

**Educational Programs Inspiring
Communities, Inc.**

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

Educational Programs Inspiring Communities, Inc.

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Educational Programs Inspiring Communities, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, of functional expenses, and of cash flows for the year 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. as of December 31, 2023, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Educational Programs Inspiring Communities, Inc. 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.

Prior Year Independent Auditors' Report

The financial statements of Educational Programs Inspiring Communities, Inc. as of December, 31, 2022 and for the year then ended were audited by other auditors whose report dated May 12, 2023 expressed an unmodified opinion on those statements.

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 Educational Programs Inspiring Communities, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 Educational Programs Inspiring Communities, Inc.'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 Educational Programs Inspiring Communities, Inc.'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.

Blazek & Vetterling

August 7, 2024

Educational Programs Inspiring Communities, Inc.

Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,155,371	\$ 1,726,341
Government grants receivable <i>(Note 5)</i>	158,479	164,695
Other contributions receivable	41,255	19,584
Prepaid expenses and other assets	47,828	
Property and equipment, net <i>(Note 3)</i>	<u>1,799,294</u>	<u>1,748,306</u>
TOTAL ASSETS	<u>\$ 3,202,227</u>	<u>\$ 3,658,926</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 45,189	\$ 30,579
Notes payable <i>(Note 4)</i>	<u>793,718</u>	<u>1,257,967</u>
Total liabilities	<u>838,907</u>	<u>1,288,546</u>
Contingencies <i>(Note 5)</i>		
Net assets without donor restrictions	<u>2,363,320</u>	<u>2,370,380</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,202,227</u>	<u>\$ 3,658,926</u>

See accompanying notes to financial statements.

Educational Programs Inspiring Communities, Inc.

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants <i>(Note 5)</i>		\$ 529,829	\$ 529,829
Other contributions	\$ 425,133	4,200	429,333
Special events	98,166		98,166
Direct donor benefits	(12,611)		(12,611)
Vending sales	139,499		139,499
Concession service fees	64,191		64,191
Government service fees	45,220		45,220
Interest and other income	<u>21,277</u>		<u>21,277</u>
Total revenue	780,875	534,029	1,314,904
Net assets released from restrictions:			
Program expenditures	<u>534,029</u>	<u>(534,029)</u>	
Total	<u>1,314,904</u>	<u>0</u>	<u>1,314,904</u>
EXPENSES:			
Program services	938,596		938,596
Management and general	234,732		234,732
Fundraising	<u>148,636</u>		<u>148,636</u>
Total expenses	<u>1,321,964</u>		<u>1,321,964</u>
CHANGES IN NET ASSETS	(7,060)	0	(7,060)
Net assets, beginning of year	<u>2,370,380</u>	<u>0</u>	<u>2,370,380</u>
Net assets, end of year	<u>\$ 2,363,320</u>	<u>\$ 0</u>	<u>\$ 2,363,320</u>

See accompanying notes to financial statements.

Educational Programs Inspiring Communities, Inc.

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants		\$ 767,947	\$ 767,947
Other contributions	\$ 385,418		385,418
Special events	161,776		161,776
Direct donor benefits	(43,608)		(43,608)
Vending sales	103,122		103,122
Concession service fees	59,366		59,366
Government service fees	30,220		30,220
Interest and other income	91,611		91,611
Total revenue	787,905	767,947	1,555,852
Net assets released from restrictions:			
Program expenditures	767,947	(767,947)	
Total	1,555,852	0	1,555,852
EXPENSES:			
Program services	1,282,247		1,282,247
Management and general	132,729		132,729
Fundraising	96,888		96,888
Total expenses	1,511,864		1,511,864
CHANGES IN NET ASSETS	43,988	0	43,988
Net assets, beginning of year	2,326,392	0	2,326,392
Net assets, end of year	\$ 2,370,380	\$ 0	\$ 2,370,380

See accompanying notes to financial statements.

Educational Programs Inspiring Communities, Inc.

Statement of Functional Expenses for the year ended December 31, 2023

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related expenses	\$ 625,961	\$ 141,947	\$ 116,350	\$ 884,258
Vending products	89,268	1,542	304	91,114
Depreciation	54,792	12,425	10,184	77,401
Interest	36,635	8,312	6,809	51,756
Insurance	35,581	8,069	6,614	50,264
Trainee payroll	35,955			35,955
Maintenance and repairs	23,985	6,803		30,788
Supplies	3,971	5,063	13,304	22,338
Professional services	278	21,624		21,902
Utilities	9,444	2,141	1,755	13,340
Telephone and communications	7,332	3,567		10,899
Marketing		6,707	1,933	8,640
Dues, licenses and subscriptions		6,627		6,627
Travel	5,951	519	67	6,537
Facility rent	6,000			6,000
Postage, printing, and delivery		195	2,268	2,463
Other	<u>3,443</u>	<u>9,191</u>	<u>1,659</u>	<u>14,293</u>
Total by function	938,596	234,732	161,247	1,334,575
Less direct donor benefits			<u>(12,611)</u>	<u>(12,611)</u>
Total	<u>\$ 938,596</u>	<u>\$ 234,732</u>	<u>\$ 148,636</u>	<u>\$ 1,321,964</u>

See accompanying notes to financial statements.

