PROVIDENCE HEIGHTS AND ITS AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Providence Heights

We have reviewed the accompanying consolidated financial statements of Providence Heights and its Affiliate (not-for-profit organizations), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Providence Heights and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with U.S. generally accepted accounting principles.

Vine Dahlen PLLC

July 6, 2022

3500 188th Street SW, Suite 322 | Lynnwood, WA 98037
425.771.6055 Office | 425.774.5371 Fax | vinedahlen.com

A Professional Limited Liability Company

PROVIDENCE HEIGHTS AND ITS AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash and cash equivalents	$	431,819
Prepaid expenses and deposits		32,388
Property and equipment, net		12,341
	$	476,548

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	$	14,931
Accrued expenses		43,502
TOTAL LIABILITIES		58,433
NET ASSETS:		
Without donor restrictions		396,822
With donor restrictions		21,293
TOTAL NET ASSETS		418,115
	$	476,548

See accompanying notes and independent accountant's review report.

PROVIDENCE HEIGHTS AND ITS AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:	
Revenues, gains, and other support:	
Contributions and grants	$ 1,286,375
In-kind contributions	52,870
Program service fees	25,243
Providence Collective program sales	12,673
Net investment return	389
Total revenues and gains without donor restrictions	1,377,550
Net assets released from restrictions	8,650
Total revenues, gains, and other support without donor restrictions	1,386,200
Expenses:	
Program services	670,998
Management and general	385,939
Fundraising	121,791
Total expenses	1,178,728
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	207,472
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:	
Contributions and grants	29,943
Net assets released from restrictions	(8,650)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	21,293
CHANGE IN NET ASSETS	228,765
BEGINNING NET ASSETS	189,350
ENDING NET ASSETS	$ 418,115

PROVIDENCE HEIGHTS AND ITS AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Women Support	Providence Collective	Total	General and Administrative	Fundraising	Total	TOTAL EXPENSES
Salaries and benefits	$ 242,337	$ 0	$ 242,337	$ 234,762	$ 0	$ 234,762	$ 477,099
Coaching and counseling	26,761	0	26,761	0	0	0	26,761
Supplies and general	80,100	3,851	83,951	35,092	121,791	156,883	240,834
Food and dining	12,862	0	12,862	0	0	0	12,862
Cost of good sold	0	10,011	10,011	0	0	0	10,011
Occupancy	252,663	0	252,663	78,712	0	78,712	331,375
Marketing	39,998	0	39,998	0	0	0	39,998
Professional services	1,765	0	1,765	37,373	0	37,373	39,138
Depreciation	650	0	650	0	0	0	650
TOTAL EXPENSES	$ 657,136	$ 13,862	$ 670,998	$ 385,939	$ 121,791	$ 507,730	$ 1,178,728

See accompanying notes and independent accountant's review report.

PROVIDENCE HEIGHTS AND ITS AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Change in net assets	$ 228,765
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	650
In kind donation of equipment	(12,991)
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Prepaid expenses and deposits	(31,655)
Increase in liabilities:	
Accounts payable	14,931
Accrued expenses	40,689
Total adjustments and changes	11,624
NET CASH PROVIDED BY OPERATING ACTIVITIES	240,389
CHANGE IN CASH AND CASH EQUIVALENTS	240,389
BEGINNING CASH AND CASH EQUIVALENTS	191,430
ENDING CASH AND CASH EQUIVALENTS	$ 431,819

See accompanying notes and independent accountant's review report.

1. PURPOSE OF THE ORGANIZATION

Providence Heights is a not-for-profit Washington corporation, which operates primarily in King County. Providence Heights is a Christ-centered community that serves women and children. The mission of Providence Heights is to believe in every individual and provide training, education, housing, and opportunities for business creation.

