HOUSTON AREA URBAN LEAGUE, INC.

(A Texas Nonprofit Corporation)

Annual Financial Report
Years Ended December 31, 2019 and 2018

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

DECEMBER 31, 2019 and 2018

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Houston Area Urban League, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Houston Area Urban League, Inc. (the "Organization), a Texas nonprofit corporation, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McConnell & Jones LLP

Houston, Texas
August 26, 2020

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 20,147	$ 505,083
Cash and cash equivalents, restricted	198,959	449,171
Pledges receivable	141,477	104,237
Grants receivable	292,217	212,820
Other receivables	81,966	65,455
Prepaid expenses	13,870	38,379
Total current assets	748,636	1,375,145
NONCURRENT ASSETS		
Cash, restricted	-	9,741
Certificates of deposit	258,904	253,207
Rent deposit	10,711	10,711
Property and equipment, net	2,652,665	2,762,780
Total noncurrent assets	2,922,280	3,036,439
TOTAL ASSETS	$ 3,670,916	$ 4,411,584
LIABILITIES		
CURRENT LIABILITIES		
Line of credit	$ 80,000	$ -
Accounts payable	104,768	102,976
Accrued expenses and other liabilities	119,721	77,731
Unearned revenue	198,959	531,033
Total current liabilities	503,448	711,740
NONCURRENT LIABILITIES		
Unearned revenue	172,406	262,948
Total noncurrent liabilities	172,406	262,948
TOTAL LIABILITIES	675,854	974,688
NET ASSETS		
Without donor restrictions	2,470,284	2,881,559
With donor restrictions	524,778	555,337
Total net assets	2,995,062	3,436,896
TOTAL LIABILITIES AND NET ASSETS	$ 3,670,916	$ 4,411,584

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

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES						
Contributions:						
United Way	$ 561,926	$ -	$ 561,926	$ 655,245	$ -	$ 655,245
Others	133,517	325,136	458,653	112,907	204,556	317,463
Federal grant revenue	163,330	-	163,330	139,393	-	139,393
State and local grants	505,398	-	505,398	756,444	-	756,444
Foundation and corporate grants revenue	615,122	-	615,122	537,118	-	537,118
Fund-raising and special events	819,155	-	819,155	1,133,337	-	1,133,337
In-kind contributions	84,235	-	84,235	142,508	-	142,508
Rental income	95,619	-	95,619	94,042	-	94,042
Program fees	54,095	-	54,095	10,617	-	10,617
Interest income	6,188	-	6,188	2,180	-	2,180
Other income	18,574	-	18,574	36,541	-	36,541
Net assets released from restrictions	355,695	(355,695)	-	380,680	(380,680)	-
TOTAL REVENUES	3,412,854	(30,559)	3,382,295	4,001,012	(176,124)	3,824,888
EXPENDITURES						
Program services:						
Special projects	133,474	-	133,474	103,026	-	103,026
Education and youth services	449,012	-	449,012	546,541	-	546,541
Workforce development and training	664,270	-	664,270	625,853	-	625,853
Housing and community services	1,029,519	-	1,029,519	986,633	-	986,633
Economic development	199,981	-	199,981	112,714	-	112,714
Health initiatives	14,432	-	14,432	117,934	-	117,934
Total program services	2,490,688	-	2,490,688	2,492,701	-	2,492,701
Support services:						
Management and general	1,106,415	-	1,106,415	1,162,271	-	1,162,271
Fundraising activities	227,026	-	227,026	308,932	-	308,932
Total support services	1,333,441	-	1,333,441	1,471,203	-	1,471,203
TOTAL EXPENDITURES	3,824,129	-	3,824,129	3,963,904	-	3,963,904
CHANGE IN NET ASSETS	(411,275)	(30,559)	(441,834)	37,108	(176,124)	(139,016)
NET ASSETS, BEGINNING OF YEAR	2,881,559	555,337	3,436,896	2,844,451	731,461	3,575,912
NET ASSETS, END OF YEAR	$ 2,470,284	$ 524,778	$ 2,995,062	$ 2,881,559	$ 555,337	$ 3,436,896

