EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.

(A Texas Nonprofit Corporation)

Independent Auditor's Report and Financial Statements

Years Ended December 31, 2018 and 2017

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

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December 31, 2018 and 2017

MJ McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Educational Programs Inspiring Communities, Inc.

We have audited the accompanying financial statements of the Educational Programs Inspiring Communities, Inc. (the "Organization"), a Texas nonprofit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 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 opinions.

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MJ

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McConnell & Jones

Houston, Texas
January 13, 2021

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash	$ 1,173,992	1,028,851
Grants and other receivable	151,266	149,182
Deposits	10,277	31,725
Total current assets	1,335,535	1,209,758
Noncurrent assets:		
Property and equipment, net	2,113,400	854,377
Total noncurrent assets	2,113,400	854,377
Total assets	$ 3,448,935	$ 2,064,135
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 28,140	$ 68,283
Total current liabilities	28,140	68,283
Non-current liabilities:		
Long-term debt	1,350,000	-
Total non-current liabilities	1,350,000	-
Total liabilities	1,378,140	68,283
Net assets:		
Unrestricted	2,070,795	1,995,852
Total net assets	2,070,795	1,995,852
Total liabilities and net assets	$ 3,448,935	$ 2,064,135

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	2018 Totals	2017 Totals
REVENUES				
Grants	$ 831,722	-	$ 831,722	$ 609,299
Contributions	91,310	-	91,310	93,378
Vending sales	161,470	-	161,470	195,101
Concession services fees	67,231	-	67,231	56,601
Special events income and fundraisers	157,709	-	157,709	226,044
Program fees	4,200	-	4,200	5,800
Interest and other income	17,119	-	17,119	2,710
Total Revenues	1,330,761	-	1,330,761	1,188,933
EXPENSES				
Program services	766,922	-	766,922	797,969
Total program services	766,922	-	766,922	797,969
Support services:				
Fundraising	193,361	-	193,361	108,444
Management and general	295,535	-	295,535	226,798
Total support services	488,896	-	488,896	335,242
Total expenses	1,255,818	-	1,255,818	1,133,211
CHANGE IN NET ASSETS	74,943	-	74,943	55,722
NET ASSETS, BEGINNING OF YEAR	1,995,852	-	1,995,852	1,940,130
NET ASSETS, END OF YEAR	$ 2,070,795	$ -	$ 2,070,795	$ 1,995,852

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services								Support Services			
	H.E.A.R.T.	Vending	Concessions	Transportation	Building	HGAC	Youth	Total program services	Management and general	Fund-raising	Total support services	Total expenditures
Payroll & related costs	$ 156,676	$ 50,195	$ 49,860	$ 78,282	-	$ 33,219	$ 72,425	$ 440,657	$ 57,079	$ 70,510	$ 127,589	$ 568,246
Vending products	-	113,773	530	-	-	-	-	114,303	-	170	170	114,473
Transportation	4,287	1,341	220	5,450	-	-	-	11,298	92	69	161	11,459
Supplies	2,901	5,551	125	1,554	-	1,018	1,930	13,079	788	264	1,052	14,131
Telephone	3,475	212	-	-	-	-	-	3,687	9,901	36	9,937	13,624
Postage and delivery	-	-	26	-	-	-	-	26	1,232	1,708	2,940	2,966
Printing and reproduction	-	-	-	-	-	-	-	-	-	4,137	4,137	4,137
Facility rent	10,125	19,200	-	-	-	-	-	29,325	3,375	-	3,375	32,700
Marketing	-	-	6,640	-	-	-	-	6,640	419	13,013	13,432	20,072
Insurance	2,802	2,867	-	-	-	1,436	-	7,105	37,254	540	37,794	44,899
Utilities	5,324	811	-	-	3,610	-	-	9,745	2,125	-	2,125	11,870
Staff training and development	-	-	467	-	-	-	-	467	1,910	478	2,388	2,855
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	(367)	-	-	11,980	-	-	11,613	2,610	-	2,610	14,223
IT expense	-	-	-	-	-	-	-	-	3,480	2,436	5,916	5,916
Bank service charges	-	-	-	-	-	-	-	-	4,102	-	4,102	4,102
Depreciation and amortization	-	17,924	-	-	-	-	-	17,924	144,621	-	144,621	162,545
Background checks	238	-	-	118	-	-	-	356	-	-	-	356
Catering expense	-	-	3,855	-	-	-	-	3,855	1,024	-	1,024	4,879
Professional fees	1,500	-	-	-	-	-	51,525	53,025	24,750	100,000	124,750	177,775
Travel	-	-	-	-	-	-	-	-	557	-	557	557
Bingo	-	-	-	-	-	-	-	-	-	-	-	-
Program expenses	-	-	-	-	-	-	43,817	43,817	-	-	-	43,817
Miscellaneous	-	-	-	-	-	-	-	-	216	-	216	216
Total Expenses	$ 187,328	$ 211,507	$ 61,723	$ 85,404	$ 15,590	$ 35,673	$ 169,697	$ 766,922	$ 295,535	$ 193,361	$ 488,896	$ 1,255,818