Providence Collective (Affiliate) is an affiliate and is a separate not-for-profit Washington corporation. The Affiliate is the experiential learning arm and career accelerator of Providence Heights. The Affiliate supports women in completing their secondary education, trains them for meaningful careers and business leadership, and assists them with obtaining employment or launching businesses. Through the Affiliate, women gain real world experience, in-demand skills, and are surrounded by a community of coaches and peers that launch them into their own business and career.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Providence Heights and its Affiliate (collectively, the Organization) is presented to assist in understanding the Organization's consolidated financial statements. These accounting policies conform to U.S. generally accepted accounting principles (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements.

Principles of consolidation

The consolidated financial statement totals presented include the accounts of Providence Heights and its Affiliate. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers time deposits, certificates of deposit, and all other highly liquid instruments with original maturities of three months or less to be cash equivalents.

Investments

Investments acquired by gift are recorded at their fair values at the date of the gift. The Organization's policy is to liquidate all gifts of investments as timely as possible, taking into consideration the effect on the market price. Net investment return is reported in the consolidated statement of activities and consists of interest and dividend income, and realized and unrealized gains and losses, less external and direct internal investment expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment
Acquisitions of property and equipment in excess of $5,000 and a useful life of greater than one year and all improvements that materially prolong the useful life of assets are capitalized at cost if purchased and fair value at the date of acquisition if received as a donation. Depreciation is computed on the straight-line method over the estimated useful lives of five years.

Net assets
The Organization classifies net assets, revenues, gains, and losses on the existence or absence of donor-imposed restrictions. Net assets are classified and reported as follows:

Net assets without donor restrictions
Net assets without donor restrictions are available for use in general operations and Board of Directors' (board) designations and are not subject to donor restrictions. The Organization did not have any board designated net assets.

Net assets with donor restrictions
Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization has no net assets that need to be maintained in perpetuity. Note 9 discloses the composition of net assets with donor restrictions and the release of restrictions.

Revenue recognition – contributions and donations
The Organization reports gifts of cash and other assets as contributions with or without donor restrictions depending on the existence and/or nature of any donor stipulations that limit the use of the donated assets. Contributions with donor restrictions whose restrictions are met in the same period the contribution is received are reported as support without donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets with explicit donor stipulations that specify how the assets are to be used are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated materials and services are recorded at fair value at the date of donation and have been included in revenues and expenses. Donated services are recognized if the services create or enhance a nonfinancial asset, or the services require specialized skills that are provided by individuals possessing those skills.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition – contracts with customers
Program fees paid to Providence Heights cover all program services including classes, workshops, life coaching, living accommodations, utilities, and two meals per day. Fees are due at the beginning of the month and are earned over time during the month in which the women receive the services. The Organization has set program fees based on the estimated cost to provide services that are not covered by other contributions. Revenue is measured using the output method based upon the delivery of the program services throughout the month. The Organization does allow for refunds and does not have any significant financing components.

The Affiliate's revenue is derived primarily from the sale of goods and recognized as program revenue in the consolidated statement of activities. These revenues are satisfied at a point in time when the transaction occurs and goods are shipped or exchanged for payment. Refunds are not allowed and there is no financing component associated with these revenues.

Functional allocation of expenses
The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Costs that benefit multiple functional areas, have been allocated among the various functional areas based on the time and effort.

Advertising
The Organization follows the policy of charging costs of advertising to expense as incurred.

Income taxes
Providence Heights and its Affiliate have been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and have been designated as organizations, which are not private foundations.

The Organization's tax fillings are subject to examination by taxing authorities, generally for three years after the return is filed. The Organization would recognize accrued interest and penalties associated with uncertain tax positions, if any, as part of supporting services expenses in the consolidated statement of functional expenses.

3. LIQUIDITY AND AVAILABILITY

The Organization maintains a policy to structure its financial assets to be available as its general expenditures and liabilities come due and operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted revenue. In addition, as part of its liquidity management, the Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investments of its available funds.

