CAPITAL IDEA, INC.

Financial Statements
as of and for the Year Ended
September 30, 2015 and
Independent Auditors' Report

MAXWELL & LOCKE & RITTER

MAXWELL LOCKE & RITTER LLP
Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 303 East Main Street
Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Capital IDEA, Inc.:

We have audited the accompanying financial statements of Capital IDEA, Inc. (the "Corporation") (a nonprofit organization) which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Corporation as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Maxwell Locke + Ritter LLP

Austin, Texas
January 15, 2016

CAPITAL IDEA, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 690,145
Government grants receivable	507,477
Foundation grants and contributions receivable	195,751
Other receivables	4,239
Prepaid expenses and security deposits	13,544
Total current assets	1,411,156
PROPERTY AND EQUIPMENT, net of $416,376 of accumulated depreciation and amortization	105,226
TOTAL ASSETS	$ 1,516,382
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	$ 269,561
Accrued vacation	62,541
Funds held for others	105,905
Capital lease obligation, current portion	10,116
Total current liabilities	448,123
CAPITAL LEASE OBLIGATION, net of current portion	30,290
Total liabilities	478,413
NET ASSETS:	
Unrestricted	793,007
Temporarily restricted	244,962
Total net assets	1,037,969
TOTAL LIABILITIES AND NET ASSETS	$ 1,516,382

See notes to financial statements.

CAPITAL IDEA, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE:			
Government grants and contracts	$ 3,707,755	-	3,707,755
Foundation grants	129,185	964,159	1,093,344
Contributions	184,207	-	184,207
Other revenue	43,009	-	43,009
Net assets released from restrictions	1,251,559	(1,251,559)	-
Total revenue	5,315,715	(287,400)	5,028,315
EXPENSES:			
Program	4,133,048	-	4,133,048
Administration	817,055	-	817,055
Fundraising	39,575	-	39,575
Total expenses	4,989,678	-	4,989,678
Change in net assets before transfer to Capital IDEA-Houston related to separation	326,037	(287,400)	38,637
Transfer to Capital IDEA-Houston related to separation (Note 4)	(200,000)	-	(200,000)
CHANGE IN NET ASSETS	126,037	(287,400)	(161,363)
NET ASSETS, BEGINNING OF YEAR	666,970	532,362	1,199,332
NET ASSETS, END OF YEAR	$ 793,007	244,962	1,037,969

See notes to financial statements.

CAPITAL IDEA, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(161,363)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization		45,637
Changes in assets and liabilities that provided (used) cash:		
Government grants receivable		76,740
Foundation grants and contributions receivable		21,269
Other receivables		(4,239)
Prepaid expenses and security deposits		(566)
Accounts payable		(16,518)
Accrued vacation		2,502
Funds held for others		105,905
Deferred revenue		(253,205)
Net cash used in operating activities		(183,838)
CASH FLOWS FROM INVESTING ACTIVITIES-		
Purchases of property and equipment		(51,462)
CASH FLOWS FROM FINANCING ACTIVITIES-		
Principal borrowings under capital lease obligation, net		16,254
NET CHANGE IN CASH		(219,046)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		909,191
CASH AND CASH EQUIVALENTS, END OF YEAR	$	690,145
SUPPLEMENTAL DISCLOSURES:		
Interest paid in cash	$	58

See notes to financial statements.

1. ORGANIZATION

Capital IDEA, Inc. (the “Corporation”) is a non-profit corporation created in 1998. The primary purpose of the Corporation is to provide unemployed and underemployed Central Texas adults access to economically self-sufficient growth jobs through long-term training and support services. The Corporation operates primarily out of Austin, Texas. An office in Houston, Texas was opened in 2010 to provide the same services to Houston area residences. The Corporation is funded primarily by government and foundation grants.

In January 2013, Capital Investing in Development and Employment of Adults Houston, LLC (“Houston LLC”) was created to be used at a future date to separate Houston activities. During fiscal year 2015, the Houston LLC changed its name to Houston’s Capital Investing and Development and Employment of Adults, Inc. (“Capital IDEA-Houston”) and became a separate non-profit corporation. Effective June 30, 2015, the Corporation and Capital IDEA-Houston, separated.

The Corporation benefits from third-party resources directed to the support of its participants. These resources were not recognized in the financial statements because they were not funded by or contributions to the Corporation. For the year ended September 30, 2015, they included:

> $107,077 in child care services from WorkSource Child Care Solutions under a contract among the City of Austin, Travis County, the WorkSource-Greater Austin Area Workforce Board, and Texas Migrant Council. This contract directed childcare to be provided to the Corporation’s participants upon the authorization of the Corporation’s staff.
>
> $126,416 from WorkSource Career Center in the form of co-enrollment of eligible Corporation participants in its Workforce Investment Act programs. This amount falls into four categories: childcare, tuition, transportation, and other support services. The Corporation and WorkSource Career Center case managers collaborate in case managing the co-enrolled participants.
>
> $1,732,220 in financial aid and tuition assistance referred to participants by counselors of the Corporation through community colleges and $6,563 in utilities assistance.

Processing of applications and meeting documentation requirements for accessing these services involve administrative effort on the part of the Corporation staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board Accounting Standards Codification ("ASC"). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets **-** These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use by the Corporation.