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services								Support Services			
	H.E.A.R.T.	Vending	Concessions	Technology	Transportation	Bingo	Youth	Total program services	Management and general	Fund-raising	Total support services	Total expenditures
Payroll & related costs	$ 176,427	$ 48,187	$ 63,533	$ 14,907	$ 102,044	$ -	$ 15,693	$ 420,791	$ 54,021	$ 54,064	$ 108,085	$ 528,876
Vending products	-	130,553	420	-	-	-	-	130,973	-	385	385	131,358
Transportation	3,005	280	175	-	2,058	-	-	5,518	30	11	41	5,559
Supplies	3,083	4,755	795	772	1,088	-	257	10,750	412	793	1,205	11,955
Telephone	2,688	72	-	1,508	-	-	52	4,320	8,564	-	8,564	12,884
Postage and delivery	-	27	122	-	-	-	-	149	179	2,826	3,005	3,154
Printing and reproduction	-	-	-	-	-	-	-	-	66	4,667	4,733	4,733
Facility rent	12,008	19,200	-	-	-	-	11,150	42,358	1,492	-	1,492	43,850
Marketing	-	-	5,660	-	-	-	-	5,660	281	12,353	12,634	18,294
Insurance	4,132	4,010	-	-	-	-	-	8,142	30,190	719	30,909	39,051
Utilities	3,526	2,816	-	-	-	-	1,948	8,290	2,773	-	2,773	11,063
Staff training and development	-	89	756	-	-	-	4,208	5,053	1,264	190	1,454	6,507
Sales taxes	-	-	50	-	-	-	-	50	-	-	-	50
Repairs and maintenance	-	1,942	2,641	-	-	-	-	4,583	404	-	404	4,987
IT expense	-	-	-	81,559	-	-	-	81,559	1,857	2,436	4,293	85,852
Bank service charges	-	-	-	-	-	-	-	-	7,113	-	7,113	7,113
Depreciation and amortization	-	13,081	-	35,929	-	-	-	49,010	110,381	-	110,381	159,391
Background checks	253	59	-	-	366	-	-	678	59	-	59	737
Catering expense	-	-	1,667	-	-	-	-	1,667	462	-	462	2,129
Professional fees	1,500	-	-	2,000	-	-	9,638	13,138	7,250	30,000	37,250	50,388
Bingo	-	-	-	-	-	5,000	-	5,000	-	-	-	5,000
Miscellaneous	-	280	-	-	-	-	-	280	-	-	-	280
Total Expenses	$ 206,622	$ 225,351	$ 75,819	$ 136,675	$ 105,556	$ 5,000	$ 42,946	$ 797,969	$ 226,798	$ 108,444	$ 335,242	$ 1,133,211

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 74,943	$ 55,722
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	162,545	159,391
Changes in operating assets and liabilities		
Grants and other receivable	(2,084)	(29,676)
Prepayments and deposits	21,448	(30,000)
Accounts payable and accrued expenses	(40,143)	2,189
Total adjustments	141,766	101,904
Net cash provided by operating activities	216,709	157,626
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,421,568)	(29,916)
Net cash used in investing activities	(1,421,568)	(29,916)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	1,350,000	-
Net cash provided by investing activities	1,350,000	-
NET INCREASE IN CASH	145,141	127,710
CASH, BEGINNING OF YEAR	1,028,851	901,141
CASH, END OF YEAR	$ 1,173,992	$ 1,028,851

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

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Educational Programs Inspiring Communities, Inc. (the "Organization") is a Texas nonprofit corporation established in May 2002 for the purpose of providing job placements and life training to low-income people, empowering them to be independent of governmental assistance and taking charge of their lives mentally and physically.