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

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services							Support Services			
	Special Projects	Education & Youth Services	Workforce Development & Training	Housing & Community Services	Economic Development	Health Initiatives	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenditures
Payroll & related costs	$ 9,039	$ 201,380	$ 450,155	$ 577,093	$ 74,127	$ -	$ 1,311,794	$ 372,291	$ -	$ 372,291	$ 1,684,085
Contract services	175	20,637	71,011	21,256	-	-	113,079	40,940	-	40,940	154,019
Professional fees	56,496	46,564	42,029	44,978	63,432	13,445	266,944	231,899	3,127	235,026	501,970
Supplies	334	5,319	600	2,572	9,394	290	18,509	12,100	-	12,100	30,609
Telephone & communications	8,577	1,070	4,971	5,682	245	382	20,927	32,126	136	32,262	53,189
Postage & delivery	-	471	125	7,087	-	-	7,683	7,580	1,206	8,786	16,469
Printing, publicity & publications	730	1,871	1,591	6,947	1,855	-	12,994	11,580	-	11,580	24,574
Occupancy costs	28,252	53,598	53,598	62,583	-	-	198,031	116,279	-	116,279	314,310
Equipment rental & maintenance	5,984	14,439	14,439	15,303	-	-	50,165	42,919	-	42,919	93,084
Travel	34	4,227	9,672	12,466	4,502	-	30,901	44,865	-	44,865	75,766
Insurance	-	-	-	-	-	315	315	15,534	-	15,534	15,849
Memberships	-	14	-	435	-	-	449	15,350	-	15,350	15,799
Staff training	-	4,058	385	1,871	4,730	-	11,044	2,344	-	2,344	13,388
Annual meeting expenses	-	-	-	-	-	-	-	17,871	-	17,871	17,871
Gala night & membership drive	-	-	-	-	-	-	-	-	220,758	220,758	220,758
Volunteer recognition & other meetings	719	47,386	3,996	4,978	19,751	-	76,830	8,436	99	8,535	85,365
Urban League national & regional	-	908	-	488	945	-	2,341	610	-	610	2,951
Assistance to individuals	-	43,500	9,605	261,019	21,000	-	335,124	12,348	-	12,348	347,472
Expendable equipment purchases	1,150	1,133	1,133	3,351	-	-	6,767	6,228	-	6,228	12,995
Interest & finance charges	-	-	-	-	-	-	-	8,973	-	8,973	8,973
Depreciation	21,759	-	-	-	-	-	21,759	88,356	-	88,356	110,115
Other expenses	225	2,437	960	1,410	-	-	5,032	17,786	1,700	19,486	24,518
Total Expenses	$ 133,474	$ 449,012	$ 664,270	$ 1,029,519	$ 199,981	$ 14,432	$ 2,490,688	$ 1,106,415	$ 227,026	$ 1,333,441	$ 3,824,129

