

Houston's Capital Investing in Development and Employment of Adults, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 378,156	\$ 62,944
Accounts receivable	27,191	296,417
Grants and contributions receivable	336,481	285,000
Prepaid expenses and other assets	15,645	11,016
Property and equipment	<u>15,371</u>	<u>13,948</u>
Total assets	<u>\$ 772,844</u>	<u>\$ 669,325</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 138,678	\$ 113,960
Line of credit	<u>-</u>	<u>100,000</u>
Total liabilities	<u>138,678</u>	<u>213,960</u>
Net assets		
Without donor restrictions	59,014	170,125
With donor restrictions	<u>575,152</u>	<u>285,240</u>
Total net assets	<u>634,166</u>	<u>455,365</u>
Total liabilities and net assets	<u>\$ 772,844</u>	<u>\$ 669,325</u>

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

Houston's Capital Investing in Development and Employment of Adults, Inc.

STATEMENT OF ACTIVITIES

For the year ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 524,449	\$ 563,866	\$ 1,088,315
Contract services	133,662	-	133,662
Paycheck Protection Program grant	59,577	-	59,577
Net assets released from restrictions	273,954	(273,954)	-
Total revenues	<u>991,642</u>	<u>289,912</u>	<u>1,281,554</u>
Expenses			
Program services	779,894	-	779,894
General and administrative	249,163	-	249,163
Fundraising	73,696	-	73,696
Total expenses	<u>1,102,753</u>	<u>-</u>	<u>1,102,753</u>
Change in net assets	(111,111)	289,912	178,801
Net assets at beginning of year	<u>170,125</u>	<u>285,240</u>	<u>455,365</u>
Net assets at end of year	<u>\$ 59,014</u>	<u>\$ 575,152</u>	<u>\$ 634,166</u>

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

Houston's Capital Investing in Development and Employment of Adults, Inc.

STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 639,837	\$ 345,000	\$ 984,837
Contract services	50,000	-	50,000
Net assets released from restrictions	<u>328,391</u>	<u>(328,391)</u>	<u>-</u>
Total revenues	<u>1,018,228</u>	<u>16,609</u>	<u>1,034,837</u>
Expenses			
Program services	799,812	-	799,812
General and administrative	188,064	-	188,064
Fundraising	<u>74,034</u>	<u>-</u>	<u>74,034</u>
Total expenses	<u>1,061,910</u>	<u>-</u>	<u>1,061,910</u>
Change in net assets	(43,682)	16,609	(27,073)
Net assets at beginning of year	<u>213,807</u>	<u>268,631</u>	<u>482,438</u>
Net assets at end of year	<u>\$ 170,125</u>	<u>\$ 285,240</u>	<u>\$ 455,365</u>

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

Houston's Capital Investing in Development and Employment of Adults, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2020

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 398,204	\$ 86,255	\$ 53,774	\$ 538,233
Direct student assistance	263,390	-	-	263,390
Professional and contract services	-	130,649	4,381	135,030
Facilities	40,234	6,356	5,433	52,023
Communications	17,891	2,827	2,416	23,134
Information technology	10,264	1,622	1,386	13,272
Office supplies and expenses	9,634	1,522	1,302	12,458
Depreciation	9,252	1,462	1,249	11,963
Events and meetings	10,221	1,058	-	11,279
Travel	4,005	2,317	-	6,322
Insurance	-	3,700	-	3,700
Other expenses	16,799	11,395	3,755	31,949
Total expenses	<u>\$ 779,894</u>	<u>\$ 249,163</u>	<u>\$ 73,696</u>	<u>\$ 1,102,753</u>

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

Houston's Capital Investing in Development and Employment of Adults, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Direct student assistance	\$ 465,631	\$ -	\$ -	\$ 465,631
Personnel	203,310	71,295	53,348	327,953
Professional and contract services	38,758	85,228	700	124,686
Facilities	38,870	11,901	10,200	60,971
Communications	10,817	3,312	2,838	16,967
Depreciation	6,783	2,077	1,779	10,639
Events and meetings	10,491	-	-	10,491
Office supplies and expenses	6,258	1,916	1,642	9,816
Information technology	5,688	1,742	1,493	8,923
Travel	5,212	3,607	-	8,819
Insurance	-	3,438	-	3,438
Other expenses	7,994	3,548	2,034	13,576
Total expenses	<u>\$ 799,812</u>	<u>\$ 188,064</u>	<u>\$ 74,034</u>	<u>\$ 1,061,910</u>

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

Houston's Capital Investing in Development and Employment of Adults, Inc.