Educational Programs Inspiring Communities, Inc.

Statement of Functional Expenses for the year ended December 31, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related expenses	\$ 752,543	\$ 76,137	\$ 61,390	\$ 890,070
Vending products	64,752	13		64,765
Depreciation	177,622	17,970	14,490	210,082
Interest	57,129	1,413	458	59,000
Insurance	49,378	4,996	4,028	58,402
Trainee payroll	39,099			39,099
Maintenance and repairs	32,909	2,944		35,853
Supplies	33,694	4,981	10,556	49,231
Professional services	26,083	2,639	2,128	30,850
Utilities	11,706			11,706
Telephone and communications	10,983	3,447		14,430
Marketing	3,012	2,116	4,444	9,572
Dues, licenses and subscriptions	1,345	1,667	1,421	4,433
Travel	13,004	1,265	30	14,299
Facility rent	5,073	513	414	6,000
Postage, printing, and delivery	174	1,008	3,286	4,468
Other	<u>3,741</u>	<u>11,620</u>	<u>37,851</u>	<u>53,212</u>
Total by function	1,282,247	132,729	140,496	1,555,472
Less direct donor benefits			<u>(43,608)</u>	<u>(43,608)</u>
Total	<u>\$ 1,282,247</u>	<u>\$ 132,729</u>	<u>\$ 96,888</u>	<u>\$ 1,511,864</u>

See accompanying notes to financial statements.

Educational Programs Inspiring Communities, Inc.

Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (7,060)	\$ 43,988
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	77,401	210,082
Changes in operating assets and liabilities:		
Government grants receivable	6,216	4,894
Other contributions receivable	(21,671)	
Prepaid expenses and other assets	(47,828)	200
Accounts payable and accrued expenses	<u>14,610</u>	<u>7,237</u>
Net cash provided by operating activities	<u>21,668</u>	<u>266,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(128,389)</u>	<u>(130,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	<u>(464,249)</u>	<u>(25,872)</u>
NET CHANGE IN CASH	(570,970)	110,269
Cash, beginning of year	<u>1,726,341</u>	<u>1,616,072</u>
Cash, end of year	<u>\$ 1,155,371</u>	<u>\$ 1,726,341</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$51,756	\$57,129

See accompanying notes to financial statements.

Educational Programs Inspiring Communities, Inc.

Notes to Financial Statements for the years ended December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Educational Programs Inspiring Communities, Inc. (EPIC) is a Texas nonprofit corporation established in 2002 to promote structured independence for individuals with developmental disabilities by providing innovative education, training, housing, and employment programs.

EPIC operates the following services under the Housing, Entrepreneurship, and Readiness Training (HEART) Program:

- *Concessions training and employment* provides job training and placement in concession stands at high profile venues. Training includes basic food handling, inventory, and hands-on training and cashiering.
- *HEART-CVS* – In partnership with CVS Health, a 10-week retail training program, the program includes a retail and customer service curriculum, hands-on training in a CVS “Mock Store”, and placement in a CVS store for an 80-hour externship.
- *Summer internships* – In partnership with the Houston Food Bank, opportunity to experience a workplace environment and receive instruction on job skills.
- *Transportation program* provides drivers for transportation to eligible trainees to and from concession and vending assignment locations.
- *Vending machine training* – Trainees operate and maintain over 80 vending machines throughout the Houston area learning how to inventory product, restock machines, and count and handle cash.

EPIC 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 EPIC.

Federal income tax status – EPIC is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Government grants and other contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. At December 31, 2023, all amounts are expected to be collected within one year.

An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and analysis of individual balances each period. It is possible that management’s estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Property and equipment is reported at cost if purchased or at fair value at the date of gift if donated. Generally, acquisitions of property in excess of \$500 are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 20 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Government grants and contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Grants and contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional grants and contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional grants and contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions have been met is reported as grant refundable advances. Approximately \$375,000 or 39% of government grants and contributions were from four donors for the year ended December 31, 2023. Approximately \$134,000 or 34% of contributions were from two donors for the year ended December 31, 2022.

