

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT
AND EMPLOYMENT OF ADULTS, INC.**

(A Texas Nonprofit Organization)

**STATEMENT OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2021 & 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 160,001	\$ 378,156
Accounts receivable	14,667	27,191
Grants receivable	531,024	336,481
Prepaid expenses and other	7,254	15,645
Total current assets	<u>712,946</u>	<u>757,473</u>
NONCURRENT ASSETS		
Property and equipment, net	12,491	15,371
Total noncurrent assets	<u>12,491</u>	<u>15,371</u>
TOTAL ASSETS	<u>\$ 725,437</u>	<u>\$ 772,844</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	122,725	138,678
TOTAL LIABILITIES	<u>122,725</u>	<u>138,678</u>
NET ASSETS:		
Net assets without donor restrictions	414,852	220,495
Net assets with donor restrictions	187,860	413,671
TOTAL NET ASSETS	<u>602,712</u>	<u>634,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 725,437</u>	<u>\$ 772,844</u>

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

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT
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**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
Grants and contributions	\$ 1,441,602	\$ 608,879	\$ 2,050,481
Program services	188,775	-	188,775
Net assets released from restrictions	834,690	(834,690)	-
TOTAL REVENUES AND SUPPORT	2,465,067	(225,811)	2,239,256
 EXPENSES			
Program services:	2,069,822	-	2,069,822
Total program services	2,069,822	-	2,069,822
Management and general services:			
General and administration	178,687	-	178,687
Fundraising	22,201	-	22,201
Total management and support services	200,888	-	200,888
 TOTAL EXPENSES	2,270,710	-	2,270,710
 CHANGE IN NET ASSETS	194,357	(225,811)	(31,454)
NET ASSETS, BEGINNING OF YEAR	220,495	413,671	634,166
 NET ASSETS, END OF YEAR	\$ 414,852	\$ 187,860	\$ 602,712

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**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants and contributions	\$ 504,577	\$ 563,866	\$ 1,068,443
Program services	133,662	-	133,662
Paycheck Protection Program Grant	59,577	-	59,577
Net assets released from restrictions	435,435	(435,435)	-
TOTAL REVENUES AND SUPPORT	<u>1,133,251</u>	<u>128,431</u>	<u>1,261,682</u>
 EXPENSES			
Program services:	859,922	-	859,922
Total program services	<u>859,922</u>	<u>-</u>	<u>859,922</u>
Management and general services:			
General and administration	140,153	-	140,153
Fundraising	82,806	-	82,806
Total management and support services	<u>222,959</u>	<u>-</u>	<u>222,959</u>
TOTAL EXPENSES	<u>1,082,881</u>	<u>-</u>	<u>1,082,881</u>
 CHANGE IN NET ASSETS	50,370	128,431	178,801
NET ASSETS, BEGINNING OF YEAR	<u>170,125</u>	<u>285,240</u>	<u>455,365</u>
 NET ASSETS, END OF YEAR	<u>\$ 220,495</u>	<u>\$ 413,671</u>	<u>\$ 634,166</u>

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**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT
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**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Management and General</u>				
	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Management and General</u>	
Personnel	\$ 679,618	\$ 139,384	\$ -	\$ 139,384	\$ 819,002
Direct student assistance	1,095,082	-	-	-	1,095,082
Professional & contract services	160,565	10,730	22,201	32,931	193,496
Facilities	48,447	5,461	-	5,461	53,908
Communication	7,433	3,930	-	3,930	11,363
Information technology	17,187	2,985	-	2,985	20,172
Office supplies	4,831	1,369	-	1,369	6,200
Depreciation	5,868	1,204	-	1,204	7,072
Events/meetings	2,654	499	-	499	3,153
Travel	5,469	2,480	-	2,480	7,949
Insurance	-	3,240	-	3,240	3,240
Other expenses	42,668	7,405	-	7,405	50,073
Total	\$ 2,069,822	\$ 178,687	\$ 22,201	\$ 200,888	\$ 2,270,710

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**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services	Management and General		Total Expenses	
		General and Administration	Fundraising		Total Management and General
Personnel	\$ 398,204	\$ 86,255	\$ 53,774	\$ 140,029	\$ 538,233
Direct student assistance	263,390	-	-	-	263,390
Professional & contract services	99,900	21,639	13,491	35,130	135,030
Facilities	20,362	6,356	5,433	11,789	32,151
Communication	17,891	2,827	2,416	5,243	23,134
Information technology	10,264	1,622	1,386	3,008	13,272
Office supplies	9,634	1,522	1,302	2,824	12,458
Depreciation	9,252	1,462	1,249	2,711	11,963
Events/meetings	10,221	1,058	-	1,058	11,279
Travel	4,005	2,317	-	2,317	6,322
Insurance	-	3,700	-	3,700	3,700
Other expenses	16,799	11,395	3,755	15,150	31,949
Total	\$ 859,922	\$ 140,153	\$ 82,806	\$ 222,959	\$ 1,082,881

