

Project Row Houses

Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2023 and 2022

Project Row Houses

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of August 31, 2023 and 2022	3
Statement of Activities for the year ended August 31, 2023	4
Statement of Activities for the year ended August 31, 2022	5
Statement of Functional Expenses for the year ended August 31, 2023	6
Statement of Functional Expenses for the year ended August 31, 2022	7
Statements of Cash Flows for the years ended August 31, 2023 and 2022	8
Notes to Financial Statements for the years ended August 31, 2023 and 2022	9

Independent Auditors' Report

To the Board of Directors of
Project Row Houses:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Project Row Houses, which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Project Row Houses as of August 31, 2023 and 2022, and the changes in its 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 Project Row Houses 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 Project Row Houses' ability to continue as a going concern for 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 auditors' 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 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 Project Row Houses' 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 Project Row Houses' 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.

Blazek & Vetterling

March 26, 2024

Project Row Houses

Statements of Financial Position as of August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,591,517	\$ 3,654,209
Contributions receivable – operations (Note 4)	591,391	180,558
Prepaid and other assets	94,602	46,269
Investments (Note 5)	2,291,990	3,025,295
Cash restricted for property	435,344	5,229,285
Contributions receivable – restricted for property (Note 4)		684,723
Property and equipment, net (Note 7)	<u>11,332,984</u>	<u>4,788,478</u>
TOTAL ASSETS	<u>\$16,337,828</u>	<u>\$17,608,817</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 179,707	\$ 244,668
Construction payable	<u>109,870</u>	<u>806,312</u>
Total liabilities	<u>289,577</u>	<u>1,050,980</u>
Commitments		
Net assets:		
Without donor restrictions	14,902,221	7,416,824
With donor restrictions (Note 7)	<u>1,146,030</u>	<u>9,141,013</u>
Total net assets	<u>16,048,251</u>	<u>16,557,837</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$16,337,828</u>	<u>\$17,608,817</u>

See accompanying notes to financial statements.

Project Row Houses

Statement of Activities for the year ended August 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions and grants	\$ 793,210	\$ 2,472,545	\$ 3,265,755
Rental income	103,728		103,728
Net investment return	192,482		192,482
Other	<u>9,930</u>	<u> </u>	<u>9,930</u>
Total revenue	1,099,350	2,472,545	3,571,895
Net assets released from restrictions:			
Program expenditures	951,968	(951,968)	
Capital expenditures	<u>9,515,560</u>	<u>(9,515,560)</u>	<u> </u>
Total	<u>11,566,878</u>	<u>(7,994,983)</u>	<u>3,571,895</u>
EXPENSES:			
Program services	2,815,337		2,815,337
Management and general	655,068		655,068
Fundraising	<u>611,076</u>	<u> </u>	<u>611,076</u>
Total expenses	<u>4,081,481</u>	<u> </u>	<u>4,081,481</u>
CHANGES IN NET ASSETS	7,485,397	(7,994,983)	(509,586)
Net assets, beginning of year	<u>7,416,824</u>	<u>9,141,013</u>	<u>16,557,837</u>
Net assets, end of year	<u>\$14,902,221</u>	<u>\$ 1,146,030</u>	<u>\$16,048,251</u>

See accompanying notes to financial statements.

Project Row Houses

Statement of Activities for the year ended August 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions and grants	\$ 427,102	\$ 8,236,055	\$ 8,663,157
Rental income	79,965		79,965
Other	<u>34,202</u>	<u> </u>	<u>34,202</u>
Total revenue	541,269	8,236,055	8,777,324
Net assets released from restrictions:			
Program expenditures	363,220	(363,220)	
Expiration of time restrictions	223,585	(223,585)	
Capital expenditures	<u>15,594</u>	<u>(15,594)</u>	<u> </u>
Total	<u>1,143,668</u>	<u>7,633,656</u>	<u>8,777,324</u>
EXPENSES:			
Program services	1,671,895		1,671,895
Management and general	599,551		599,551
Fundraising	<u>372,406</u>	<u> </u>	<u>372,406</u>
Total expenses	<u>2,643,852</u>	<u> </u>	<u>2,643,852</u>
CHANGES IN NET ASSETS	(1,500,184)	7,633,656	6,133,472
Net assets, beginning of year	<u>8,917,008</u>	<u>1,507,357</u>	<u>10,424,365</u>
Net assets, end of year	<u>\$ 7,416,824</u>	<u>\$ 9,141,013</u>	<u>\$16,557,837</u>

See accompanying notes to financial statements.

