

# **Project Row Houses**

Financial Statements  
and Independent Auditors' Report  
for the years ended August 31, 2024 and 2023

# Project Row Houses

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## **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, 2024 and 2023, 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, 2024 and 2023, 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*

April 28, 2025

## Project Row Houses

### Statements of Financial Position as of August 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 811,649	\$ 1,591,517
Contributions receivable (Note 4)	523,371	591,391
Prepaid and other assets	90,296	94,602
Investments (Note 5)	2,128,100	2,291,990
Cash restricted for property		435,344
Property and equipment, net (Note 6)	<u>11,173,766</u>	<u>11,332,984</u>
TOTAL ASSETS	<u>\$14,727,182</u>	<u>\$16,337,828</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 196,721	\$ 179,707
Construction payable	<u>                    </u>	<u>109,870</u>
Total liabilities	<u>196,721</u>	<u>289,577</u>
Net assets:		
Without donor restrictions	13,657,062	14,902,221
With donor restrictions (Note 7)	<u>873,399</u>	<u>1,146,030</u>
Total net assets	<u>14,530,461</u>	<u>16,048,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$14,727,182</u>	<u>\$16,337,828</u>

See accompanying notes to financial statements.

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## Project Row Houses

### Statement of Activities for the year ended August 31, 2024

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions and grants	\$ 715,321	\$ 825,106	\$ 1,540,427
Special event revenue	538,174		538,174
Cost of benefits provided to donors	(263,182)		(263,182)
Rental income	155,755		155,755
Net investment return	341,884		341,884
Other	<u>91,853</u>	<u></u>	<u>91,853</u>
Total revenue	1,579,805	825,106	2,404,911
Net assets released from restrictions:			
Program expenditures	651,011	(651,011)	
Capital expenditures	<u>446,726</u>	<u>(446,726)</u>	<u></u>
Total	<u>2,677,542</u>	<u>(272,631)</u>	<u>2,404,911</u>
EXPENSES:			
Program services	2,330,716		2,330,716
Management and general	772,160		772,160
Fundraising	<u>819,825</u>	<u></u>	<u>819,825</u>
Total expenses	<u>3,922,701</u>	<u></u>	<u>3,922,701</u>
CHANGES IN NET ASSETS	(1,245,159)	(272,631)	(1,517,790)
Net assets, beginning of year	<u>14,902,221</u>	<u>1,146,030</u>	<u>16,048,251</u>
Net assets, end of year	<u>\$13,657,062</u>	<u>\$ 873,399</u>	<u>\$14,530,461</u>

*See accompanying notes to financial statements.*

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## Project Row Houses

### Statement of Activities for the year ended August 31, 2023

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	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>611,076</u>
Total expenses	<u>4,081,481</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.*

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## Project Row Houses

### Statement of Functional Expenses for the year ended August 31, 2024

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 929,301	\$ 165,279	\$ 333,868	\$ 1,428,448
Professional fees and contract services	458,652	352,951	253,774	1,065,377
Depreciation	223,928	36,772	57,629	318,329
Insurance	206,324	33,882	53,098	293,304
Repairs and maintenance	180,445	29,632	46,438	256,515
Supplies	128,028	11,927	19,375	159,330
Utilities	83,018	13,633	21,365	118,016
Conference and travel	71,013	11,661	18,275	100,949
Membership dues	7,221	49,326	8,483	65,030
Occupancy	29,222	52,368	7,520	89,110
Bank and related fees		13,814		13,814
Direct assistance	11,313			11,313
Other	<u>2,251</u>	<u>915</u>		<u>3,166</u>
Total expenses	<u>\$ 2,330,716</u>	<u>\$ 772,160</u>	<u>\$ 819,825</u>	<u>\$ 3,922,701</u>

*See accompanying notes to financial statements.*

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## Project Row Houses

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

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	<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
Depreciation	133,267	13,396	19,133	165,796
Insurance	147,882	14,865	21,231	183,978
Repairs and maintenance	232,646	23,386	33,401	289,433
Supplies	160,576	7,353	10,502	178,431
Utilities	107,043	10,760	15,368	133,171
Conference and travel	241,052	24,231	34,607	299,890
Membership dues		41,353		41,353
Occupancy	29,509	2,966	4,237	36,712
Bank and related fees		29,868		29,868
Direct assistance	34,538			34,538
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.*

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## Project Row Houses

### Statements of Cash Flows for the years ended August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$(1,517,790)	\$ (509,586)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions restricted for property and equipment		(1,318,800)
Depreciation	318,329	165,796
Net unrealized investment gain	(314,083)	(119,182)
Changes in operating assets and liabilities:		
Contributions receivable	68,020	(410,833)
Prepaid and other assets	4,306	(48,333)
Accounts payable and accrued expenses	<u>17,014</u>	<u>(64,961)</u>
Net cash used by operating activities	<u>(1,424,204)</u>	<u>(2,305,899)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(268,981)	(7,406,744)
Investment purchases	(857,472)	(849,752)
Investment sales	1,317,555	411,000
Changes in money market mutual funds	<u>17,890</u>	<u>1,291,239</u>
Net cash provided (used) by investing activities	<u>208,992</u>	<u>(6,554,257)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for property and equipment		<u>2,003,523</u>
<b>NET CHANGE IN CASH</b>	<b>(1,215,212)</b>	<b>(6,856,633)</b>
Cash, beginning of year	<u>2,026,861</u>	<u>8,883,494</u>
Cash, end of year	<u>\$ 811,649</u>	<u>\$ 2,026,861</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 811,649	\$ 1,591,517
Cash restricted for property	<u>          </u>	<u>435,344</u>
Total cash	<u>\$ 811,649</u>	<u>\$ 2,026,861</u>