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

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services							Support Services			
	Special Projects	Education & Youth Services	Workforce Development & Training	Housing & Community Services	Economic Development	Health Initiatives	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenditures
Payroll & related costs	$ 1,991	$ 206,993	$ 345,872	$ 568,538	$ 29,659	$ 12,626	$ 1,165,679	$ 387,340	$ -	$ 387,340	$ 1,553,019
Contract services	-	8,565	62,720	39,973	-	-	111,258	76,706	375	77,081	188,339
Professional fees	33,000	122,286	101,619	69,399	48,277	97,144	471,725	162,826	5,160	167,986	639,711
Supplies	408	6,572	700	6,788	-	1,389	15,857	10,438	255	10,693	26,550
Telephone & communications	8,263	1,482	1,395	9,191	193	981	21,505	28,348	31	28,379	49,884
Postage & delivery	-	456	304	8,215	34	-	9,009	27,809	552	28,361	37,370
Printing, publicity & publications	-	233	1,591	1,759	3,820	-	7,403	16,875	823	17,698	25,101
Occupancy costs	28,759	52,735	52,735	53,334	-	-	187,563	123,699	-	123,699	311,262
Equipment rental & maintenance	5,401	14,349	13,849	14,712	-	-	48,311	48,806	-	48,806	97,117
Travel	52	18,045	17,425	10,178	3,802	1,300	50,802	39,953	-	39,953	90,755
Insurance	-	-	511	2,144	-	627	3,282	14,281	-	14,281	17,563
Memberships	-	107	-	-	1,000	-	1,107	17,715	-	17,715	18,822
Staff training	-	1,081	935	1,533	100	1,214	4,863	4,052	-	4,052	8,915
Annual meeting expenses	-	-	-	-	-	-	-	3,235	-	3,235	3,235
Gala night & membership drive	-	-	-	-	-	-	-	-	273,790	273,790	273,790
Volunteer recognition & other meetings	1,620	43,403	1,248	5,327	15,676	68	67,342	13,835	646	14,481	81,823
Urban League national & regional	-	4,284	1,491	355	142	-	6,272	1,052	-	1,052	7,324
Assistance to individuals	-	63,891	7,961	193,824	10,000	2,585	278,261	89,480	-	89,480	367,741
Expendable equipment purchases	-	1,591	10,325	1,363	11	-	13,290	1,586	-	1,586	14,876
Interest & finance charges	-	-	-	-	-	-	-	670	-	670	670
Depreciation	23,532	-	-	-	-	-	23,532	88,117	-	88,117	111,649
Other expenses	-	468	5,172	-	-	-	5,640	5,448	27,300	32,748	38,388
Total Expenses	$ 103,026	$ 546,541	$ 625,853	$ 986,633	$ 112,714	$ 117,934	$ 2,492,701	$ 1,162,271	$ 308,932	$ 1,471,203	$ 3,963,904

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

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (441,834)	$ (139,016)
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation	110,115	111,649
(Increase)/decrease in pledges receivable	(37,240)	35,076
(Increase)/decrease in pledges receivable	(79,397)	54,863
Increase in other receivables	(16,511)	(30,685)
Decrease/(increase) in prepaid expenses	24,509	(23,628)
Increase in accounts payable	1,792	98,247
Increase in accounts payable	41,990	19,008
(Decrease)/increase in unearned revenue	(422,616)	2,548
Total adjustments	(377,358)	267,078
Net cash (used in)/provided by operating activities	(819,192)	128,062
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvestment of earnings from certificate of deposit	(5,697)	(1,026)
Purchases of property and equipment	-	(14,196)
Net cash used in investing activities	(5,697)	(15,222)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	80,000	-
Net cash provided by financing activities	80,000	-
NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(744,889)	112,840
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	963,995	851,155
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 219,106	$ 963,995
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid on borrowed funds during the year	$ 8,973	$ 670
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO AMOUNTS REPORTED IN THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 20,147	$ 505,083
Restricted cash and cash equivalents	198,959	449,171
Restricted cash	-	9,741
	$ 219,106	$ 963,995

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

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

The Houston Area Urban League, Inc. (the "Organization") is a Texas nonprofit corporation chartered by the State of Texas in 1968 and is an affiliate of the National Urban League. The Organization is also a United Way agency. The Organization was established for the purpose of providing comprehensive community and social services in the areas of education, employment, economic development, training, and housing.

The Organization's mission is to enable African-Americans and other minorities to secure economic self-reliance, parity, power and civil rights.

The Organization is supported primarily through contributions and grants from the National Urban League, United Way of Greater Houston, governmental entities, foundations, corporations and individuals.

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.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classification:

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 be met, either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. The Organization did not have perpetual restrictions as of December 31, 2019 and 2018.

When both resources with donor restrictions and without donor restrictions are available for use, it is the Organization's policy to use resources with donor restrictions first, then resources without donor restrictions as they are needed.

In addition, the Organization is required to present statements of activities, functional expenses and cash flows.

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 costs and commitments that are allowable for reimbursement. Revenue from special events is recognized when the event is held. Interest income is recognized when earned based on the passage of time. Program income and other income are recognized when received. Conditional promises to give cash or other assets are not recognized until received.

