Center for Houston's Future, Inc.

Financial Statements
and Independent Auditor's Report
December 31, 2022 and 2021

Center for Houston's Future, Inc.

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FORVIS

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Independent Auditor's Report

Board of Directors
Center for Houston's Future, Inc.
Houston, Texas

Opinion

We have audited the financial statements of Center for Houston's Future, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, 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 Center for Houston's Future Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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 Center for Houston's Future, Inc. 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, that raise substantial doubt about Center for Houston's Future Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

- 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 Center for Houston's Future 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 Center for Houston's Future 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.

FORVIS, LLP

Houston, Texas
July 25, 2023

Center for Houston's Future, Inc.

Statements of Financial Position
December 31, 2022 and 2021

ASSETS	2022	2021
Cash	$ 550,263	$ 474,787
Prepaid expenses and other assets	41,554	42,205
Pledges receivable *(Note 4)*	12,949	33,415
Property, net *(Note 5)*	937	583
TOTAL ASSETS	$ 605,703	$ 550,990

LIABILITIES AND NET ASSETS	2022	2021
Liabilities:		
Accounts payable and accrued expenses	$ 135,091	$ 65,083
Deferred revenue	47,500	59,500
Payable to Greater Houston Partnership *(Note 3)*	126,706	153,545
Total liabilities	309,297	278,128
Net assets:		
Without donor restrictions	94,022	124,399
With donor restrictions *(Note 6)*	202,384	148,463
Total net assets	296,406	272,862
TOTAL LIABILITIES AND NET ASSETS	$ 605,703	$ 550,990

See accompanying notes to financial statements.

Center for Houston's Future, Inc.

Statements of Activities and Changes in Net Assets
Years ended December 31, 2022 and 2021

	2022			2021		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:						
Contributions of cash	$ 134,547	$ 963,500	$ 1,098,047	$ 466,400	$ 529,000	$ 995,400
Contributions of nonfinancial assets *(Note 7)*	138,368	-	138,368	137,743	-	137,743
Events	283,941	-	283,941	75,385	-	75,385
Direct donor benefit costs	(45,627)	-	(45,627)	-	-	-
Tuition	209,600	-	209,600	220,582	-	220,582
Other	-	-	-	415	-	415
Total revenue	720,829	963,500	1,684,329	900,525	529,000	1,429,525
Net assets released from restrictions:						
Program expenditures	909,579	(909,579)	-	404,301	(404,301)	-
Time restrictions	-	-	-	15,000	(15,000)	-
Total	1,630,408	53,921	1,684,329	1,319,826	109,699	1,429,525
EXPENSES:						
Program services	1,195,211	-	1,195,211	869,914	-	869,914
Management and general	290,214	-	290,214	262,494	-	262,494
Fundraising	175,360	-	175,360	124,682	-	124,682
Total expenses	1,660,785	-	1,660,785	1,257,090	-	1,257,090
CHANGES IN NET ASSETS (DEFICIT)	(30,377)	53,921	23,544	62,736	109,699	172,435
Net assets, beginning of year	124,399	148,463	272,862	61,663	38,764	100,427
Net assets, end of year	$ 94,022	$ 202,384	$ 296,406	$ 124,399	$ 148,463	$ 272,862

See accompanying notes to financial statements.

Center for Houston's Future, Inc.

Statements of Functional Expenses
Years ended December 31, 2022 and 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Year Ended December 31, 2022:				
Personnel costs:				
Direct salaries	$ 706,916	$ 138,878	$ 128,936	$ 974,730
General service agreement salaries	7,210	51,500	-	58,710
Employee benefits	83,247	13,641	14,216	111,104
Payroll taxes	50,840	8,331	8,682	67,853
Professional fees	265,720	58,199	210	324,129
Occupancy	61,571	8,307	10,514	80,392
Meals and facilities	7,136	2,028	3,577	12,741
Office supplies, equipment and postage	793	5,542	4,731	11,066
Travel	6,836	-	-	6,836
Printing and publications	2,094	2,074	2,191	6,359
Other	2,848	1,714	2,303	6,865
Total expenses	$ 1,195,211	$ 290,214	$ 175,360	$ 1,660,785

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Year Ended December 31, 2021:				
Personnel costs:				
Direct salaries	$ 579,731	$ 132,002	$ 86,677	$ 798,410
General service agreement salaries	8,806	49,904	-	58,710
Employee benefits	65,189	14,461	9,528	89,178
Payroll taxes	41,389	7,916	6,072	55,377
Professional fees	104,979	30,753	8,563	144,295
Occupancy	61,965	9,221	9,091	80,277
Meals and facilities	2,115	407	-	2,522
Office supplies, equipment and postage	1,085	4,536	4,656	10,277
Travel	351	-	-	351
Printing and publications	3,683	6,349	-	10,032
Other	621	6,945	95	7,661
Total expenses	$ 869,914	$ 262,494	$ 124,682	$ 1,257,090

See accompanying notes to financial statements.