Contributed nonfinancial assets are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the year ended December 31, 2022, EPIC recognized \$39,026 in contributed services. The fair values of the contributed services were based on current rates for similar goods and services and consisted of contributed space used for program activity. There were no restrictions on the contributed nonfinancial assets.

Special events revenue includes elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefits represent the costs of goods and services provided to event attendees. Amounts received in advance are reported as deferred revenue.

Vending sales and concession service fees is recognized at a point in time when services are provided for the specified price in the vending machines and concession services agreement. Program service fees are due prior to services being provided. There are no receivables or contract assets at December 31, 2023, 2022 and 2021. Fees collected in advance are reported as deferred revenue until performance obligations are satisfied in the following year. At December 31, 2023, 2022 and 2021, there was no deferred revenue.

Government service fees is recognized over a period of time as services are provided to local school districts over the term of the agreements. All performance obligations related to program service fees are satisfied within the academic year which is contained within the fiscal year. There are no receivables or contract assets at December 31, 2023, 2022 and 2021. Fees collected in advance are reported as deferred revenue until performance obligations are satisfied in the following year. At December 31, 2023, 2022 and 2021, there was no deferred revenue.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Information technology and communications, occupancy and insurance are allocated based on payroll costs.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year statement of financial statements to conform with the current presentation.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 1,155,371	\$ 1,726,341
Government grants receivable	158,479	164,695
Other contributions receivable	<u>41,255</u>	<u>19,584</u>
Total financial assets available for general expenditure	<u>\$ 1,355,105</u>	<u>\$ 1,910,620</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, EPIC considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of the organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

EPIC has a \$75,000 line of credit expiring in April 2025, of which no amounts were drawn during December 31, 2023 and 2022.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2023</u>	<u>2022</u>
Building	\$ 1,311,750	\$ 1,311,750
Furniture and equipment	197,032	197,032
Vehicles	<u>176,382</u>	<u>176,382</u>
Depreciable property and equipment, at cost	1,685,164	1,685,164
Accumulated depreciation	<u>(378,699)</u>	<u>(301,298)</u>
Depreciable property and equipment, net	1,306,465	1,383,866
Land	345,000	345,000
Construction in progress	<u>147,829</u>	<u>19,440</u>
Property and equipment, net	<u>\$ 1,799,294</u>	<u>\$ 1,748,306</u>

NOTE 4 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2023</u>	<u>2022</u>
Promissory note with a bank in the amount of \$1,080,000 entered into in April 2018 bearing interest at a rate of 4.85% per annum. Interest only payments are due monthly for the first twelve months, the next seventy-one payments of interest and principal of \$6,262, and eighty-four and final installment payments due April 2026.	\$ 793,718	\$ 987,967
Promissory note with a foundation in the amount of \$270,000 entered into in April 2018 bearing interest of LIBOR plus 1.00% annum, with interest only due monthly through April 30, 2021 and interest plus principal of \$2,250 due monthly with remaining principal due in April 2023. The loan is collateralized by the building.	<u> </u>	<u>270,000</u>
Total notes payable	<u>\$ 793,718</u>	<u>\$ 1,257,967</u>

Maturities of notes payable at December 31, 2023 are as follows:

2024	\$ 38,701
2025	40,621
2026	<u>714,396</u>
Total	<u>\$ 793,718</u>

NOTE 5 – CONTINGENCIES

Government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by EPIC with the terms of the contracts. Management believes such disallowances, if any, would not be material to EPIC's financial position or changes in net assets.

At December 31, 2023, EPIC has approximately \$218,000 of conditional contributions from local government agencies, which have not been recognized in the accompanying financial statements because the conditions have not been met. EPIC will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

On August 9, 2023, EPIC entered into a loan agreement with the City of Houston (the City) with principal of \$790,416 and zero interest for the renovation of EPIC's property acquired in 2018. The loan is secured by the property with a maturity date of five years from the completed renovation, with the renovation period being no later than eighteen months after the agreement date. Principal payments are to be deferred and forgiven at the later of the maturity date or the restricted use period unless EPIC defaults on the loan covenants. The property use purpose is to provide workforce training facilities to create job opportunities for low- and moderate-income individuals. The restricted use period ends five years from the property's renovation completion.

As of December 31, 2023, approximately \$128,000 has been requested from the City relating to this agreement, but no amounts have been drawn from this loan agreement as of December 31, 2023. Subsequent to December 31, 2023, approximately \$183,000 has been requested from the City.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 7, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than as disclosed in Note 5, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