Contributions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred as of year-end, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers such receivables at December 31, 2019 and 2018 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

Pledges Receivables

Unconditional promises to give are recognized as revenues in the period received and as pledges receivable. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. It is the Organization's policy to charge off uncollectible accounts receivable against allowances when management determines the receivable will not be collected. All pledges receivable as of December 31, 2019 and 2018 were receivable within one year and considered fully collectible.

In-Kind Contributions and 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, 2019 and 2018, the Organization did not have any contributed volunteer services meeting the criteria for recognition in the financial statements, and accordingly, no value was recorded.

Receipt of in-kind goods and services are presented as both revenue and expense in the accompanying financial statements and are recorded as non-cash contributions at their estimated fair value at the date of performance of service or receipt of donation. The value of such non-cash contributions that are included in the financial statements for the years ended December 31, 2019 and 2018 was $85,835 and $142,508, respectively. Non-cash contributions are primarily comprised of videography, printing of invitation letters, and other such incidental expenditures associated with the Organization's annual Equal Opportunity Day Gala, and were included as part of the fundraising and special events revenue and expense in the statements of activities.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. The value of cash equivalents included in cash and cash equivalents as of December 31, 2019 and 2018 was $121,617 and $345,377, respectively. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. As of December 31, 2019 and 2018, restricted cash included in cash and cash equivalents amounted to $198,959 and $458,912, respectively.

Certificate of Deposit

The Organization has one certificate of deposit totaling $258,904 and $253,207 as of December 31, 2019 and 2018, respectively. The certificate of deposit has one year maturity and is restricted for the Angel Lane Project (Note 7).

Unearned Revenues

Grants received in advance of the delivery of goods or performance of services are reported as unearned revenues.

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 recorded as unrestricted support unless the donor has restricted the donated asset 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 recorded as restricted contributions. At December 31, 2019 and 2018, the Organization did not have any assets with donor-imposed restrictions.

The Organization has a policy of capitalizing all expenditures for property and equipment in excess of $5,000. Property and equipment are depreciated using the straight-line method based on their estimated useful lives ranging from three to forty years. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the useful lives of assets are capitalized.

Compensable Absences

Under the Organization's policy, vacation time and sick leave are earned based on the employee's length of service and time worked in the preceding year. Any unused vacation time not taken because of business requirements may be allowed to carryover up to one week into the following year. All other earned vacation that has not been used by the employee by the end of the calendar year will lapse. Sick leave may be accumulated from one calendar year to another up to a maximum of ten (10) days. While employees are paid for unused but earned vacation time upon termination of employment, they are not paid for unused sick days. Therefore, no accrual for unused sick days is recorded in the accompanying financial statements. Earned but unused vacation time as of December 31, 2019 and 2018 has been accrued and included in accrued expenses and other liabilities in the financial statements.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 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 Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. 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 material 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 expense which is based on the estimated useful lives of the underlying depreciable assets, valuation of non-cash donations of goods and services, as well as the functional allocation of expenses.

New and Pending Accounting Standards

In February 2016, the FASB issued ASU 2016-02 – (Topic 842): *Leases*, which supersedes the requirements in ASC Topic 840, *Leases*. ASU No. 2016-02 requires the recognition of lease assets and lease liabilities by lessees for all leases, including operating leases, with a term greater than 12 months. Under the guidance of ASU No. 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU No. 2016-02 is largely unchanged from that applied under ASC Topic 840. ASU No. 2016-02 will be effective for annual reporting periods beginning after December 15, 2021, and an early adoption is permitted as of the standard's issuance date. ASU No. 2016-02 required a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. Management is in the process of evaluating the impact that the provisions of ASU 2016-02 may have on the financial statements.

In August 2016, the FASB issued ASU 2016-15 – Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which clarified guidance on certain cash flow classification issues. ASU 2016-15 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted as of the standard's issuance date. Management adopted ASU 2016-15 in 2019 and there was no impact on the financial statements.