Project Row Houses

Statement of Functional Expenses for the year ended August 31, 2023

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 1,178,558	\$ 252,374	\$ 293,997	\$ 1,724,929
Professional fees and contract services	540,842	205,476	178,600	924,918
Conference and travel	241,052	24,231	34,607	299,890
Repairs and maintenance	232,646	23,386	33,401	289,433
Insurance	147,882	14,865	21,231	183,978
Supplies	160,576	7,353	10,502	178,431
Depreciation	133,267	13,396	19,133	165,796
Utilities	107,043	10,760	15,368	133,171
Membership dues		41,353		41,353
Occupancy	29,509	2,966	4,237	36,712
Direct assistance	34,538			34,538
Bank and related fees		29,868		29,868
Other	<u>9,424</u>	<u>29,040</u>	<u></u>	<u>38,464</u>
Total expenses	<u>\$ 2,815,337</u>	<u>\$ 655,068</u>	<u>\$ 611,076</u>	<u>\$ 4,081,481</u>

See accompanying notes to financial statements.

Project Row Houses

Statement of Functional Expenses for the year ended August 31, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 823,173	\$ 132,529	\$ 171,044	\$ 1,126,746
Professional fees and contract services	304,783	339,594	116,379	760,756
Conference and travel	58,975	7,065	10,751	76,791
Repairs and maintenance	105,718	12,664	19,272	137,654
Insurance	77,090	9,235	14,053	100,378
Supplies	80,993	6,549	9,966	97,508
Depreciation	62,988	7,545	11,482	82,015
Utilities	82,697	9,906	15,075	107,678
Membership dues		25,867		25,867
Occupancy	24,049	2,881	4,384	31,314
Direct assistance	35,229			35,229
Bank and related fees		13,926		13,926
Other	<u>16,200</u>	<u>31,790</u>		<u>47,990</u>
Total expenses	<u>\$ 1,671,895</u>	<u>\$ 599,551</u>	<u>\$ 372,406</u>	<u>\$ 2,643,852</u>

See accompanying notes to financial statements.

Project Row Houses

Statements of Cash Flows for the years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (509,586)	\$ 6,133,472
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions restricted for property and equipment	(1,318,800)	(7,791,304)
Depreciation	165,796	82,015
Net unrealized investment gain	(119,182)	(19,174)
Changes in operating assets and liabilities:		
Contributions receivable	(410,833)	205,677
Prepaid and other assets	(48,333)	(618)
Accounts payable and accrued expenses	<u>(64,961)</u>	<u>74,316</u>
Net cash used by operating activities	<u>(2,305,899)</u>	<u>(1,315,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,406,744)	(2,277,111)
Investment purchases	(849,752)	(1,748,355)
Investment sales	411,000	82,219
Changes in money market mutual funds	<u>1,291,239</u>	<u>(1,339,985)</u>
Net cash used by investing activities	<u>(6,554,257)</u>	<u>(5,283,232)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for property and equipment	<u>2,003,523</u>	<u>7,156,581</u>
NET CHANGE IN CASH	(6,856,633)	557,733
Cash, beginning of year	<u>8,883,494</u>	<u>8,325,761</u>
Cash, end of year	<u>\$ 2,026,861</u>	<u>\$ 8,883,494</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 1,591,517	\$ 3,654,209
Cash restricted for property	<u>435,344</u>	<u>5,229,285</u>
Total cash	<u>\$ 2,026,861</u>	<u>\$ 8,883,494</u>

See accompanying notes to financial statements.

Project Row Houses

Notes to Financial Statements for the years ended August 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Project Row Houses (PRH) is a Texas nonprofit corporation organized in 1993 as a neighborhood-based public project on an abandoned 1½ block site of 22 “shotgun” style homes in Houston’s historic Third Ward neighborhood. PRH’s mission is to empower people and enrich communities through art, engagement, and direct action.