Center for Houston's Future, Inc.

Statements of Cash Flows
Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 23,544	$ 172,435
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	734	1,244
Loan forgiveness	-	(25,000)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	651	(948)
Pledges receivable	20,466	38,628
Accounts payable and accrued expenses	70,008	(25,384)
Deferred revenue	(12,000)	28,000
Payable to Greater Houston Partnership	(26,839)	19,640
Net cash provided by operating activities	76,564	208,615
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	(1,088)	-
Net cash used by investing activities	(1,088)	-
NET CHANGE IN CASH	75,476	208,615
Cash, beginning of year	474,787	266,172
Cash, end of year	$ 550,263	$ 474,787

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Center for Houston's Future, Inc. (the Center) is a Texas nonprofit corporation formed to bring business and community together to innovate for the future of the Houston region through three strategies – broadening business-civic leadership, planning strategically for the region and informing and engaging citizens of the region in long-term issues.

Basis of presentation – The Center's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Federal income tax status – The Center is exempt from income tax under §501(c)(3) of the Internal Revenue Code and is classified as a publicly-supported organization under §509(a)(1) and §170(b)(1)(A)(vi). Accounting principles generally accepted in the United States of America require the Center's management to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the Center has taken a tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Center's management has analyzed the tax positions taken by the Center, and has concluded that as of December 31, 2022 and 2021, there are no tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Cash – At December 31, 2022, the Center had $284,021 in cash, which was not federally insured. The credit risk exposure to the Center is mitigated by the financial strength of the banking institution in which the deposits are held. In monitoring the credit risk, management of the Center periodically evaluates the stability of the financial institution.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional promises to give-that is, those with a measurable performance or other barrier and a right of return – are included in contribution revenue when the conditions are substantially met. Unconditional gifts that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are initially reported at fair value determined using the discounted present value of future cash flows technique.

Tuition – The Center charges tuition to participants in its leadership training forums. Tuition revenue is measured as the amount of consideration the Center expects to receive in exchange for transferring distinct services or benefits to the participants. The Center recognizes revenue when the related performance obligations are satisfied, which occurs as the sessions occur. Tuition collected in advance is recognized as deferred revenue until the student attends the class.

In-kind 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. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Advertising costs - Advertising costs are expensed as incurred.

Functional expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses which are directly associated with a particular program are charged to that program. Expenses that cannot be directly identified with a specific program are charged to the various programs based upon salaries, square footage or other reasonable methods for allocating multiple program expenditures.

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

Employee Retention Credit - The *Coronavirus Aid, Relief, and Economic Security Act (CARES)*, and subsequent legislation, provides a refundable employee retention tax credit (ERC) to eligible employers who meet either a gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Center has elected to account for these employee retention credits in accordance with Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*. The Center has determined it qualifies for the tax credit and has claimed ERCs of $0 and $82,756, respectively, during the years ended December 31, 2022 and 2021.

The following financial statement line items were affected by these transactions:

- The Statements of Financial Position include $37,021 as an account receivable, which is included in prepaid expenses and other assets, at December 31, 2021, and was subsequently collected in February 2022.
- The Statements of Activities and Changes in Net Assets include $82,756 as Contributions Without Donor Restrictions for the year ended December 31, 2021.

Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Center's claim to the employee retention credit, and it is not possible to determine the impact this would have on the Center.

Paycheck Protection Program Loan -The Center received Paycheck Protection Program (PPP) loans established by the CARES Act during the year ended December 31, 2021. The Center has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalency and salary reduction requirements and incurring eligible expenditures. The Center met the conditions for the loan, applied for forgiveness of the loan, and was notified of forgiveness on July 30, 2021 for the loan made in 2021. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The Statements of Activities and Changes in Net Assets includes $115,139 as Contributions Without Donor Restrictions for the year ended December 31, 2021.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of December 31, 2022 and 2021 are as follows:

	2022	2021
Cash	$ 550,263	$ 465,824
Prepaid expenses and other assets	38,684	41,252
Pledges receivable to be collected within one year	12,949	33,415
Financial assets available to meet general Expenditures within one year	$ 601,896	$ 540,491

