

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
AND EMPLOYMENT OF ADULTS, INC.  
dba Capital IDEA Houston**

Financial Statements with Independent  
Auditors' Report and Single Audit Reports

Years Ended September 30, 2022 and 2021

**HOUSTON’S CAPITAL INVESTING IN DEVELOPMENT  
AND EMPLOYMENT OF ADULTS, INC.**  
(A Texas Nonprofit Organization)

**September 30, 2022 AND 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Houston's Capital Investing in Development and Employment of Adults, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Houston's Capital Investing in Development and Employment of Adults, Inc. (the "Organization"), a Texas nonprofit organization, which comprise the statements of financial position as of September 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, 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.



# McConnell Jones

## ***Other-Matters***

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards listed in the table of contents, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*McConnell & Jones LLP*

Houston, Texas  
September 12, 2023

## **FINANCIAL STATEMENTS**

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
AND EMPLOYMENT OF ADULTS, INC.**  
(A Texas Nonprofit Organization)

**STATEMENTS OF FINANCIAL POSITION  
YEARS ENDED SEPTEMBER 30, 2022 & 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 559,882	\$ 160,001
Accounts receivable	-	14,667
Grants receivable	485,794	531,024
Prepaid expenses and other	15,428	7,254
<b>Total current assets</b>	<b>1,061,104</b>	<b>712,946</b>
<b>NONCURRENT ASSETS</b>		
Property and equipment, net	11,320	12,491
<b>Total noncurrent assets</b>	<b>11,320</b>	<b>12,491</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,072,424</b>	<b>\$ 725,437</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	70,229	122,725
<b>TOTAL LIABILITIES</b>	<b>70,229</b>	<b>122,725</b>
<b>NET ASSETS:</b>		
Net assets without donor restrictions	639,773	414,852
Net assets with donor restrictions	362,422	187,860
<b>TOTAL NET ASSETS</b>	<b>1,002,195</b>	<b>602,712</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,072,424</b>	<b>\$ 725,437</b>

*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, 2022**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>			
Grants and contributions	\$ 1,330,830	\$ 1,009,252	\$ 2,340,082
Program services	30,165	-	30,165
Net assets released from restrictions	834,690	(834,690)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<b>2,195,685</b>	<b>174,562</b>	<b>2,370,247</b>
 <b>EXPENSES</b>			
Program services:	1,669,277	-	1,669,277
Total program services	1,669,277	-	1,669,277
Management and general services:			
General and administration	279,077	-	279,077
Fundraising	22,410	-	22,410
Total management and support services	301,487	-	301,487
 <b>TOTAL EXPENSES</b>	<b>1,970,764</b>	<b>-</b>	<b>1,970,764</b>
 <b>CHANGE IN NET ASSETS</b>	<b>224,921</b>	<b>174,562</b>	<b>399,483</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>414,852</b>	<b>187,860</b>	<b>602,712</b>
 <b>NET ASSETS, END OF YEAR</b>	<b>\$ 639,773</b>	<b>\$ 362,422</b>	<b>\$ 1,002,195</b>

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

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>			
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)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<b>2,465,067</b>	<b>(225,811)</b>	<b>2,239,256</b>
<b>EXPENSES</b>			
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
<b>TOTAL EXPENSES</b>	<b>2,270,710</b>	<b>-</b>	<b>2,270,710</b>
<b>CHANGE IN NET ASSETS</b>	194,357	(225,811)	(31,454)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>220,495</b>	<b>413,671</b>	<b>634,166</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 414,852</b>	<b>\$ 187,860</b>	<b>\$ 602,712</b>

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**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
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**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2022**

	Program Services	Management and General			Total Expenses
		General and Administration	Fundraising	Total Management and General	
Personnel	\$ 674,177	\$ 147,360	\$ -	\$ 147,360	\$ 821,537
Direct student assistance	665,436	-	-	-	665,436
Professional & contract services	160,565	87,419	22,316	109,735	270,300
Facilities	48,447	5,761	-	5,761	54,208
Communication	13,214	3,889	-	3,889	17,103
Information technology	17,187	8,763	-	8,763	25,950
Office supplies	5,399	4,419	94	4,513	9,912
Depreciation	3,843	789	-	789	4,632
Events/meetings	1,005	887	-	887	1,892
Travel	2,301	1,280	-	1,280	3,581
Insurance	-	3,127	-	3,127	3,127
Other expenses	77,703	15,383	-	15,383	93,086
Total	<u>\$ 1,669,277</u>	<u>\$ 279,077</u>	<u>\$ 22,410</u>	<u>\$ 301,487</u>	<u>\$ 1,970,764</u>

