

**EDUCATIONAL PROGRAMS INSPIRING
COMMUNITIES, INC.**

(A Texas Nonprofit Corporation)

**Independent Auditor's Report and
Financial Statements**

Years Ended December 31, 2022 and 2021

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

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December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the Educational Programs Inspiring Communities, Inc. (the "Organization"), a Texas nonprofit corporation, as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Educational Programs Inspiring Communities, Inc. (the "Organization"), a Texas nonprofit organization, as of December 31, 2022 and 2021, and the change 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 (GAAS). 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 Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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, which raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



McConnell Jones

- 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 Organization'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, which raise substantial doubt about the Organization'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.

McConnell & Jones LLP

Houston, Texas
May 12, 2023

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 1,726,041	\$ 1,615,972
Restricted cash	100	100
Grants and other receivable	184,279	189,173
Deposits	<u>200</u>	<u>200</u>
Total current assets	<u>1,910,620</u>	<u>1,805,445</u>
Noncurrent assets:		
Property and equipment, net	<u>1,748,306</u>	<u>1,828,128</u>
Total noncurrent assets	<u>1,748,306</u>	<u>1,828,128</u>
Total assets	<u><u>\$ 3,658,926</u></u>	<u><u>\$ 3,633,573</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 30,579	\$ 23,342
Current portion of long term debt and loan payable	<u>294,771</u>	<u>24,771</u>
Total current liabilities	<u>325,350</u>	<u>48,113</u>
Non-current liabilities:		
Long-term debt	<u>963,196</u>	<u>1,259,068</u>
Total non-current liabilities	<u>963,196</u>	<u>1,259,068</u>
Total liabilities	<u>1,288,546</u>	<u>1,307,181</u>
Net assets:		
Unrestricted	<u>2,370,380</u>	<u>2,326,392</u>
Total net assets	<u>2,370,380</u>	<u>2,326,392</u>
Total liabilities and net assets	<u><u>\$ 3,658,926</u></u>	<u><u>\$ 3,633,573</u></u>

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, 2022 AND 2021

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	2022 Totals	2021 Totals
REVENUES				
Grants	\$ 913,602	\$ -	\$ 913,602	\$ 817,270
Contributions	269,983	-	269,983	233,336
Vending sales	103,122	-	103,122	93,359
Concession services fees	59,366	-	59,366	15,082
Special events income	161,776	-	161,776	312,893
Less: Benefit to donors	(43,608)	-	(43,608)	(23,332)
Net Special events	118,168	-	118,168	289,561
Interest and other income (loss)	91,611	-	91,611	385,446
Total Revenues	1,555,852	-	1,555,852	1,834,054
EXPENSES				
Program services	1,282,247	-	1,282,247	847,352
Total program services	1,282,247	-	1,282,247	847,352
Support services:				
Management and general	132,729	-	132,729	562,483
Fundraising	96,888	-	96,888	177,559
Total support services	229,617	-	229,617	740,042
Total expenses	1,511,864	-	1,511,864	1,587,394
CHANGE IN NET ASSETS	43,988	-	43,988	246,660
NET ASSETS, BEGINNING OF YEAR	2,326,392	-	2,326,392	2,103,064
NET ASSETS, END OF YEAR	\$ 2,370,380	\$ -	\$ 2,370,380	\$ 2,349,724