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**STATEMENT OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 & 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (31,454)	\$ 178,801
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	7,072	11,963
Changes in operating assets and liabilities:		
Increase in grants receivable	12,524	269,226
Decrease in grants and contributions receivable	(194,543)	(51,481)
Decrease in prepaid expenses and other assets	8,391	(4,629)
(Decrease)Increase in accounts payable and accrued expenses	(15,953)	24,718
Net cash (used in) provided by operating activities	(213,963)	428,598
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(4,192)	(13,386)
Net cash (used in) investing activities	(4,192)	(13,386)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on line of credit	-	(100,000)
Net cash (used in) financing activities	-	(100,000)
CHANGE IN CASH AND CASH EQUIVALENTS	(218,155)	315,212
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	378,156	62,944
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 160,001	\$ 378,156

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 for non-traditional, adult learners in the Houston area to allow them to succeed in higher education and ultimately reach financial self-sufficiency. The Organization funds participant's 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 invest in working adults by providing educational pathways from low-wage to living-wage careers.

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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (the "U.S. GAAP").

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities-Presentation of Financial Statements*. Under FASB ASC Topic 958-205, the Organization is to report information regarding its financial position and activities according to two classes of net assets, as defined below:

Net assets without donor restrictions – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.

Net assets with donor restrictions – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time.

Additionally, the Organization is also required under FASB ASC 958-205 to present statements of activities, functional expenses, and cash flows.

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Measurement of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Organization's ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Revenue from exchange transactions consist of the following:

Grant revenue are conditional upon the incurrence of allowable qualifying expenses. Grant revenue is recorded as allowable qualifying expenses are incurred and the conditions of the grant. The Organization has adopted the 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.

Revenues from contributions, donations and other sources are recognized as with and without donor restrictions when received or unconditionally promised by a third party. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received are recorded as without donor restrictions, or with donor restrictions depending on the existence and/or nature of any donor restrictions. The Organization's policy is to report contributions that are restricted by the donor that is satisfied in the year of receipt as restricted and then released in the same year. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions. Contributions including unconditional promise to give are recognized as revenues in the period received.

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When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first, then unrestricted resources as needed.

Revenue from non-exchange transactions consist of the following:

Program service, including revenue from contract services are recognized when performance obligations are met.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Cash and Cash Equivalents

The Organization considers all demand deposits and highly liquid investments with maturity of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants and other Accounts Receivable

Grants receivable from governmental agencies and receivable from other sources are stated at unpaid balances, less any allowance for doubtful accounts. The Organization provides for losses on accounts receivable using allowance method. The allowance is based on management's judgment including such factors as prior collection history, type of contribution and nature of fundraiser activity. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

There were no allowances carried for accounts receivable as of September 30, 2021 and 2020. Most receivables were collected in subsequent fiscal year.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair market value on the date of donation, if received as a gift. The Organization policy is to capitalize property and equipment valued at \$500 and more. 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 contributions. Absent donor stipulations regarding how long those donated

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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. Presently, the Organization does not have any assets that have donor-imposed restrictions. Substantially all fixed assets presented in the accompanying statement of financial position were purchased with non-federal funds.

The Organization charges ordinary repairs and maintenance against income when incurred. Renewals and betterments which extend the useful life of the assets are capitalized.

Compensable Absences

Annual leave (vacation and sick leave) are granted to the Organization's employees. Under the Organization's policy, employees are entitled to accrue annual leave based on tenure of service from their first day of employment. Employees are paid for unused but earned vacation time upon termination of employment based on tenure of service and their unused vacation balances are accrued in the financial statements. Employees are not paid for unused sick days. Therefore, accrual for unused sick days is recorded in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the Organization's programs have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, all non-payroll costs have been allocated between program and supporting services based on salary allocation per employee timesheets. Fundraising expenses are expenses that do not support programs and are paid to raise funds for the Organization. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

The expenses that are allocated are facilities, professional and contract services, information technology and depreciation which are allocated based on estimates of time and effort.

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

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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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 160,001	\$ 378,156
Accounts receivables, due in less than one year	14,667	27,191
Contribution receivables, due in less than one year	531,024	336,481
Total financial assets	<u>\$ 705,692</u>	<u>\$ 741,828</u>
Donor imposed restrictions:	<u>\$ (187,860)</u>	<u>(413,671)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 517,832</u>	<u>\$ 328,157</u>

The Organization manages its liquidity through preparation of annual budget which is regularly monitored by management and the Organization's board of directors. The Organization has also structured its financial assets to be available as its general expenses, liabilities and other obligations come due.

Income Taxes

The Organization is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, Federal and State income taxes are not provided for in the accompanying financial statements.

The Organization applies the provisions of FASB ASC 740, Income Taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Currently, there are no IRS audits in progress.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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Accounting Pronouncements adopted

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08 – Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made, which focuses on clarifying and improving the scope and the accounting guidance for contributions received and contributions made. The amendment in this update is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU update has been implemented in Organization's 2020 annual financial statements.

In 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. This ASU update has been implemented in Organization's 2021 annual financial statements.

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – (Topic 842): Leases, which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for Capital IDEA's 2023 annual financial statements. Management is currently evaluating the impact this update will have on the Capital IDEA's financial statements.