PRH operates within the following programmatic areas:

Community Enrichment Programs include the Young Mother’s Residential Program which serves single mothers and their children and offers a two-year program under the guidance of a mentor who lives on site and social services professionals. These families are provided housing in a fully-furnished, shotgun house owned by PRH, counseling, and workshops while they work and further their education; Tutoring on Monday nights for students of all ages; Artist Studios and Small Business Incubations which support artists and entrepreneurs with low-cost rental space; Education includes arts and life skills classes for adults instructed by some of Houston’s most talented artists and other professionals in their fields; the Integrated Services Program supports families by providing counseling/coaching and referral for income support, wealth building and employment services; and Archives which tell the stories of PRH and the neighborhood.

Art Programs include commissioned projects, residencies and fellowships that engage a diverse community of emerging and established local, national and international artists. Seven row houses serve as installation spaces three times a year. Performance-based works are presented by contemporary artists; residencies cultivate a new generation of artists with socially engaged practices; and the CASE-PRH fellowship builds on PRH’s history of leadership in social practice and community-engaged art projects.

Neighborhood Development activities include strategic partnerships to support the development and implementation of a comprehensive neighborhood revitalization strategy for historic Third Ward. PRH participates in collaborations to prevent the displacement of long-time residents and enhance their economic and social well-being.

Eldorado Building was built in 1939 and includes the Eldorado Ballroom which presented the nation’s best Blues, Jazz, and Big Bands from the 1940’s to 1970’s (B.B. King, Sam “Lightning” Hopkins, and Tina Turner, among many others). The building has been renovated and a third-party is maintaining under an operating agreement.

Federal income tax status – PRH is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

At August 31, 2023 and 2022, demand deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are, if material, discounted to estimate the present value of future cash flows. Discounts are computed using the risk-free interest rates applicable to

the years in which the promises are received and are amortized as contribution revenue. An allowance for uncollectible contributions receivable is provided when it is believed that individual contributions may not be collected in full.

Investments are recorded at fair value. Purchases and sales are reported on a trade date basis. Investment return is net of direct and indirect investment expenses.

Property and equipment is reported at cost, if purchased, and at fair value at the date of gift, if donated. Depreciation is recognized on a straight-line basis over estimated useful lives of 5 to 39 years. Expenditures greater than \$5,000 with a useful life greater than one year are capitalized.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

Contributions and grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are subject to one or more barriers that must be overcome before PRH is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Rental income is recognized in the period services are provided.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and benefits are allocated on the basis of estimated time and effort expended. Depreciation expense, occupancy costs, insurance, and other costs are directly charged when related to a specific function and allocated on the basis of full-time equivalents when more than one activity is benefitted.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 2,026,861	\$ 8,883,494
Contributions receivable, net	591,391	865,281
Other receivables	42,004	10,180
Investments	<u>2,291,990</u>	<u>3,025,295</u>
Total financial assets	4,952,246	12,784,250
Less financial assets not available for general expenditure:		
Cash restricted for property	(435,344)	(5,229,285)
Purpose-restricted net assets not expected to be expended in the coming year	(125,000)	(51,200)
Contributions receivable restricted for long-term purposes	<u> </u>	<u>(684,723)</u>
Total financial assets available for general expenditure	<u>\$ 4,391,902</u>	<u>\$ 6,819,042</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, PRH considers all expenditures related to its ongoing activities of community enrichment, arts, neighborhood development programs, and costs to maintain the Eldorado Building, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available to meet cash needs for general expenditures within one year at August 31, 2023 include cash, receivables and investments. This includes assets, which are restricted for program purposes, but expected to be used in the next fiscal year.

At August 31, 2023, PRH has a \$1,000,000 line of credit expiring in January 2024 at a rate of prime plus 0.25% with a floor of 3.5% (8.75% as of August 31, 2023).

NOTE 3 – RELATED PARTY TRANSACTIONS

PRH and PRH Preservation, Inc. (PRH Preservation), a nonprofit organization formed in 2018, are affiliated entities. PRH Preservation was created to support PRH and develop and operate housing in the Third Ward of Houston. PRH and a foundation elect an equal number of PRH Preservation's Board of Directors. During 2023 and 2022, the Executive Director of PRH was a member of PRH Preservation's Board of Directors.