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	<u>Support Services</u>				Cost of Direct Benefits to Donor	Total expenditures
	<u>Program Services</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total support services</u>		
Payroll & related costs	\$ 702,136	\$ 71,037	\$ 57,278	\$ 128,315	\$ -	\$ 830,451
Vending products	64,752	13	-	13	-	64,765
Transportation	13,004	1,265	30	1,295	-	14,299
Supplies	33,694	4,981	576	5,557	-	39,251
Telephone	10,983	3,447	-	3,447	-	14,430
Postage and delivery	174	517	1,977	2,494	-	2,668
Printing and reproduction	-	491	1,309	1,800	-	1,800
Facility rent	5,073	513	414	927	-	6,000
Marketing	3,012	2,116	4,444	6,560	-	9,572
Insurance	99,785	10,096	8,140	18,236	-	118,021
Utilities	11,706	-	-	-	-	11,706
Staff training and development	40	97	350	447	-	487
Repairs and maintenance	32,909	2,944	-	2,944	-	35,853
IT expense	1,345	1,667	1,421	3,088	-	4,433
Bank service charges	57,129	3,136	458	3,594	-	60,723
Depreciation	177,622	17,970	14,490	32,460	-	210,082
Background checks	627	-	-	-	-	627
Catering expense	3,074	5,983	3,873	9,856	-	12,930
Professional fees	26,083	2,639	2,128	4,767	-	30,850
Travel	-	-	-	-	-	-
Program expenses	39,099	-	-	-	-	39,099
Miscellaneous	-	3,817	-	3,817	-	3,817
Benefit to donors	-	-	-	-	43,608	43,608
Total Expenses	<u>\$ 1,282,247</u>	<u>\$ 132,729</u>	<u>\$ 96,888</u>	<u>\$ 229,617</u>	<u>\$ 43,608</u>	<u>\$ 1,555,472</u>
Less expenses included with revenues on the statement of activities:						
Benefit to donors	-	-	-	-	(43,608)	(43,608)
Total functional expenses included in the expense section on the statement of activities	<u>\$ 1,282,247</u>	<u>\$ 132,729</u>	<u>\$ 96,888</u>	<u>\$ 229,617</u>	<u>\$ -</u>	<u>\$ 1,511,864</u>

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	<u>Support Services</u>				Cost of Direct Benefits to Donor	Total expenditures
	<u>Program Services</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total support services</u>		
Payroll & related costs	\$ 452,726	\$ 408,477	\$ 127,306	\$ 535,783	\$ -	\$ 988,509
Vending products	67,208	91	273	364	-	67,572
Transportation	6,894	78	-	78	-	6,972
Supplies	9,975	485	189	674	-	10,649
Telephone	11,551	2,177	-	2,177	-	13,728
Postage and delivery	826	489	155	644	-	1,470
Printing and reproduction	-	233	1,282	1,515	-	1,515
Facility rent	3,149	2,841	885	3,726	-	6,875
Marketing	4,348	223	1,688	1,911	-	6,259
Insurance	35,706	32,216	10,041	42,257	-	77,963
Utilities	10,934	188	-	188	-	11,122
Staff training and development	210	823	-	823	-	1,033
Repairs and maintenance	27,378	4,231	-	4,231	-	31,609
IT expense	1,539	1,849	721	2,570	-	4,109
Bank service charges	58,654	3,657	9	3,666	-	62,320
Depreciation	93,613	84,462	26,322	110,784	-	204,397
Background checks	653	-	-	-	-	653
Catering expense	361	1,170	4,600	5,770	-	6,131
Professional fees	14,536	13,116	4,088	17,204	-	31,740
Travel	-	411	-	411	-	411
Program expenses	46,830	-	-	-	-	46,830
Miscellaneous	261	5,266	-	5,266	-	5,527
Benefit to donors	-	-	-	-	23,332	23,332
Total Expenses	\$ 847,352	\$ 562,483	\$ 177,559	\$ 740,042	\$ 23,332	\$ 1,610,726
Less expenses included with revenues on the statement of activities:						
Benefit to donors	-	-	-	-	(23,332)	(23,332)
Total functional expenses included in the expense section on the statement of activities	\$ 847,352	\$ 562,483	\$ 177,559	\$ 740,042	\$ -	\$ 1,587,394

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
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STATEMENTS OF CASH FLOWS

**YEARS ENDED
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,988	\$ 223,328
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	210,082	204,397
Changes in operating assets and liabilities		
Grants and other receivable	4,894	107,393
Accounts payable and accrued expenses	7,237	1,748
Total adjustments	222,213	313,538
Net cash provided by operating activities	266,201	536,866
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(130,260)	-
Net cash used in investing activities	(130,260)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal paid on notes payable	(25,872)	(214,955)
Net cash used in financing activities	(25,872)	(214,955)
NET INCREASE IN CASH	110,069	321,911
CASH, BEGINNING OF YEAR	1,616,072	1,294,161
CASH, END OF YEAR	1,726,141	1,616,072
Reconciliation of Cash to Amounts		
Unrestricted cash	1,726,041	1,615,972
Restricted cash	100	100
Reported in the Statements of Financial Position:	\$ 1,726,141	\$ 1,616,072

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

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NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 the 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:

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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.

Measurement of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Organization's ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member.

Revenue from non-exchange transactions consist of the following:

Grant contracts are conditional upon the incurrence of allowable qualifying expenses. Grant revenue is recorded as allowable qualifying expenses are incurred and the conditions of the grant.