The Organization operates the Housing, Entrepreneurship, and Readiness Training (H.E.A.R.T) Program and H.E.A.R.T. Vending and Concessions along with transportation and technology programs. These programs provide vocational training and services to adults with developmental disabilities. Program participants are instructed in servicing vending machines and providing concessions service. Eligible participants are employed by H.E.A.R.T. Vending Concessions to work within the general community and in a supervised setting as appropriate, through the entrepreneurial venture.

The Organization is supported through funds received from federal, state and local governmental agencies, as well as from private donors including corporations and non-profit organizations. The proceeds from Vending and Concessions are used to purchase vending supplies and pay participant wages.

The Organization entered into a Bingo operations agreement along with other members with a third-party operator. Under the agreement, each licensee would be entitled to share in all revenues, authorized expenses, and inventory related to Bingo operations. Net proceeds from the Bingo operations, after deducting expenses, are used to support the program expenditures at the discretion of the Organization.

Basis of Accounting

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

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to the 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 or will be met, either by actions of the Organization and/or the passage of time.

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

Revenue Recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time. Program income, including revenue from vending and concession operations, bingo, and other income are recognized when received.

Contributions and Promises to Give

In accordance with FASB ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the same fiscal year in which the contributions are recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions and reported in the Statement of Activities as net assets released from restrictions. There were no donor-restricted contributions for the years ended December 31, 2018 and 2017.

The Organization uses the allowances method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made. There was no allowance for the years ended December 31, 2018 and 2017.

Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its operations. The Organization records the value of contributed services when there is an objective basis available to measure the value. During the years ended December 31, 2018 and 2017, the Organization received $43,910 and $64,598, respectively, in contributed services, which met the criteria for recognition in the financial statements. The contributed services represented cost of professional services incurred by the Organization in connection with modifications and fine tuning of internally developed software.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments. There were no cash equivalents for the years ended December 31, 2018 and 2017.

Property and Equipment

Property and equipment are generally recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are reported as restricted contributions. The Organization does not presently have any assets which have donor-imposed restrictions.

The Organization follows the policy of capitalizing all expenditures for property and equipment in excess of $500. Property and equipment items are depreciated using the straight-line method based on their estimated useful lives ranging from five to twenty years except for leasehold improvements, which are amortized over the shorter of the useful life of the improvements or the remaining lease term of the related leases. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited by various reasonable bases. 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.

Income Taxes

The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State of Texas law. Accordingly, contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization has also been qualified for the charitable contribution deduction under Section 170(b)(1)(A)(iv) of the Code and has been classified as an *organization* that is not a private foundation under Section 509(a)(1) of the Code. Accordingly, 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, disclosure, and transition. Management of 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 significant to the financial statements. The Organization's Federal income tax returns for years 2015 through 2018 Dare subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation and amortization expense, which is based on the estimated useful lives of the underlying depreciable assets, and the functional allocation of expenses.

Liquidity and Availability of Financial Assets

The Organization has $1,335,535 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of:

	2018	**2017**
Cash	1,173,992	1,028,851
Receivables	151,266	149,182
Deposits	10,277	31,725
	1,335,535	1,209,758

Of the total financial assets noted above, $1,162,750 were available to meet cash needs for general operating expenditures of the Organization. Additionally, the Organization maintains a $75,000 line of credit, of which no amount was drawn as of December 31, 2018.

New Accounting Pronouncements

Not-for- Profit Entities (Topic 230) – In August 2016, the FASB issued ASU 2016-15 – *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which clarified guidance on certain cash flow classification issues. This update will be effective for the Organization's 2019 annual financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

Not-for- Profit Entities (Topic 230) – In November 2016, the FASB issued ASU 2016-18 – *Statement of Cash Flows: Restricted Cash*, which requires that a statement of cashflows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update will be effective for the Organization's 2019 annual financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

Not-for- Profit Entities (Topic 842) – In February 2016, the FASB issued ASU 2016-02 –*Leases*, which supersedes existing guidance on leases and amends and supersedes several other paragraphs throughout the FASB ASC. This update will be effective for the Organization's 2020 annual financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