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 178,801	\$ (27,073)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,963	10,639
Decrease (increase) in accounts receivable	269,226	(102,734)
Increase in grants and contributions receivable	(51,481)	(30,000)
(Increase) decrease in prepaid expenses and other assets	(4,629)	6,203
Increase in accounts payable and accrued expenses	24,718	21,860
Net cash provided (used) by operating activities	<u>428,598</u>	<u>(121,105)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(13,386)</u>	<u>(1,831)</u>
Net cash used by investing activities	<u>(13,386)</u>	<u>(1,831)</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	100,000
Principal payments on line of credit	<u>(100,000)</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>(100,000)</u>	<u>100,000</u>
Increase (decrease) in cash and cash equivalents	315,212	(22,936)
Cash and cash equivalents at beginning of year	<u>62,944</u>	<u>85,880</u>
Cash and cash equivalents at end of year	<u>\$ 378,156</u>	<u>\$ 62,944</u>
Amounts paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

Houston's Capital Investing in Development and Employment of Adults, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

1. Organization and Nature of Activities

Houston's Capital Investing in Development and Employment of Adults, Inc. (Organization) was incorporated in the State of Texas on November 14, 2014. The Organization was founded to provide financial and emotional support that non-traditional, adult learners in the Houston area need to succeed in higher educations and ultimately reach financial self-sufficiency. The Organization fully funds participants' tuition, fees and books for an associate's degree or college-level certificate with no loans or paybacks required. As needed, participants also receive childcare, transportation, and emergency assistance so that they can focus on their education. The primary objective is to lift people out of poverty by sponsoring educational services that lead to life-long financial independence and to serve the community by acting as a bridge, connecting committed yet underemployed people to employers in need of highly skilled workers.

Houston's Capital Investing in Development and Employment of Adults, LLC dba Capital IDEA Houston is a single-member LLC, its sole member being Houston's Capital Investing in Development and Employment of Adults, Inc.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

3. Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets Without Donor Restrictions* - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions* - Net assets that are subject to donor-imposed time and/or purpose restrictions.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - Continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

4. Cash and Cash Equivalents

The Organization considers checking accounts and savings accounts to be cash and cash equivalents.

5. Property and Equipment

Acquisitions of property and equipment are capitalized at cost, if purchased, or fair market value on the date of donation, if received as a gift. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, generally three to five years for furniture and equipment. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of restrictions when the assets are placed into service as instructed by the donor. The Organization reclassifies restricted net assets to net assets without donor restrictions at that time.

6. Grants and Contributions

Unconditional grants and contributions received are recorded as increases in net assets without donor restrictions or as increases in net assets with donor restrictions, depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to net assets without donor restrictions. The Organization's policy is to report unconditional restricted support that is satisfied in the year of receipt as restricted and then released in the same year.

Revenue from grants that are considered to be conditional contributions are recognized as conditions are met or reimbursable expenses are incurred. The Organization has adopted the simultaneous release option for donor restricted conditional grants that are recognized and satisfied within the same reporting period, therefore, these amounts are reported as support without donor restrictions.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Grants and Contributions - Continued

In May 2020, the Organization received a \$59,577 loan under the Paycheck Protection Program (PPP). The loan is eligible for forgiveness by the U.S. Small Business Administration (SBA) if the Organization meets all necessary criteria as defined by the SBA. Management has determined as of September 30, 2020, the Organization incurred expenses totaling \$59,577 that met the criteria as defined by the SBA. Consistent with the basis for conclusions regarding conditional contributions, the Organization has recognized the amount expected to be forgiven as revenue in these financial statements. In March 2021, the Organization received notification from the SBA that the loan had been forgiven in full.

7. Functional Allocation of Expenses

Expenses are categorized by function as either (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each function.

8. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

9. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Houston's Capital Investing in Development and Employment of Adults, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Recently Adopted Accounting Guidance

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization adopted the provisions of this new standard during the year ended September 30, 2020 applied on a modified prospective basis. The update provides criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides the framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. Prior year balances have not been restated in accordance with the adoption provisions and there was no material impact to the financial statements as a result of the adoption.

**NOTE B - TAX EXEMPT STATUS**

The Organization is generally exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Furthermore, the Organization is classified as a publicly supported organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provisions for income taxes have been included in these financial statements.

**NOTE C - ACCOUNTS RECEIVABLE**

The accounts receivable balances at September 30, 2020 and 2019 were considered fully collectible. Therefore, no allowances for uncollectible amounts have been recorded in these financial statements.

**NOTE D - GRANTS AND CONTRIBUTIONS RECEIVABLE**

The grants and contributions receivable balances at September 30, 2020 and 2019 were considered fully collectible. Therefore, no allowances for uncollectible amounts have been recorded in these financial statements. Due to immaterial discount amounts, no discounts to present value are reflected in these financial statements. As of September 30, 2020, the grants and contributions receivable balance was due within one year.

Houston's Capital Investing in Development and Employment of Adults, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**NOTE E - LINE OF CREDIT**

In June 2016, the Organization established a \$100,000 unsecured, noninterest-bearing revolving promissory note with a foundation for working capital. In July 2019, the note was modified to increase the amount to \$125,000. The note matured on June 30, 2020 and was not renewed. At September 30, 2019, the outstanding balance was \$100,000.

**NOTE F - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were restricted for the following purposes and periods at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Student assistance and training programs	\$ 207,942	\$ 73,266
Fee for service model research	105,729	-
Other purposes/future periods	<u>261,481</u>	<u>211,974</u>
Total net assets with donor restrictions	<u>\$ 575,152</u>	<u>\$ 285,240</u>

**NOTE G - GRANTOR AUDITS**

The Organization receives grants and contributions from foundations and governments for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures and services disallowed under terms and conditions of the appropriate agency. In the opinion of the Organization's management, such disallowances, if any, will not be significant.

**NOTE H - EMPLOYEE LEASING**

The Organization's staff are leased employees through DeLuca Enterprises, Inc. dba PMG. The Organization recognized expense of \$461,791 and \$279,718 during the years ended September 30, 2020 and 2019, respectively, for the reimbursement of personnel costs, retirement benefits, workers compensation insurance, and service fees charged by PMG. During the years ended September 30, 2020 and 2019, the Organization also recognized expense of \$76,442 and \$48,235, respectively, for other staff benefits that were not reimbursements paid to PMG.

Houston's Capital Investing in Development and Employment of Adults, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**NOTE I - LEASE COMMITMENT**

The Organization leases office space in Houston, Texas. As of September 30, 2020, future minimum lease payments under this operating lease were as follows:

<u>Years ending September 30,</u>	<u>Minimum Lease Payments</u>
2021	\$ 29,448
2022	29,448
2023	4,908
thereafter	-

Rent expense totaled \$31,208 and \$34,542 for the years ended September 30, 2020 and 2019, respectively.

**NOTE J - CONCENTRATIONS**

The Organization recognized revenue from five funding sources that comprised the following percentages of total revenue for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Funder A	21%	37%
Funder B	14%	3%
Funder C	13%	19%
Funder D	12%	0%
Funder E	0%	19%

Houston's Capital Investing in Development and Employment of Adults, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**NOTE K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's primary sources of revenue are grants and contributions from foundations and government agencies that are required to be used in accordance with the purpose restrictions imposed by the donors and grantors. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year because of donor-imposed restrictions, as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 378,156	\$ 62,944
Accounts receivable, due in less than one year	27,191	296,417
Contributions receivable, due in less than one year	<u>336,481</u>	<u>185,000</u>
Total financial assets	741,828	544,361
Donor imposed restrictions:	<u>(313,671)</u>	<u>(73,266)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 428,157</u>	<u>\$ 471,095</u>

**NOTE L - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 6, 2021, the date the financial statements were available to be issued.