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

	Program Services	Management and General			Total Expenses
		General and Administration	Fundraising	Total Management and General	
Persomel	\$ 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	<u>\$ 2,069,822</u>	<u>\$ 178,687</u>	<u>\$ 22,201</u>	<u>\$ 200,888</u>	<u>\$ 2,270,710</u>

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**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
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**STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2022 & 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 399,483	\$ (31,454)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,632	7,072
Changes in operating assets and liabilities:		
Increase in grants receivable	14,667	12,524
Increase (Decrease) in grants and contributions receivable	45,230	(194,543)
(Decrease) Increase in prepaid expenses and other assets	(8,174)	8,391
(Increase) in accounts payable and accrued expenses	(52,496)	(15,953)
Net cash provided by (used in) operating activities	403,342	(213,963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(3,461)	(4,192)
Net cash (used in) investing activities	(3,461)	(4,192)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	399,881	(218,155)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	160,001	378,156
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 559,882	\$ 160,001

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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**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 the 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 is 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 services, 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, 2022 and 2021. Most receivables were collected in the 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 assets must be maintained, the Organization reports expiration of restrictions when the

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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) is 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 not 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 the 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 other obligations come due. The following reflects the Organization's financial assets,

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reduced by amounts not available for general use within one year because of donor-imposed restrictions, as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 559,882	\$ 160,001
Accounts receivables, due in less than one year	-	14,667
Contribution receivables, due in less than one year	<u>485,794</u>	<u>531,024</u>
Total financial assets	\$ 1,045,676	\$ 705,692
Donor imposed restrictions:	<u>(362,422)</u>	<u>(187,860)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 683,254</u>	<u>\$ 517,832</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 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.

**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, 2022 and 2021 was \$433,259 and \$160,002, respectively of which amounts exceeding the FDIC insured limit as of September 30, 2022 and 2021 were \$183,259 and \$0, 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 three funding sources that comprised the following percentages of total revenue for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Funder A	15%	19%
Funder B	11%	21%
Funder C	11%	17%

Accounts receivables related to two funders accounted for 47% and 73% of the total receivable as at September 30, 2022 and 2021, respectively.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization's financial instruments consist of cash, receivables, and accounts payable. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and building improvements	\$ 8,950	\$ 8,950
Software and equipment	67,938	64,477
Furniture and fixtures	28,043	28,043
Total fixed assets	104,931	101,470
Less: Accumulated depreciation	(93,611)	(88,979)
Property and equipment, net	<u>\$ 11,320</u>	<u>\$ 12,491</u>

Depreciation was \$4,632 and \$7,072 for the years ended September 30, 2022 and 2021 respectively.

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**5. NET ASSETS**

Net assets without donor restrictions as of September 30, 2022 and 2021 amounted to \$639,773 and \$414,852, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Student assistance and training programs	\$ 139,214	\$ 118,416
Fee for service model research	228,285	48,775
Other purposes	(5,077)	20,669
Total net assets with donor restrictions	<u>\$ 362,422</u>	<u>\$ 187,860</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>
2023	\$ 29,448
2024	29,448
2025	29,448
2026	4,908
Total	<u>\$ 93,252</u>

Facilities expense for the fiscal years ended September 30, 2022 and 2021 was \$54,208 and \$53,908, 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

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any accounts receivable from governmental agencies at September 30, 2022 and 2021 is subject to the compliance approval process on the activities related to those reimbursable 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 \$704,637 and \$690,924 during the years ended September 30, 2022, and 2021, respectively, for the reimbursement of personnel costs, retirement benefits, workers compensation insurance, and service fees charged by PMG. During the years ended September 30, 2022, and 2021, the Organization also recognized expense of \$121,358 and \$117,018, respectively, for other staff benefits that were not reimbursements paid to PMG.

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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**9. LEGAL MATTERS**

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 12, 2023, 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.

