



Montemayor Britton Bender Carey PC

CERTIFIED PUBLIC ACCOUNTANTS

CAPITAL IDEA, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2024



Montemayor Britton Bender Carey PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Directors and Management
Capital IDEA, Inc.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Capital IDEA, Inc. (the "Corporation"), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards will always detect a material

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misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Montemayor Britta Bender PC

February 14, 2025
Austin, Texas

CAPITAL IDEA, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2024

ASSETS

CURRENT ASSETS

Cash	\$1,728,330
Contributions and other receivables	1,719,941
Government grants receivable	966,255
Prepaid expenses and security deposits	<u>39,695</u>

4,454,221

RIGHT OF USE ASSET- OPERATING LEASE

214,170

FIXED ASSETS

30,694

\$4,699,085

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$730,610
Accrued vacation	63,043
Current portion of operating lease obligation	<u>74,405</u>

868,058

OPERATING LEASE OBLIGATION, net of current portion

139,765

1,007,823

NET ASSETS

Without donor restrictions	1,848,081
With donor restrictions	<u>1,843,181</u>

3,691,262

\$4,699,085

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

CAPITAL IDEA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Government grants	\$3,337,609	\$0	\$3,337,609
Contributions	417,289	2,698,520	3,115,809
Employer partner fees	179,500	0	179,500
Other	74,042	0	74,042
Net assets released from restriction	<u>959,564</u>	<u>(959,564)</u>	<u>0</u>
	<u>4,968,004</u>	<u>1,738,956</u>	<u>6,706,960</u>
EXPENSES			
Program	5,266,222	0	5,266,222
Administrative	793,558	0	793,558
Fundraising	<u>114,239</u>	<u>0</u>	<u>114,239</u>
	<u>6,174,019</u>	<u>0</u>	<u>6,174,019</u>
CHANGE IN NET ASSETS	(1,206,015)	1,738,956	532,941
BEGINNING NET ASSETS	<u>3,054,096</u>	<u>104,225</u>	<u>3,158,321</u>
ENDING NET ASSETS	<u>\$1,848,081</u>	<u>\$1,843,181</u>	<u>\$3,691,262</u>

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

CAPITAL IDEA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$532,941
Depreciation	17,693
Amortization of right of use asset	70,526
Change in government grants receivable	(106,541)
Change in contributions and other receivables	(1,182,318)
Change in prepaid expenses and security deposits	(27,116)
Change in accounts payable	73,331
Change in operating lease liability	<u>(70,526)</u>
	(692,010)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	<u>(29,461)</u>
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NET CHANGE IN CASH (721,471)

BEGINNING CASH 2,449,801

ENDING CASH \$1,728,330

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 grants and contributions.

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

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when the restriction expires, which includes when the stipulated time has elapsed, when the stipulated purpose for which the restricted resource has been fulfilled, or both.

RECEIVABLES

Government grants receivable and employer partner fees receivable are recorded when earned. Foundation grants and contributions receivable are recorded when the pledge is made. Unconditional promises to give due within one year are recorded at their net realizable 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. The Corporation considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

REVENUE RECOGNITION

Contributions, government grants, and employer partner fees are recorded as revenue as the funds are considered earned. Revenue from conditional promises to give is recognized when the conditions on which they depend are substantially met. Revenue from employer partner fees is recognized when the services are performed.

CAPITAL IDEA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A significant portion of the Corporation's revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts awarded are recognized as revenue when the Corporation has incurred expenditures in compliance with specific grant provisions. The Corporation was awarded cost-reimbursable grants of \$1,826,415 that have not been recognized at year end because qualifying expenditures have not yet been incurred.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers consists of employer partner fees. The Corporation has entered into contracts with hospitals to provide trained individuals to be employed at the hospital. The Corporation receives a set fee for each individual that is employed in three month increments for up to eight quarters. Revenues from employee partner fees are recognized over time as the trainee works for the employer. Revenue related to administrative and technical assistance services is recognized as control of the service is provided to the customer. The Corporation generally has a right to consideration in an amount that corresponds directly with the value to the customer of the performance completed to date and may recognize revenue in the amount to which the Corporation has a right to invoice, and has elected to recognize revenue for these services using the invoice practical expedient. Amounts earned are billed quarterly and typically paid one month after billing. In general, revenue does not have a significant financing component because payment terms are relatively short. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year.

FUNCTIONAL EXPENSE ALLOCATION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated based on estimates of time and effort; and occupancy, professional services, computer maintenance and supplies, advertising, events and meetings, communications, and other, which are allocated based on management's review and analysis of individual transactions and costs.

ADVERTISING COSTS

Advertising costs are expensed as incurred.

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.

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.

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 year end 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.