3. LIQUIDITY AND AVAILABILITY (Continued)

Total financial assets available for general expenditures within one year include $431,819 of cash and cash equivalents. Assets with donor restrictions are included in total financial assets, as they are intended for program and general related expenses and are expected to be used within one year.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Vehicle	$	12,991
Less accumulated depreciation		650
	$	12,341

5. EMPLOYEE BENEFIT PLAN

On January 1, 2021, Providence Heights adopted a 403(b) retirement plan. All eligible employees are able to make elective deferrals in any amount up to the maximum percent legally permissible. Annually, the Organization may make a discretionary non-elective contribution. During the year ended December 31, 2021, a contribution of 5% of individual participant's compensation to the retirement plan was made. Total employer contributions were $4,901 for the year ended December 31, 2021.

6. RISKS AND UNCERTAINTIES

The Organization maintains its cash balances at financial institutions, which are insured by the Federal Deposit Insurance Corporation up to $250,000. At times during the year, the Organization had balances in excess of the insured amount.

7. CONCENTRATIONS

Approximately 68% of the Organization's total revenues, gains, and other support were received from a not-for-profit organization during the year ended December 31, 2021. The not-for-profit organization is a public foundation who sponsors a fund(s) on behalf of Providence Heights. Providence Heights directs individual donors to the not-for-profit organization as it alleviates the administrative burden of receiving contributions by liquidating the donated assets, managing the fund(s), and performing receipting and required paperwork.

8. OPERATING LEASE

The Organization leases its office and operating space from a hotel in Bellevue, Washington under a non-cancelable operating lease expiring January 2023. Upon expiration an automatic extension of 90 consecutive days will occur. Either party can give notice prior to these automatic extensions to terminate the lease. The lease requires that the Organization lease a minimum of 20 rooms but extends the option to lease additional rooms as needed. The Organization is subject to additional fixed charges for utilities once 28 or more rooms have been leased. A total of 25 rooms had been leased at December 31, 2021. The lease called for a refundable deposit of $28,050 which has been included in the consolidated statement of financial position with prepaid expenses and deposits.

Future minimum rental payments under the non-cancelable lease are summarized as follows:

Year Ending December 31,	
2022	$ 387,800
2023	32,900
	$ 420,700

Total rent expense for the non-cancelable lease was $329,821 for the year ended December 31, 2021.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Work training and education	$ 10,000
Special event	5,853
Fund a Start-Up	2,286
Radio advertising	1,640
Kitchen facility	1,000
Capital	514
	$ 21,293

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors were as follows:

Radio advertising	$ 8,650

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the CEO of the Organization served on the board of directors for a not-for-profit organization that was also the major donor disclosed in Note 7. As of March 2022, the CEO ended her term as a member of the board of directors.

11. SUBSEQUENT EVENTS

Subsequent to year end, the Organization entered into a purchase sale agreement of $14,400,00 for the purpose of purchasing a 120,000 square foot commercial building with 97 rooms to serve as the Organization's office and center of operations. To date, the Organization has made a total of $750,000 in non-refundable escrow payments. Currently, the expected closing date is September 14, 2022. The Organization has an additional option to make another non-refundable escrow deposit of $250,00 by August 30, 2022 to extend the closing date to November 11, 2022.

To help finance the purchase of the commercial building, the Organization started a comprehensive capital campaign to raise $18,000,000. Campaign funds are intended to be used as follows: $14,700,000 to assist with the property acquisition; $1,500,000 for renovations to the building; and $1,800,000 to support programs and operations. To date, the Organization has raised $2,900,000 as part of the capital campaign.

The Organization has evaluated subsequent events through the date these consolidated statements were available to be issued on July 6, 2022.

12. RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. This standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability in the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard will be effective for the fiscal year ending December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard is to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements in presentation and disclosure requirements. NFP entities will be required to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial contributions. NFP entities will also be required to disclose various information related to contributed nonfinancial assets. This ASU will be applied on a retrospective basis and will be effective for the Organization for the fiscal year ending December 31, 2022. No prior period results should be restated and there should be no adjustment to net assets as a result of adopting this standard.

The Organization is currently in the process of evaluating the impact of adoption of these accounting standards on the consolidated financial statements.