**SUPPLEMENTARY INFORMATION**

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Grant Award #	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Pass-Through Programs from City of Houston, Texas:			
Community Development Block Grants/Entitlement Grants	14.218	2019-0278 & 2020-0443	\$ 205,024
Community Development Block Grants/Entitlement Grants	14.218	2020.00116 & 2021-0015	<u>18,904</u>
			223,928
Pass-Through Programs from Harris County, Texas:			
COVID-19 -Community Development Block Grants/Entitlement Grants	14.228	20/0004	178,221
COVID-19 -Community Development Block Grants/Entitlement Grants	14.228	20/0004	<u>148,230</u>
			326,451
<b>Total U.S. Department of Housing and Urban Development</b>			<u>\$ 550,379</u>
<b>U.S. Department of Labor</b>			
Pass-Through Programs from Texas Workforce Commission:			
Texas Talent Connection Grant	17.207	2820WPB003	<u>\$ 274,612</u>
<b>Total U.S. Department of Labor</b>			<u>\$ 274,612</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 824,991</u>

*The accompanying notes are an integral part of this schedule of federal awards.*

**HOUSTON’S CAPITAL INVESTING IN DEVELOPMENT  
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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2022**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activities of Capital IDEA (“Organization”) under programs of the federal government for the year ended September 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Relationship to Financial Report Submitted to Grantor Agencies

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals which would be included in the next report filed with the grantor agencies, matching requirements not included in the Schedule and due to different program year ends.

4. Reconciliation to Financial Statements

The following reconciles federal award expenditures as included in the Schedule to the expenditures reported in the financial statements of the Organization as of September 30, 2022.

Total expenses per the statement of activities	\$ 1,970,764
Less: Non-federal expenses	(1,141,141)
Depreciation and amortization	(4,632)
Total expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 824,991</u>

5. Commitments and Contingencies

Federal grants received by the Organization are subject to review and audit by grantor agencies. The Organization’s management believes that the results of such audits will not have a material effect on the Schedule.





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT'S AUDITOR'S REPORT**

To the Board of Directors of  
Houston's Capital Investing in Development and Employment of Adults, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Houston's Capital Investing in Development and Employment of Adults, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of September 30, 2022 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding Number 2022-001.



## **The Organization's Response to Findings**

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McConnell & Jones LLP*

Houston, Texas  
September 12, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Houston's Capital Investing in Development and Employment of Adults, Inc.

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Houston's Capital Investing in Development and Employment of Adults, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAP); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet out other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it



exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item Finding Number 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during the audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Organization as of and for the year ended September 30, 2022, and have issued our report thereon dated September 12, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*McConnell & Jones LLP*

Houston, Texas  
September 12, 2023

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
AND EMPLOYMENT OF ADULTS, INC.**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

**PART I: SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Section**

- |   |            |
|---|------------|
| 1. Type of auditor's report issued:   | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a) Material weaknesses identified?  | No         |
| b) Significant deficiencies identified that are not considered to be material weaknesses? | No         |
| c) Noncompliance material to financial statements noted?                                  | No         |

**Federal Awards Section**

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a) Material weaknesses identified?  | No         |
| b) Significant deficiencies identified that are not considered to be material weaknesses?                       | No         |
| 2. Type of Auditor's report issued on compliance for major federal programs:                                    | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes        |
| 4. Identification of major federal programs:  |            |

ALA Number

Name of Major Federal Program

14.228

Community Development Block Grant for Disaster Recovery

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee under 2 CFR section 200.520?       | No        |

**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

**PART II: FINDINGS – FINANCIAL STATEMENT AUDIT**

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**NONE**



**HOUSTON'S CAPITAL INVESTING IN DEVELOPMENT  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS**

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**FINDING NO. 2022-001: DELAY IN SUBMISSION OF DATA COLLECTION FORM**

**Criteria** – Per Uniform Guidance 2 CFR Part 200 Subpart F, Section §200.512 (a)(1) requires that the Organization's audit must be completed and the data collection form along with the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report date, or nine months after the end of the audit period.

**Condition** – The Organization did not submit the data collection form and reporting package for September 30, 2022 by the required date of June 30, 2023.

**Cause** – The Organization did not follow its own established procedures regarding timely production of financial reports.

**Effect** – By not following its established financial reporting procedures, there was a delay in the audit and in submission of the data collection form. As a result, the Organization is not in compliance with Uniform Guidance data collection form submission requirements. The Organization's funding could be potentially affected if the Organization has not complied with the requirements of the Uniform Guidance.

**Questioned Costs** – None noted.

**Recommendation** – The Organization should comply with its internal reporting policies and procedures in order to meet data collection submission deadline requirements to prevent jeopardizing receipt of grant funds.

**Views of Responsible Official** – Management understands the importance of providing financial reports in a timely manner to meet the reporting deadline and will ensure compliance in future years.

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**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND CURRENT STATUS  
YEAR ENDED SEPTEMBER 30, 2022**

N/A