Contributions of cash and promises to give – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. There were no donor-restricted contributions for the years ended December 31, 2022 and 2021.

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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, 2022 and 2021.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Special event revenue – recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Revenue from exchange transactions consist of the following:

Interest income is recognized when earned based on passage of time. Program income, including revenue from vending and concession operations and bingo are recognized when performance obligations are met.

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, 2022 and 2021, the Organization received \$39,026 and \$47,982, respectively, in contributed services, which met the criteria for recognition in the financial statement and these amounts are included as contribution in the Organization's statement of activities. The contributed services represented the 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, 2021 and 2020.

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.

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YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

The expenses that are allocated are payroll and related costs, insurance, professional fees, facility rent, and depreciation, which are allocated based on estimates of time and effort.

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.

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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.

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 \$1,910,320 and \$1,805,145 of financial assets available to meet cash needs for general operating expenditures as of December 31, 2022 and 2021, consisting of:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,726,041	\$ 1,615,972
Receivables	184,279	189,173
	<u>\$ 1,910,320</u>	<u>\$ 1,805,145</u>

Additionally, the Organization maintains a \$75,000 line of credit, of which no amount was drawn as of December 31, 2022 and 2021.

Accounting Pronouncements Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021.

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Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Organization recognizes leases as the leases are short term for a period of less than 12 months. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

2. PROGRAMS AND SUPPORTING SERVICES

The following programs and supporting services are provided by the Organization:

- (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.

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- (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.
- (f) Disaster Recovery Program (DR): This program is a disaster recovery program funded by CDBG-DR funds. The purpose of the program is to build resiliency for adults with I/DD by providing job training in conjunction with CVS Health locations and additional vending and concessions training.

3. CASH AND CASH EQUIVALENTS AND 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, 2022, the cash deposits at the Organization's banks were \$1,714,419, which exceeded the FDIC limit per bank by \$1,214,519 that were not 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 59% and 45% of the total revenues and support of the Organization for the years ended December 31, 2022 and 2021, respectively. Revenue from one significant funder approximated 27% and 21% of the total revenues and support of the Organization for the years ended December 31, 2022 and 2021, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

The following summarizes the percentage of accounts receivable from significant funding sources of total receivables as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Funder 1	63%	62%
Funder 2	26%	12%
Funder 3	3%	14%

The value of cash and cash equivalents as of December 31, 2022 and 2021 was \$1,726,141 and \$1,616,072, respectively. Of these amounts, as of December 31, 2022 and 2021, \$100 and \$100 respectively was restricted for the Bingo event.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 345,000	\$ 345,000
Furniture and equipment	197,032	161,951
Software	986,659	986,659
Vehicles	176,382	145,263
Building	<u>1,331,190</u>	<u>1,311,058</u>
	3,036,263	2,949,931
Less: Accumulated depreciation	<u>(1,287,957)</u>	<u>(1,121,803)</u>
Property and equipment, net	<u>\$ 1,748,306</u>	<u>\$ 1,828,128</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$210,082 and \$204,397, respectively.

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5. LINES OF CREDIT

In June 2022, the Organization opened an unsecured line of credit with a local financial institution in the amount of \$75,000, which matures in June 2023. Amounts borrowed under this agreement bear interest at 5.25%. 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, 2022 and 2021.

6. NOTES AND LOANS 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 bearing interest at the rate of 4.85% per annum. 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 Organization entered into a promissory agreement with The Jacobson Family Foundation in the amount of \$270,000. bearing interest at the rate of 3.76% per annum. 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.

Future principal payments and loans under these notes are summarized below:

	Year ending December 31, Amount
2023	294,771
2024	23,214
2025	23,099
2026	916,883
	<u>\$ 1,257,967</u>

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7. NET ASSETS

Net assets without restrictions amounted to \$2,370,380 and \$2,326,392 as of December 31, 2022 and 2021, respectively, and are available to support the programs and activities of the Organization.

8. 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, 2022 and 2021, 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 a review is not considered material to the financial statements.

9. RELATED PARTY TRANSACTIONS

Certain members of the board of directors made total cash contributions of \$6,124 and \$15,500, respectively, in support of the Organization for the years ended December 31, 2022 and 2021.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 3, 2023, the date that the financial statements were available to be issued. No changes were necessary to be made to the financial statements, as a result of this evaluation apart from the disclosure below:

The loan amount of \$270,000 based on the promissory agreement with The Jacobson Family Foundation was repaid in full on April 30, 2023.