



# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

**CAPITAL IDEA, INC.**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2018



**Montemayor Britton Bender PC**  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Capital IDEA, Inc.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Capital IDEA, Inc. (the "Corporation"), which comprise the statement of financial position as of September 30, 2018, 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.

**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. 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 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, 2018, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Montemayor Britton Bender PC*

December 12, 2018  
Austin, Texas

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**CAPITAL IDEA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2018**

ASSETS

CURRENT ASSETS

Cash	\$856,504
Government grants receivable	1,009,659
Foundation grants and contributions receivable	677,103
Prepaid expenses and security deposits	<u>12,373</u>
	2,555,639

FIXED ASSETS

32,069

\$2,587,708

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$47,806
Accrued vacation	85,861
Capital lease obligation, current portion	<u>8,856</u>
	142,523

CAPITAL LEASE OBLIGATION, net of current portion

1,476

143,999

NET ASSETS

Unrestricted	1,790,563
Temporarily restricted	<u>653,146</u>

2,443,709

\$2,587,708

The accompanying notes are an integral part of this financial statement presentation.

**CAPITAL IDEA, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2018**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Government grants and contracts	\$3,012,329	\$0	\$3,012,329
Contributions	334,588	728,296	1,062,884
Employer partners	83,441	0	83,441
Other revenue	16,027	0	16,027
Net assets released from restriction	<u>1,536,638</u>	<u>(1,536,638)</u>	<u>0</u>
	<u>4,983,023</u>	<u>(808,342)</u>	<u>4,174,681</u>
<b>EXPENSES</b>			
Participant expenses	2,448,520	0	2,448,520
Salaries and benefits	1,935,678	0	1,935,678
Occupancy	139,076	0	139,076
Professional services	135,168	0	135,168
Computer maintenance and supplies	55,090	0	55,090
Telecommunications	30,854	0	30,854
Advertising	25,672	0	25,672
Depreciation	22,289	0	22,289
Other	<u>107,773</u>	<u>0</u>	<u>107,773</u>
	<u>4,900,120</u>	<u>0</u>	<u>4,900,120</u>
<b>CHANGE IN NET ASSETS</b>	82,903	(808,342)	(725,439)
<b>BEGINNING NET ASSETS</b>	<u>1,707,660</u>	<u>1,461,488</u>	<u>3,169,148</u>
<b>ENDING NET ASSETS</b>	<u>\$1,790,563</u>	<u>\$653,146</u>	<u>\$2,443,709</u>

The accompanying notes are an integral part of this financial statement presentation.

**CAPITAL IDEA, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$725,439)
Depreciation	22,289
Change in government grants receivable	46,225
Change in foundation grants and contributions receivable	812,383
Change in prepaid expenses and security deposits	751
Change in accounts payable	(135,780)
Change in accrued vacation	<u>13,519</u>
	33,948

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(15,065)
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CASH FLOWS FROM FINANCING ACTIVITIES

Repayments under capital lease obligation	<u>(8,856)</u>
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NET CHANGE IN CASH 10,027

BEGINNING CASH 846,477

ENDING CASH \$856,504

The accompanying notes are an integral part of this financial statement presentation.



# CAPITAL IDEA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 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. The Corporation is funded primarily by government and foundation grants.

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, 2018, they included:

\$149,133 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.

\$39,886 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.

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

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The Corporation uses the accrual basis method of accounting. Revenues and support are recorded when earned, rather than when received. Expenses are recorded when incurred regardless of when paid.

#### FINANCIAL STATEMENT PRESENTATION

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

#### Unrestricted Net Assets

Unrestricted net assets result from operating revenues, unrestricted contributions, and unrestricted dividend and interest income; less expenses incurred in operations, to raise contributions and for administrative functions.

# CAPITAL IDEA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Temporarily Restricted Net Assets

Support that is restricted by the donor is recorded as an increase in temporarily restricted net assets. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

#### Permanently Restricted Net Assets

Contributions permanently restricted by the donor are recorded as an increase in permanently restricted net assets. These assets are held permanently to generate future benefits as instructed by the donor. There was no permanently restricted activity during the year.

### PROMISES TO GIVE

Unconditional promises to give are recorded when the pledge is made. Unconditional promises to give due within one year are recorded at their net realized value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the expected future cash flows. Conditional promises to give are recognized at fair value when the conditions on which they depend are substantially met.

### GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are recorded when revenue is earned prior to cash being received. The Corporation expects all grants and accounts receivable to be fully collected; therefore, an allowance for doubtful accounts has not been recorded.

### FUNCTIONAL EXPENSE ALLOCATION

The Corporation allocates common costs between program services, administrative, and fundraising by estimating the percentage of personnel time spent on each area as estimated by management. The estimates are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the organization.

### FIXED ASSETS

Fixed assets over \$900 are recorded at cost if purchased and estimated fair value if donated. Depreciation is provided 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.

# CAPITAL IDEA, INC.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### TAX STATUS

The Corporation is a nonprofit organization exempt from Federal income taxes under IRS Code Section 501(c)(3), except with respect to any unrelated business income. Therefore, no provision has been made for Federal income tax in the accompanying financial statements. The Corporation's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At September 30, 2018 no interest and penalties have been or are required to be accrued.

#### ESTIMATES

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

#### SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

### **NOTE 3: CONCENTRATIONS**

For the year ended September 30, 2018, the Corporation received 72% of its revenue from four government grantors and 16% of its revenue from one foundation. At September 30, 2018, three government grantors and two foundations collectively accounted for 93% of total receivables.

As of September 30, 2018, bank deposits exceeded FDIC coverage by approximately \$906,000.

### **NOTE 4: LINE OF CREDIT**

The Corporation has a \$100,000 revolving line of credit arrangement with a bank bearing interest at 7.52%, with no date of maturity. Two percent of the outstanding balance (including unpaid principal and interest) is due monthly. The line of credit is 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, 2018.



# CAPITAL IDEA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5: COMMITMENTS

The Corporation leases office space under an operating lease which expires June 30, 2022. Rent expense under this agreement was approximately \$139,000 for the year ended September 30, 2018.

The Corporation has a capital lease for the purchase office equipment. At September 30, 2018, the equipment acquired under capital leases had a gross value of \$101,896, was interest free, and had accumulated amortization of \$91,564 at September 30, 2018.

Future minimum payments under operating and capital leases at September 30, 2018 were as follows:

2019	\$147,818
2020	140,438
2021	138,962
2022	<u>104,222</u>
	<u>\$531,440</u>

### NOTE 6: 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 \$29,814 to the Plan for the year ended September 30, 2018.

### NOTE 7: FIXED ASSETS

Property and equipment	\$421,620
Leased equipment	101,896
Accumulated depreciation	(399,883)
Accumulated amortization related to leased equipment	<u>(91,564)</u>
	<u>\$32,069</u>

**CAPITAL IDEA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: CONTINGENCIES**

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

**NOTE 9: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, 2018, were restricted for the following purposes:

Healthcare and program	\$372,366
Healthcare students	196,555
Future employees of Hearthstone	44,225
Williamson County participants	<u>40,000</u>
	<u>\$653,146</u>

**NOTE 10: FUNCTIONAL EXPENSE ALLOCATION**

Program	\$4,156,012
Administrative	711,685
Fundraising	<u>32,423</u>
	<u>\$4,900,120</u>