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18 – Statement of Cash Flows (Topic 230): *Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted as of the standard's issuance date. Management adopted ASU 2016-18 in 2019. The adoption of ASU 2016-18 did not have a material effect on the financial statements;

however, prior period restricted cash was added to beginning and ending cash and cash equivalents in the statements of cash flows to conform to the current presentation.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08 – Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made*, which focuses on clarifying and improving the scope and the accounting guidance for contributions received and contributions made. The amendments in this update is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 will be effective for fiscal years beginning after December 15, 2019, and early adopted is permitted as of the standard's issuance date. The adoption of the provisions of ASU 2018-08 is not expected to have a material impact on the financial statements.

2. PROGRAM AND SUPPORTING SERVICES

The costs of providing the various programs and other activities are summarized on the accompanying statements of functional expenses. The following are some of the programs included in the accompanying financial statements:

- **Special Programs and Projects** address the Angel Lane Community Center that is currently used to service 65 families who were affected by Hurricane Katrina by supporting and assisting with self-sufficiency and stability.

- The primary goal of the **Education and Youth Services Program** is to engender the desire of individuals and families to seek the skills that empower them and their community to possess the knowledge, attitude, and values to thrive in by focusing on the areas of: quality education, emotional stability, and social success. This goal is best achieved through advocacy and direct service delivery.

  Direct educational service deliveries include:

  - Project Ready Youth Leadership – National Urban League Incentives to Excel and Succeed (NULITES): College and Career readiness programs for 15 to 18 year olds.
  - Project Ready Youth Leadership – Managing Individual Development Leading into Transitional Education Skills (MIDLITES): College readiness programs for 11- 14 year olds.
  - Project Ready Early Literacy Development – Gaining Early Needed Literacy Information to Excel & Succeed (GENLITES): Focuses on early literacy development for children from conception to 10 year olds.
  - Family & Community Engagement.

- Youth Mentoring.
- Youth Boys Summer Camp.

Employment and training services are provided through the **Workforce Development and Training Program** and the purpose is to help individuals become marketable, teach clients effective techniques for job searches, presentation management, interview protocol, instruct in the application process, and address employment retention with the goal of family self-sufficiency.

Direct workforce development and training service deliveries include:

- Employment Orientation (Basic Skills Training).
- Job Club (Soft Skills Training).
- Life Skills Training.
- Financial Coaching.
- Personal/Professional Development.
- Job Training and Placement Assistance.
- Occupational Skills Training: National Center for Construction Education and Research (NCCER) Core Curriculum.
- Occupational Skills Training: Apprenticeship.

➢ The primary goal of the **Housing and Community Services Program** is to provide safe, decent and affordable housing in the community. To accomplish this goal, the following services are provided to individuals and families in the community:

- First time homebuyer workshops.
- Financial Coaching.
- Pre-purchase counseling.
- Financial education: credit enhancement program.
- Mortgage default and foreclosure prevention counseling.
- Fair Housing Center Education and Outreach program.
- Veteran Housing/Homeless Support program.
- Disaster Housing Counseling and Case Management.

➢ The **Economic Development Program** primary goals are to a) encourage entrepreneurial ventures to achieve economic independence through education and gainful employment; b) provide opportunities for disadvantaged small business owners to network with successful small business owners in the community; c) provide access to capital and procurement opportunities; d) provide ongoing community support and business mentorship; and e) build self-confidence while offering solutions to problems.

- The **Health Initiatives Program** aims to increase access to quality healthcare, improve chronic disease management and prevention as well as increase access to nutritious foods for under-represented and under-served populations in the greater Houston area through: a) education; b) awareness and advocacy; c) health insurance enrollment; d) faith-based partnerships; and e) community engagement.

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 formal deposit policy, it maintains demand deposits at federally insured banks and strives to spread its deposits with several banks to minimize exposure to custodial credit risk. Balances in interest bearing accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank.

