charged to operations when the determinations are made.

Grant Receivable

Grants are recorded as receivables when earned. Revenue from conditional grant awards under expense reimbursement programs is recognized in the period during which the conditions are substantially met. In cases where the conditions are substantially met in advance of receiving the grant reimbursement, revenue and grants receivable are recorded. No allowance for bad debt is considered necessary. Management has reviewed the account based on historical experience and review of current status and believes it is collectible.

Land, Building and Equipment

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Organization follows the practice of capitalizing fixed asset additions with an initial cost of more than \$1,000. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized.

Subsequent Events

The combined financial statements and related disclosures include evaluation of events up through and including January 17, 2024, which is the date the combined financial statements were available to be issued.

Promise Village was formally dissolved in November 2023.

**HOUSE OF PROVIDENCE  
AND RELATED ORGANIZATION  
(A Nonprofit Organization)**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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**Note 2 – Land, Building and Equipment**

The principal categories of land, building and equipment may be summarized as follows:

Buildings	\$ 1,466,172
Equipment	87,991
Furniture and fixtures	118,334
Land	1,083,932
Vehicles	<u>350,698</u>
Total cost	3,107,127
Less accumulated depreciation	<u>(553,782)</u>
Undepreciated cost	<u><u>\$ 2,553,345</u></u>

**Note 3 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted as follows:

Subject to expenditures for specified purpose	
Playground construction	\$ 10,500
2023 Mordecai Award Recipient	5,000
Providence Academy	<u>48,248</u>
Total	<u><u>\$ 63,748</u></u>

**Note 4 – Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, comprise the following:

Total current assets	\$ 1,641,143
Less those unavailable for general expenditure within one year, due to:	
Restrictions by donor with time or purpose restrictions	(63,748)
Less prepaid expenses	<u>(25,342)</u>
Total	<u><u>\$ 1,552,053</u></u>

**HOUSE OF PROVIDENCE  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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Financial assets in the amount of \$1,552,053 are available for general expenditure without donor or other restrictions limiting their use for the year ended September 30, 2023. If funds to cover the cost of current liabilities are backed out, a net amount of \$1,458,325 is available. The Organization manages its liquidity following three guidelines: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term needs, and maintaining sufficient reserves to provide reasonable assurance that any long-term obligations will be discharged.

**Note 5 – Concentrations**

The Organization earns a significant portion of its revenue through contracts with the State of Michigan. For 2023, revenue from the State of Michigan represented approximately 82% of all revenues and other support. As of September 30, 2023, accounts receivable from the State of Michigan amounted to \$137,205.