The Center relies on annual fundraising events and corporate and philanthropic grant donations in addition to direct program content sponsorships to provide support for ongoing operations. This support enables the Center to meet its obligations as they become due. A line of credit with a financial institution (Note 9) is available to provide cash for short-term liquidity needs. The Center receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2022 and 2021, restricted contributions of $352,384 and $139,500, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Center manages its liquidity with the following guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and building sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 3 – RELATED PARTY TRANSACTIONS

In 2005, the Center and Greater Houston Partnership (the Partnership), an affiliate of the Center, entered into a Memorandum of Understanding (the MOU) that outlines the entities' mutual operations. In November 2016, the Partnership and the Center signed a new MOU that re-aligns the two organizations for closer collaboration to affect their missions. Among other things, the new MOU provides for the Center to continue as a separate legal entity, with an independent board of directors, less than 50% of which will be appointed by the Partnership. The Partnership will provide office facilities and core office support to the Center through 2018 at no charge, and thereafter as agreed. The agreement may be terminated by (i) mutual consent by majority vote of both boards or (ii) by either party for convenience at any time after January 1, 2020 and a 90-180 day work out period. Following an event of termination, the operating agreement remains in effect for the next twelve months.

The value of the rent and services provided by the Partnership under the new MOU is reflected as in-kind contribution and amounts to $138,368 and $137,743 for the years ended December 31, 2022 and 2021, respectively. The Partnership also processes payroll and other direct expenses on behalf of the Center as incurred during the month, which are repaid in arrears. The amounts owed to the Partnership for these expenses amounted to $126,706 and $153,545 at December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Partnership granted $150,000 and $100,000 to the Center, respectively. Approximately $132,200 and $177,500 were contributed to the Center by other board members for the years ended December 31, 2022 and 2021, respectively.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2022 are expected to be collected within one year. At December 31, 2021 pledges receivable from one donor represents 75% of total pledges receivable. There was no significant pledges receivable concentration in 2022. Approximately, 43% of contributions were from five contributors and 64% of contributions were from seven contributors for the years ended December 31, 2022 and 2021, respectively.

NOTE 5 – PROPERTY

Property consists of the following at December 31:

	2022	2021
Equipment	$ 14,953	$ 13,865
Accumulated depreciation	(14,016)	(13,282)
Total property, net	$ 937	$ 583

NOTE 6 –NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
Nursing faculty	$ -	$ 8,963
Energy	202,384	99,500
Healthcare	-	40,000
Total net assets with donor restrictions	$ 202,384	$ 148,463

NOTE 7 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Center received the following donated services which were recognized as both revenue and expenses in the accompanying financial statements:

	2022	2021
Rent	$ 79,658	$ 79,033
Backoffice support	58,710	58,710
Total in-kind contributions	$ 138,368	$ 137,743

In-kind rent is valued based on the rent and operating costs paid by the Partnership applied to square footage occupied by the Center. Backoffice support is recorded at the fair market value of support services outlined in MOU with the Partnership.

NOTE 8 – RETIREMENT PLAN

On January 1, 2014, the Center became a covered entity under the Insperity Retirement Services 401(k) Plan (Insperity Plan). Substantially all employees are covered by the Insperity Plan. The Center makes a contribution to the Plan on behalf of each participant that is computed as a percentage of the participant's salary. Participants who choose to contribute to the Plan also receive a partial match of their contributions. On August 1, 2020, The Center amended its 401(k) Plan document eliminating the Safe Harbor contribution provisions and providing for annual discretionary match of employee contributions. No discretionary match was made in 2020. On April 24, 2021, the Center again amended its 401(k) Plan document to reinstate the partial match and non-elective contributions retroactive to January 1, 2021. The Center's contribution to the Plan was approximately $32,135 and $21,679 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 – NOTES PAYABLE

The Center entered into a line of credit agreement dated November 15, 2011 in the amount of $200,000 with a bank that had been renewed and extended through February 10, 2017.

On February 10, 2017, the line of credit was renewed at the reduced amount of $140,000 with a maturity date of August 10, 2017. Additionally, the line of credit was secured by collateral pledges or limited personal guarantees from three Center board members in the aggregated amount of $100,000. The limited personal guarantee of $20,000 was released by the bank during the year ended December 31, 2021. Remaining terms of the line of credit remain unchanged. The line of credit was renewed and extended on substantially the same terms through August 10, 2023. Outstanding amounts under the line would bear interest at the prime rate plus .5% (8.00% at December 31, 2022 and 3.75% at December 31, 2021). There were no advances from the line of credit for the years ended December 31, 2022 and 2021.

The Center entered into an unsecured non-interest bearing note payable agreement with a foundation controlled by a board member on June 20, 2018, in the amount of $75,000. The note was due in three equal annual installments of $25,000 beginning June 1, 2019, and matured on June 1, 2021.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.