Accounting Pronouncements Implemented

Not-for- Profit Entities (Topic 958) – In August 2016, the FASB issued ASU No. 2016- 14, *Presentation of Financial Statements of Not-for-Profit Entities*, to make several improvements to the current reporting requirements for not-for-profit entities that address, among others, complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions, deficiencies in the transparency and utility of information useful in assessing an entity's liquidity; inconsistencies in the type of information provided for expenses; and impediment of preparing the indirect method reconciliation if an entity chooses to use direct method of preparing operating cash flows. The Organization adopted this new accounting pronouncement in the current year resulting in few modifications in presentation of net assets in the statement of financial position and addition of a disclosure under Note 1 above associated with the Organizations liquidity and availability of financial assets within one year on December 31, 2018.

2. PROGRAMS AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying financial statements:

(a) H.E.A.R.T. Program: The program provides occupational skills training to low-income, developmentally disabled adults residing within the city limits of Houston, Texas. The purpose of the program is to prepare participants for gainful employment through an innovative client-managed entrepreneurial venture.

(b) H.E.A.R.T. Vending and Concessions Program: Program participants, who are low-income, developmentally disabled adults, are instructed in servicing vending machines and providing concessions service. Eligible participants are employed by H.E.A.R.T Vending Concessions to work within the general community and in a supervised setting as appropriate, through the entrepreneurial venture.

(c) Transportation Program: The purpose of this program is to meet the transportation requirements of special-needs adults who rely upon non-traditional transportation in order to access educational programs, job training, and employment opportunities.

(d) Technology Program: The purpose of this program is to develop innovative technology that will adapt education, job training, and employment opportunities for individuals with intellectual and developmental disabilities in a customized manner.

(e) Youth Program: The youth program helps youth ages 16-22 with developmental disabilities to learn and share information, acquire leadership skills, and develop long-range advocacy plans. This program expands and advances the Organization's partnership with the Houston Independent School District known as the "H.I.S.D./H.E.A.R.T. Transition Program" that provides a year of employment and training to transitioning students during their final year in high school. The program is based at Houston Food Bank and is designed to integrate real-world workforce experience with the education curriculum. Community-based, integrated employment for at least minimum wage, is the backbone of young adults becoming independent. Working improves occupational and career skills, attitudes, and behaviors that are needed for success in the workplace.

3. CONCENTRATION OF 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 deposit policy for custodial credit risk, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk by maintaining deposits at institutions with demonstrated financial strength. The Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 per bank. As of December 31, 2018 and 2017, the cash deposits at the Organization's banks were $1,162,750 and $1,033,866, respectively, which exceeded the FDIC limit per bank by $66,274,961 and $533,866, respectively, and were not otherwise insured. Management reviews balances frequently and maintains cash balances necessary to meet short term requirements.

Credit risk associated with grants receivable is minimal due to the credit worthiness of the awarding federal, state and local agencies.

Revenue from grants approximated 61% of the total revenues and support of the Organization for the years ended December 31, 2018 and 2017, respectively.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2018 and 2017:

	2018	2017
Land	345,000	-
Leasehold improvements	39,130	39,130
Furniture and equipment	162,951	161,151
Software	986,659	986,659
Vehicles	121,093	119,756
Building	1,052,915	5,500
	2,707,748	1,312,196
Less: Accumulated depreciation and amortization	(594,348)	(457,819)
Property and equipment, net	$ 2,113,400	$ 854,377

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was $162,545 and $159,391, respectively.

5. LINES OF CREDIT

The Organization maintains a business credit card from a local bank, which is used to pay operating expenses. This business card has a credit limit of $5,000. Balances outstanding on the credit card bear interest at the bank's prime rate plus 11.99% per annum; the effective interest rate at December 31, 2018 and 2017 was 16.49% and 15.74%, respectively, per annum. The outstanding balance on the credit card as of December 31, 2018 and 2017 was $580 and $2,776, respectively. No interest was incurred and charged to expense during 2018 and 2017.

In October 2013, the Organization opened an unsecured line of credit with a local financial institution in the amount of $62,500, which matures in June 2018. Amounts borrowed under this agreement bear interest at 5.5%. The purpose of the line of credit is to provide start-up capital for new projects of the Organization. There were no drawdowns on the line of credit during the years ended December 31, 2018 and 2017.