LEASES

The Corporation determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) assets and operating lease obligation in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Corporation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Non-lease components, such as common area maintenance charges, are separated from lease components based on the terms of the related lease. Variable lease costs, such as insurance and property taxes, and non-lease components are expensed as incurred within the occupancy account.

NOTE 3: CONCENTRATIONS

At year end, the Corporation received 79% of its total revenue from two government grantors and one foundation. 87% of total receivables were due from the same three entities.

At year end, bank deposits exceeded FDIC coverage by \$739,103. The Corporation has not experienced any losses related to deposits exceeding FDIC coverage.

NOTE 4: FIXED ASSETS

Property and equipment	\$504,382
Accumulated depreciation	<u>(473,688)</u>
	<u>\$30,694</u>

CAPITAL IDEA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$1,728,330
Contributions and other income receivable	1,719,941
Government grants receivable	966,255
Less: amounts unavailable for general expenditures due to donor imposed purpose restrictions	<u>(310,661)</u>
	<u>\$4,103,865</u>

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the Corporation's operating accounts. The Corporation has an available line of credit of \$300,000 (see Note 10). See Note 9 for additional information on net assets with donor restrictions.

NOTE 6: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Corporation's revenue from contracts with customers, totaling \$89,500, is recognized over time based on the timing of satisfaction of performance obligations. Revenue recognized over time consists of employer partner fees in the statement of activities.

Accounts receivable from contracts consist of the Corporation's right to payment from customers for services that have been provided. The balances of contract receivables at September 30, 2024 and 2023 were \$94,500 and \$21,000, respectively, and are included in other receivables in the statement of financial position.

NOTE 7: 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 8: 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 \$47,580 to the Plan for the fiscal year.

CAPITAL IDEA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Purpose restrictions at fiscal year end:

Youth financial wellness	\$150,000
Low income students	100,000
Parents 2-Gen Coalition	30,000
Georgetown students	25,000
Williamson County nursing students	<u>5,661</u>
	310,661

Time restrictions at fiscal year end:

Restricted for use in 2025	<u>1,532,520</u>
	<u>\$1,843,181</u>

Satisfaction of purpose restrictions during the fiscal year:

Williamson County nursing students	\$38,564
Parents 2-Gen Coalition	<u>30,000</u>
	68,564

Satisfaction of time restrictions during the fiscal year:	<u>891,000</u>
	<u>\$959,564</u>

NOTE 10: LINE OF CREDIT

The Corporation has a \$300,000 line of credit with a bank at a variable interest rate, currently at 9.75%. The line of credit matures July 4, 2025 and is collateralized by receivables and equipment. There was no outstanding balance on the line of credit at September 30, 2024.

NOTE 11: LEASE COMMITMENTS

The Corporation evaluated current contracts to determine which met the criteria of a lease. The ROU asset represents the Corporation's right to use the underlying assets for the lease term, and the lease obligation represents the Corporation's obligation to make lease payments arising from the leases. The Corporation leases office space under an operating lease which expires June 2027. The ROU asset and lease obligation, all of which arise from an operating lease, were calculated based on the present value of future lease payments over the lease term. A discount rate of 5.5% was applied to the lease to calculate the lease obligation based on the Corporation's estimated incremental borrowing rate.

CAPITAL IDEA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11: LEASE COMMITMENTS

Future maturities of the operating lease obligation, excluding common area costs are as follows for years ending September 30:

2025	\$86,184
2026	86,184
2027	<u>64,638</u>
	237,006
Less: present value discount	<u>(22,836)</u>
	<u>\$214,170</u>

As of year end, the ROU asset related to the operating lease was as follows:

Cost	\$351,545
Less: accumulated amortization	<u>(137,375)</u>
	<u>\$214,170</u>

Total occupancy expense:

Operating lease cost	\$86,184
Common area maintenance, insurance, and property taxes	<u>58,994</u>
	<u>\$145,178</u>

Supplemental cash flow information related to leases:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<u>\$86,184</u>
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NOTE 12: FUNCTIONAL EXPENSE ALLOCATION

See next page.

CAPITAL IDEA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12: FUNCTIONAL EXPENSE ALLOCATION

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$2,000,784	\$693,698	\$67,523	\$2,762,005
Participant expenses	2,766,023	0	0	2,766,023
Advertising	150,775	22,203	13,163	186,141
Occupancy	116,565	12,833	15,780	145,178
Professional services	53,014	15,336	451	68,801
Computer maintenance and supplies	52,525	5,609	6,898	65,032
Events and meetings	26,530	21,596	5	48,131
Communications	18,408	2,026	2,492	22,926
Other	<u>81,598</u>	<u>20,257</u>	<u>7,927</u>	<u>109,782</u>
	<u>\$5,266,222</u>	<u>\$793,558</u>	<u>\$114,239</u>	<u>\$6,174,019</u>