Temporarily restricted net assets **-** These types of net assets are subject to donor imposed stipulations, which limit their use by the Corporation to a specific purpose and/or the passage of time. Temporarily restricted amounts are those not available for use by the Corporation until commitments regarding their use have been fulfilled.

Permanently restricted net assets **-** Permanently restricted net assets consist of net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Corporation. The Corporation has not received any permanently restricted contributions.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash Equivalents - Cash on hand, demand deposits, and all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Government Grants Revenue and Receivable - Revenue from grants and contracts received from federal, state, and local governments are earned based on the Corporation incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided. No allowance for uncollectible government grants has been recorded as, historically, the Corporation has not experienced material uncollectible amounts.

Foundation Grants and Contributions Revenue and Receivable - Unconditional promises to give are recognized at fair value as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized at fair value when the conditions on which they depend are substantially met. The Corporation considers all contributions to be unrestricted contributions unless the restriction is a donor-imposed stipulation specifying a use for the contribution that is more specific than the broad limits resulting from the nature and purpose of the organization and its continuing programs.

When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are report as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received.

Foundation grants and contributions receivable are recorded at the amount the Corporation expects to receive from grantors and donors. Foundation grants and contributions receivable balances were all due in less than one year. No allowance for uncollectible foundation grants and contributions receivable has been recorded as, historically, the Corporation has not experienced material uncollectible amounts.

Property and Equipment - Furniture and equipment acquisitions of significant items with two or more years of useful service life and cost of greater than $900 are capitalized at cost if purchased or the estimated fair market value if donated. Depreciation is computed using the straight-line method based on the assets' estimated useful lives of 3 to 7 years. Leasehold improvements are amortized over the shorter of the estimated life of the asset or the related lease term.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicated that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment of such assets as of September 30, 2015.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs have been charged to functions based on direct expenses incurred or indirect expenses allocated among the program and supporting services benefited.

Income Taxes - The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. Therefore, no provision for income taxes was made in the accompanying financial statements. The Corporation is subject to routine examinations of its returns; however, there are no examinations currently in progress. The September 30, 2012 and subsequent tax years remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Corporation is currently evaluating the impact the new standard will have on its financial statements

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016, and due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Corporation places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

The Corporation received 58% of its government grants and contracts revenue from three government sources and one foundation accounted for 15% of foundation grants revenue during the year ended September 30, 2015. At September 30, 2015, one government source and two foundations collectively accounted for 79% of total receivables.

4. TRANSFER TO CAPITAL IDEA-HOUSTON RELATED TO SEPARATION

In June 2015, the Corporation's Board of Directors approved the separation of Capital IDEA-Houston from the Corporation.

The separation transfer to Capital IDEA-Houston decreased the Corporation's net assets and was recorded in the statement of activities during the year ended September 30, 2015. Assets transferred to Capital IDEA-Houston related to the separation consisted of $200,000 in cash and was released from unrestricted net assets.

As of September 30, 2015, the Corporation held $105,905 in cash on behalf of Capital IDEA-Houston. Such funds are accounted for as funds held for others on the statement of financial position. The Corporation has been authorized by Capital IDEA-Houston to make certain payments on their behalf during fiscal year 2016. The Corporation anticipates transferring any remaining funds to Capital IDEA-Houston during fiscal year 2016.

5. LINE OF CREDIT

The Corporation held a $100,000 line of credit arrangement with a bank bearing interest at 5.24%, with no date of maturity. Two percent of the outstanding balance (including unpaid principal and interest) is due monthly. The line of credit was collateralized by receivables and equipment, and is guaranteed by a member of management. There was no outstanding balance on the line of credit at September 30, 2015.

6. LEASE COMMITMENTS

The Corporation leases office space and equipment under operating leases which expire at various dates. Rent expense under these agreements was $130,494 for the year ended September 30, 2015.

The Corporation has a capital lease for the purchase of office equipment. At September 30, 2015, the equipment under capital leases had a gross value of $101,896, was interest free, and has accumulated amortization of $41,840 at September 30, 2015. Future minimum payments under capital leases consisted of the following at September 30, 2015:

2016	$ 10,116
2017	9,171
2018	8,856
2019	8,856
2020	3,407
Total	$ 40,406

7. RETIREMENT PLAN

The Corporation has a qualified 401(k) deferred compensation plan (the “Plan”) covering all employees who have completed one year of qualified employment. Under the Plan, the Corporation may match the employee’s contributions up to a maximum of three percent of gross compensation at the Corporation’s discretion. The Corporation made contributions of $32,699 to the Plan for the year ended September 30, 2015.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2015, were restricted for the following purposes:

Administrative payroll	$ 100,000
Healthcare students	54,241
Future employees of Hearthstone	44,225
Williamson County participants	35,000
Houston participants	11,496
Total	$ 244,962

9. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2015, Board of Directors members contributed $2,478 to the Corporation. As of September 30, 2015, $3,515 was outstanding and included in foundation grants and contributions receivable.

10. CONTINGENCIES

The Corporation receives government grants for specific purposes that are subject to review and audit by government agencies. The Corporation is also funded by grants and contracts that are subject to review and audit by the foundation grantor agencies. These contracts have certain compliance requirements and, should audits by the government or grantor agencies disclose any areas of substantial noncompliance, the Corporation may be required to refund any disallowed costs.

11. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through January 15, 2016 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.