6. NOTES PAYABLE

During April 2018, the Organization purchased a building via financing from two different institutions. The Organization entered into a promissory agreement with Allegiance Bank in the amount of $1,080,000, and a promissory agreement with The Jacobson Family Foundation in the amount of $270,000. The Allegiance Bank note will be due and payable in eighty four (84) consecutive monthly installments, the first twelve (12) of which being in the amount of accrued interest only each, the next seventy one (71) of which being in the amount of $6,262, including accrued interest each, and the eighty fourth (84th) and final installment being the amount of the balance of principal and accrued interest due at that time. The Jacobson Family Foundation note will bear interest at a rate of LIBOR Rate plus 1.00% per annum (the “Applicable Rate”). During the period of commencement of the note through and including April 30, 2021, the Organization shall pay interest only at the Applicable Rate on the outstanding loan balance. From May 2021 through the maturity date of April 30, 2023, the Organization will pay interest at the Applicable Rate plus principal of $2,250. The notes are secured by the purchased building.

No payments were made towards the principle balance in 2018. All interest payments incurred in 2018 were capitalized as part of the building costs as the building was not in use during 2018. The amount capitalized during 2018 was $35,920.

7. NET ASSETS

Unrestricted net assets amounted to $2,070,795 and $1,995,852 as of December 31, 2018 and 2017, respectively, and are available to support the programs and activities of the Organization.

8. LEASE COMMITMENTS

The Organization has entered into a non-cancellable lease agreement for use of office space for administrative and program operation purposes. The lease agreement expired on January 31, 2018.

The minimum future lease rental payments are as follows for the years ended December 31, 2018 and 2017:

Year Ended December 31	Amount
2019	2,225
	$ 2,225

Annual lease rental expense for office space for the years ended December 31, 2018 and 2017 was $32,700 and $43,850, respectively.

9. CONTINGENCIES

The Organization receives grant funds from federal, state, and local governmental agencies for certain programs, which are governed by various laws and regulations. Expenditures charged to these programs are reimbursed to the Organization after review and adjustment by the grantors. The Organization may become liable to refund money to funding agencies where it fails to comply with contract provisions. Also, the ability of the Organization to collect related receivables at December 31, 2018 and 2017 is subject to the compliance approval process on the activities related to those reimbursable expenditures. Any liability for potential recoupment or reimbursement that could arise from such review is not considered material to the financial statements.

10. RELATED PARTY TRANSACTIONS

Certain members of the board of directors made total cash contributions of $7,251 and $16,582, respectively, in support of the Organization for the years ended December 31, 2018 and 2017.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 13, 2021, the date 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.

MJ McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2021

To the Board of Directors of
Educational Programs Inspiring Communities, Inc.

We have audited the financial statements of Educational Programs Inspiring Communities, Inc. (the "Organization") for the years ended December 31, 2018 and 2017 and have issued our reports thereon dated January 13, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the years ended December 31, 2018 and 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant estimates included in the financial statements are depreciation expense, which is based on the estimated useful lives of the underlying depreciable assets, and the functional allocation of expenses. We evaluated the key factors and assumptions used to develop those accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements appear neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Misstatements that were detected as a result of audit procedures and corrected by management are summarized in the attached **Schedule "A"**.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2021. A copy of the management representation letter is attached to this letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Fraud Risk

We have performed the procedures required by Statement on Auditing Standards AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*, including discussion with management regarding the policies and procedures to prevent fraud. Management has represented to us that they have no knowledge of any significant fraud or suspected fraud affecting the Organization involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements. Management has further represented to us that they have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, or others.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McConnell & Jones

SCHEDULE A
SUMMARY OF AUDIT ADJUSTING ENTRIES

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1001			
To adjust the receivable booked for the METRO Grant.			
4100-006	Grants:Government Reimbursement Grants	19,352.00	
1100-001	Accounts Receivable		19,352.00
Total		**19,352.00**	**19,352.00**
Adjusting Journal Entries JE # 1002			
To reverse the receivable booked for Bank of America 2019 Reward.			
4100-003	Grants:Other Grants:Corporate Grants	100,000.00	
1100-004	Other Accounts Receivable		100,000.00
Total		**100,000.00**	**100,000.00**
	Total Adjusting Journal Entries	**119,352.00**	**119,352.00**