Row House CDC (RH CDC) is a Texas nonprofit corporation established to, among other things, expand opportunities available to low and moderate income residents in the Greater Third Ward.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at August 31, 2023 are due as follows:

Receivable in less than one year	\$ 423,391
Receivable in one to five years	<u>168,000</u>
Total contributions receivable	<u>\$ 591,391</u>

Concentration

Receivables from two donors in 2023 and one donor in 2022 represented 51% and 56% of total contributions receivable, respectively.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at August 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 48,746			\$ 48,746
Common stock:				
Information technology	394,451			394,451
Healthcare	294,368			294,368
Financial services	243,709			243,709
Industrial goods and services	226,161			226,161
Consumer discretionary	149,840			149,840
Consumer staples	86,859			86,859
Materials	70,927			70,927
Utilities	69,309			69,309
Real estate	66,901			66,901
Communication services	53,320			53,320
Other	57,849			57,849
Exchange-traded funds – fixed-income	<u>529,550</u>	<u>\$ 529,550</u>		<u>529,550</u>
Total assets measured at fair value	<u>\$ 1,762,440</u>	<u>\$ 529,550</u>	<u>\$ 0</u>	<u>\$ 2,291,990</u>

Assets measured at fair value at August 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 1,339,985			\$ 1,339,985
Common stock:				
Information technology	291,316			291,316
Healthcare	207,799			207,799
Financial services	182,334			182,334
Industrial goods and services	150,784			150,784
Consumer discretionary	105,747			105,747
Consumer staples	45,925			45,925
Materials	60,065			60,065
Utilities	55,281			55,281
Real estate	67,294			67,294
Communication services	48,701			48,701
Other	41,788			41,788
Exchange-traded funds – fixed-income	<u> </u>	\$ 428,276	<u> </u>	<u>428,276</u>
Total assets measured at fair value	<u>\$ 2,597,019</u>	<u>\$ 428,276</u>	<u>\$ 0</u>	<u>\$ 3,025,295</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Common stock* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while PRH believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,445,387	\$ 225,514
Construction in progress	65,246	3,243,241
Buildings and improvements	11,024,384	2,394,654
Furniture and equipment	<u>250,313</u>	<u>211,620</u>
Total property and equipment, at cost	12,785,330	6,075,029
Accumulated depreciation	<u>(1,452,346)</u>	<u>(1,286,551)</u>
Property and equipment, net	<u>\$11,332,984</u>	<u>\$ 4,788,478</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Capital renovations	\$ 390,720	
Future time periods	228,250	\$ 25,000
Digital Accelerator Program	147,115	
Creative placemaking activities	100,000	
Third Ward Cultural District	83,390	203,423
Arts agency	58,966	
Technical assistance	38,823	39,562
Cultural Institute	36,000	56,000
PRH Institute	31,535	141,446
Division Street property	11,868	12,461
Eldorado Ballroom		8,569,687
Financial Opportunity Center		68,035
Other	<u>19,363</u>	<u>25,399</u>
Total net assets with donor restrictions	<u>\$ 1,146,030</u>	<u>\$ 9,141,013</u>

NOTE 8 – ELDORADO BALLROOM OPERATING AGREEMENT

In November 2022, PRH entered into a 10-year noncancelable operation and management agreement with a third-party corporation to manage specified sections of the Eldorado Ballroom (the Eldorado). The term of the agreement commenced upon the completed renovations of the Eldorado. The organization is to pay a base amount of \$1,250 per month, to increase by 6% per year, plus 11% of the total gross receipts earned by the organization from the Eldorado for each calendar year, not to exceed 50% of the net cash flows. The net cash flows are defined as gross receipts for a calendar year less expenses from the operation operations of the Eldorado, with the expenses including the base amount, but excluding the variable 11% portion of the rent, income taxes, depreciation and all other noncash items. Revenue relating to this agreement totaled \$2,500 for the 2023 fiscal year.

PRH also has a 10-year lease agreement for the operation of a café and market in the Eldorado with an LLC affiliated with the corporation that manages the Eldorado.

Under the lease agreement the future minimum rental income at August 31, 2023 is as follows:

May 2023-August 2023	\$ 20,000
September 2023-August 2024	61,200
September 2024-August 2025	64,872
September 2025-August 2026	68,764
September 2026-August 2027	72,912
Thereafter	<u>325,616</u>
Total	<u>\$ 613,364</u>

NOTE 9 – SUBSEQUENT EVENTS

In January 2024, PRH renewed their line of credit for \$500,000 expiring January 2025.

Management has evaluated subsequent events through March 26, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