*See accompanying notes to financial statements.*

## Project Row Houses

Notes to Financial Statements for the years ended August 31, 2024 and 2023

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### 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 renovations were completed in 2024. PRH plans to utilize this renovated ballroom space to support community events and utilize as event rental space.

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).

Cash concentration – At August 31, 2024 and 2023, 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 reported 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>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 811,649	\$ 2,026,861
Contributions receivable, net	523,371	591,391
Other receivables	33,248	42,004
Investments	<u>2,128,100</u>	<u>2,291,990</u>
Total financial assets	3,496,368	4,952,246
Less financial assets not available for general expenditure:		
Cash restricted for property		(435,344)
Purpose-restricted net assets not expected to be expended in the coming year	<u>(145,758)</u>	<u>(125,000)</u>
Total financial assets available for general expenditure	<u>\$ 3,350,610</u>	<u>\$ 4,391,902</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, 2024 include cash, receivables and investments. This includes assets, which are restricted for program purposes, but expected to be used in the next fiscal year.

## 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. The Executive Director of PRH is a board member and acting Executive Director of PRH Preservation.

Row House CDC (RHCDC) is a Texas nonprofit corporation established to, among other things, expand opportunities available to low and moderate income residents in the Greater Third Ward. The Executive Director of PRH is also the Executive Director of RHCDC.

PRH and PRH Preservation entered into a shared cost agreement for shared employees and certain other costs. The amount paid by the PRH Preservation to PRH in 2024 was approximately \$20,000. The amount paid by RHCDC to PRH in 2024 was approximately \$10,000.

#### NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at August 31, 2024 are due as follows:

Receivable in less than one year	\$ 509,512
Receivable in one to five years	<u>13,859</u>
Total contributions receivable	<u>\$ 523,371</u>

##### *Concentration*

Receivables from two donors in 2024 and two donors in 2023 represented 75% and 51% 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, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 30,856			\$ 30,856
Common stock:				
Information technology	265,191			265,191
Financial services	221,888			221,888
Industrial goods and services	169,275			169,275
Healthcare	161,733			161,733
Consumer discretionary	97,536			97,536
Utilities	62,531			62,531
Consumer staples	56,574			56,574
Materials	47,161			47,161
Communication services	41,473			41,473
Real estate	34,547			34,547
Other	49,348			49,348
Mutual fund – intermediate core bond	<u>889,987</u>			<u>889,987</u>
Total assets measured at fair value	<u>\$ 2,128,100</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,128,100</u>

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
Financial services	243,709			243,709
Industrial goods and services	226,161			226,161
Healthcare	294,368			294,368
Consumer discretionary	149,840			149,840
Utilities	69,309			69,309
Consumer staples	86,859			86,859
Materials	70,927			70,927
Communication services	53,320			53,320
Real estate	66,901			66,901
Other	57,849			57,849
Mutual fund – intermediate core bond	<u>529,550</u>			<u>529,550</u>
Total assets measured at fair value	<u>\$ 2,291,990</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,291,990</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* is 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>2024</u>	<u>2023</u>
Land	\$ 1,445,387	\$ 1,445,387
Construction in progress	106,905	65,246
Buildings and improvements	11,119,138	11,024,384
Furniture and equipment	<u>273,011</u>	<u>250,313</u>
Total property and equipment, at cost	12,944,441	12,785,330
Accumulated depreciation	<u>(1,770,675)</u>	<u>(1,452,346)</u>
Property and equipment, net	<u>\$11,173,766</u>	<u>\$11,332,984</u>

## NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Third Ward Cultural District	\$ 400,000	\$ 83,390
Cultural Institute	108,069	36,000
Future time periods	100,000	228,250
Digital Accelerator Program	99,539	147,115
Strategic plan	40,000	
Arts agency	15,321	58,966
Capital renovations		390,720
Creative placemaking activities		100,000
Technical assistance		38,823
PRH Institute		31,535
Other	<u>110,470</u>	<u>31,231</u>
Total net assets with donor restrictions	<u>\$ 873,399</u>	<u>\$ 1,146,030</u>

## NOTE 8 – LEASE AGREEMENT

PRH has a 10-year lease agreement for the operation of a café and market with an unrelated party. Under the lease agreement, the future minimum rental income at August 31, 2024 is as follows:

September 2024-August 2025	\$ 64,872
September 2025-August 2026	68,764
September 2026-August 2027	72,890
September 2027-August 2028	77,264
September 2028-August 2029	81,899
Thereafter	<u>343,957</u>
Total	<u>\$ 709,646</u>

## NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.