The total cash and cash equivalents, including certificates of deposit, maintained by the Organization in those banks as of December 31, 2019 and 2018 were $491,787 and $579,580, respectively, which exceeded the FDIC insured amounts by $8,904 and $310,705, respectively, and was not otherwise insured. Management believes that such credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held.

The credit risk associated with grant or other receivables is limited due to the credit worthiness of the federal, state, and local funding agencies.

4. FAIR VALUE MEASUREMENTS

U.S. GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

Certain financial assets of the Organization are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Pricing inputs include significant inputs that are generally less observable or from unobservable sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial instruments measured at fair value on a recurring basis at December 31, 2019 are as follows:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	-	$ 258,904	-	$ 258,904

Financial instruments measured at fair value on a recurring basis at December 31, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	-	$ 253,207	-	$ 253,207

The Organization's remaining financial instruments consist of cash, receivables and accounts payables. Management believes the carrying amounts of these financial instruments approximate their fair value. Valuation techniques utilized to determine fair value are consistently applied.

5. LINE OF CREDIT

The Organization maintained a line of credit with a local bank for $250,000 bearing interest at a fixed rate of 2.60%. The Organization's outstanding balance on this line of credit was $80,000 and $0, respectively, as of December 31, 2019 and 2018. The line of credit facility expired in December 2019 and was renewed for an additional year at a fixed rate of 4.25%.

6. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment, less accumulated depreciation and amortization, as of December 31, 2019 and 2018:

	2019	2018
Land	$ 569,195	$ 569,195
Leasehold Improvements	15,600	15,600
Buildings	3,858,830	3,858,830
Furniture and fixtures	204,955	204,955
Office equipment	178,141	178,141
Automobile	23,672	23,672
	4,850,393	4,850,393
Less: Accumulated depreciation and amortization	(2,197,728)	(2,087,613)
Property and equipment, net	$ 2,652,665	$ 2,762,780

Depreciation expense charged to operations was $110,115 and $111,649 for the years ended December 31, 2019 and 2018, respectively.

Building costs include $293,808 of renovation costs for the Organization's administrative building in Houston, Texas. The cost of these renovations were facilitated with the proceeds from a Community Development Block Grant that the Organization received from the City of Houston, Texas ("City"), pursuant to a grant agreement in June 2009. Per the terms of this agreement, the Organization is required to use the building as its administrative facility for a minimum period of five years from the date of such agreement and cannot sell the building during this restricted period without the prior written approval from the Director of the City's Housing and Community Development Department. In the case of an authorized sale of this building, proceeds from such sale will be treated as program income. Unauthorized sale of the building will result in a full repayment of amounts expended with grant funds. Additionally, the administration building should be used to benefit the public; at least 51% of whom must be low/moderate income persons.

7. UNEARNED REVENUE

In September 2010, the Organization entered into an agreement with Oprah's Angel Network (OAN), a nonprofit corporation located in Chicago, Illinois, and Houston Habitat for Humanity, a Texas nonprofit corporation, in which the three organizations agreed to commit resources and efforts to develop, build, operate and maintain a community center on a site in "The Village of Glen Iris subdivision," also known as the Angel Lane Community, in Houston, Texas, for the purpose of serving the residents of the Angel Lane Community. OAN granted to the Organization a total of $1,927,000 for the community center, comprised of $61,800 for the acquisition of the designated site, $1,083,909 for development and construction of the building, $542,271 for the operation of the community center for the first five years, and $239,021 for capital improvement, repair and maintenance. Per the agreement, of the sum of $1,083,909 designated for development and construction of the community center, any remaining amounts may be used by the Organization for any reasonable cause associated with the community center. OAN provided the design of the building, identified the specific site and community to be benefited by the project, and may rescind all or part of the grant if the Organization materially defaults or breaches under the agreement. In addition, the Organization does not have a variance right for the grant. The Organization has recorded the unspent balance of the grant as unearned revenue in accordance with the criteria for recording such transactions. Project construction work was completed and the center commenced operations during calendar year 2014. Project expenditures incurred as of December 31, 2019 and 2018 amounted to $88,766 and $79,482, respectively.