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Reclassifications

The Organization has reclassified the prior year's net assets with donor restrictions to net assets without donor restrictions in the amount of \$161,481 to properly reflect releases from restrictions in the prior year. This resulted in changes as shown below:

	2020	2020
	Balances as	Balances as
	Originally	Reclassified
	<u> </u>	<u> </u>
Statement of Financial Position:		
Net assets without donor restrictions	\$ 59,014	\$ 220,495
With donor restrictions	575,152	413,671
	<u>\$ 634,166</u>	<u>\$ 634,166</u>
Statement of Activities:		
Change in net assets -Without donor restrictions	(111,111)	50,370
Change in net assets -With donor restrictions	289,912	128,431
	<u>\$ 178,801</u>	<u>\$ 178,801</u>

In addition, certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. This reclassification had no effect on the previously reported net change in net assets.

2. CONCENTRATIONS AND CREDIT RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Organization will not be able to recover its deposits. Although the Organization does not have a formal deposit policy, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk. Balances in accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The total cash maintained by the Organization in those banks as of September 30, 2021 and 2020 was \$160,002 and \$378,156, respectively of which no amounts exceeded the FDIC insured limit as of September 30, 2021 and 2020, respectively, and was otherwise not insured. Management believes that the Organization's credit risk exposure is mitigated by the financial strength of the financial institutions in which the deposits are held.

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Credit risk associated with grants receivable is minimal due to the credit worthiness of the federal, state, and local funding agencies. The Organization recognized revenue from five funding sources that comprised the following percentages of total revenue for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Funder A	19%	4%
Funder B	21%	19%
Funder C	17%	21%

Accounts receivables related to two funders accounted for 73% and 0% of the total receivable as at September 30, 2021 and 2020, respectively.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of cash, receivables, and accounts payables. Management believes the carrying amounts of these financial instruments approximate their fair value. Valuation techniques utilized to determine fair value are consistently applied.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings and building improvements	\$ 8,950	\$ 8,950
Software and equipment	64,477	60,285
Furniture and fixtures	28,043	28,043
Total fixed assets	101,470	97,278
Less: Accumulated depreciation	(88,979)	(81,907)
Property and equipment, net	<u>\$ 12,491</u>	<u>\$ 15,371</u>

Depreciation was \$7,072 and \$11,963 for the years ended September 30, 2021 and 2020 respectively.

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5. NET ASSETS

Net assets without donor restrictions as of September 30, 2021 and 2020 amounted to \$231,978 and \$220,495, respectively, and are available to support the programs and activities of the Organization.

Net assets with donor restrictions were restricted for the following purposes and periods at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Student assistance and training programs	\$ 118,416	\$ 207,942
Fee for service model research	48,775	105,729
Other purposes	20,669	100,000
Total net assets with donor restrictions	<u>\$ 187,860</u>	<u>\$ 413,671</u>

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases office rental under operating leases expiring in various years through 2022. Future minimum lease payments for non-cancellable leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 32,088
2023	5,348
Total	<u>\$ 37,436</u>

Facilities expense for the fiscal years ended September 30, 2021 and 2020 was \$53,908 and \$32,151, respectively.

Grant Assistance

The Organization receives grant funds from state agencies as passed through from the government for various programs. Such grants are governed by various rules and regulations. Expenses charged to these programs are reimbursed to the Organization after audit and adjustments by the grantors. Any disallowed claims resulting from such audits would become a liability of the Organization. The ability of the Organization to collect any accounts receivable from governmental agencies at September 30, 2021 and 2020 is subject to the compliance approval process on the activities related to those reimbursable

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

expenses. However, in the opinion of management, potential disallowed claims, if any, would not have a material effect on the financial statements.

7. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization (“WHO”) classified the global coronavirus outbreak (COVID-19) as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. Organization’s business operations, fund raising, and program activity are expected to be significantly affected by COVID-19. The Organization is assessing risks, monitoring the evolving situation, and modifying its operations accordingly to continue to provide support and services to its programs they serve.

The Organization has taken certain measures to ensure it remains operational and able to deliver its program services. In line with those measures, the Organization successfully applied and received a loan for \$59,577 under the Small Business Organization’s (SBA) Paycheck Protection Program in May 2020. The Organization has recognized the amount expected to be forgiven as revenue in the 2020 financial statements. The loan was forgiven in March of 2021 after demonstrating compliance with the terms of the assistance.

The Organization believes they are well positioned to continue to respond to the pandemic and does not believe there is substantial doubt about the Organization’s ability to continue as a going concern.

8. EMPLOYEE LEASING

The Organization's staff are leased employees through DeLuca Enterprises, Inc. dba PMG. The Organization recognized expense of \$690,924 and \$461,791 during the years ended September 30, 2021, and 2020, respectively, for the reimbursement of personnel costs, retirement benefits, workers compensation insurance, and service fees charged by PMG. During the years ended September 30, 2021, and 2020, the Organization also recognized expense of \$117,018 and \$76,442, respectively, for other staff benefits that were not reimbursements paid to PMG.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2022, the date the financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.