The balance outstanding in unearned revenue related to various projects as of December 31, 2019 and 2018 were as follows:

	2019			2018		
	Current	Long-term	Total	Current	Long-term	Total
Angel Lane	$ 102,828	$ 172,406	$ 275,234	$ 92,352	$ 262,948	$ 355,300
Episcopal Health	36,493	-	36,493	-	-	-
Harvey Relief	-	-	-	127,474	-	127,474
Kellogg	-	-	-	198,278	-	198,278
Annenberg	-	-	-	84,007	-	84,007
Other	59,638	-	59,638	28,922	-	28,922
Total	$ 198,959	$ 172,406	$ 371,365	$ 531,033	$ 262,948	$ 793,981

8. RETIREMENT PLAN

The Organization sponsors a 403(b) Thrift Plan (the "Plan") covering all employees who have completed one year of service during any consecutive twelve-month period. In February 2008, the Organization's board of directors approved changes to the Plan effective

April 1, 2008. The Organization amended the Plan to allow an employer matching contribution up to a maximum of 5% of the annual compensation of each participant actively employed at any time during the Plan year. In addition to that, the Organization may also make a discretionary contribution of up to 1% of the annual compensation of each participant actively employed at any time during the plan year. Participants are fully vested in their account balances as soon as they become participants in the Plan. The Organization's contributions to the Plan for the years ended December 31, 2019 and 2018 were $44,194 and $43,601, respectively.

9. NET ASSETS

Net assets without donor restrictions as of December 31, 2019 and 2018 amounted to $2,729,692 and $2,881,559, respectively, which are available to support the programs and activities of the Organization.

Net assets with donor restrictions are related to funds received from certain sources to support the Organization's program. Net assets with donor restrictions as of December 31, 2019 and 2018 were as follows:

	2019	2018
Technology	$ 71,763	$ 146,762
Special Community Projects	137,729	97,006
Project Ready	-	17,060
Family Literacy	-	7,248
Workforce Development and Training	8,423	62,914
Financial Literacy	86,053	63,553
First Time Homebuyers	-	796
Economic Development	183,250	138,400
Education	37,560	21,598
Temp Restrictions	$ 524,778	$ 555,337

10. LEASE TRANSACTIONS

The Organization has entered into various non-cancellable operating lease agreements covering office space and office equipment which expire at different times through calendar year 2027. The minimum future lease payments under all non-cancelable operating leases at December 31, 2019 is as follows:

Year ending December 31,	Amount
2020	$ 199,260
2021	200,451
2022	205,265
2023	203,034
2024	193,364
Thereafter	500,178
	$ 1,501,552

Lease rental expense for the years December 31, 2019 and 2018 was $230,310 and $223,637, respectively.

11. CONTINGENCIES

The Organization receives grants from federal, state and local sources that are governed by various statues and regulations and are subject to review and audit by the funding agencies. The Organization's management believes that the results of such audits will not have a material effect on the financial statements.

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follow:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 20,147	$ 505,083
Cash and cash equivalents, restricted	198,959	458,912
Certificate of deposit	258,904	253,207
Pledges receivable	141,477	104,237
Grants receivable	292,217	212,820
Other receivables	81,966	65,455
Total financial assets	993,670	1,599,714
Less those unavailable for general expenditures within one year, due to:		
Restricted cash for Angel Lane Project	(172,406)	(262,948)
Financial assets available to meet general expenditures over the next twelve months	$ 821,264	$ 1,336,766

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's investment objectives are the preservation and protection of the Organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments. To help manage unanticipated liquidity needs, the Organization has established a line of credit in the amount of $250,000 which it could draw upon.

13. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak (COVID-19) as a pandemic, triggering significant negative impact on the global economy. Management assessed the effect of COVID-19 and has determined that the effect of COVID-19 is not expected to be significant, and that it will not create a substantial doubt about the Organization's ability to continue as a going concern. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

On April 9, 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of $283,152 to primarily finance payroll expenses.

Management has evaluated subsequent events through August 26, 2020, the date the 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.