

LINK HOUSTON
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
DECEMBER 31, 2022

LINK HOUSTON
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INDEPENDENT AUDITORS' REPORT

Board of Directors
LINK Houston
Houston, Texas

Opinion

We have audited the financial statements of LINK Houston which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 LINK Houston as of December 31, 2022, and the results of its operations, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LINK Houston 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.

Responsibilities of Management 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, 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 LINK Houston's ability to continue as a going concern within one year after the date that the 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 of 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.

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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 LINK Houston'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 LINK Houston'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.

A handwritten signature in blue ink that reads "Pittford Samuels, PE". The signature is written in a cursive style.

June 13, 2023
Houston, Texas

LINK HOUSTON
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current Assets

Cash	\$ 2,352,456
Grants Receivable - Due in One Year	463,370
Prepaid Expenses	<u>5,258</u>
Total Current Assets	2,821,084

Other Assets

Grants Receivable - Due after One Year	448,930
Equipment and Furniture, Less Accumulated Depreciation of \$9,139	8,412
Right of Use Asset, Less Accumulated Amortization of \$3,945	47,338
Deposits	<u>10,750</u>

Total Assets **\$ 3,336,514**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Salaries	\$ 42,527
Capital Operating Lease Obligation - Due in One Year	<u>21,661</u>
Total Current Liabilities	64,188

Other Liabilities

Capital Operating Lease Obligation - Due After One Year	<u>25,324</u>
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Total Liabilities **89,512**

NET ASSETS

Net Assets Without Donor Restrictions	2,309,202
Net Assets With Donor Restrictions	<u>937,800</u>
Total Net assets	<u>3,247,002</u>

Total Liabilities and Net Assets **\$ 3,336,514**

LINK HOUSTON
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and support	\$ 620,155	\$ 1,043,800	\$ 1,663,955
Other revenue	<u>487</u>	<u>-</u>	<u>487</u>
Total revenue	620,642	1,043,800	1,664,442
Net assets released from restrictions			
Restrictions satisfied	<u>345,316</u>	<u>(345,316)</u>	<u>-</u>
Total support and revenue	<u>965,958</u>	<u>698,484</u>	<u>1,664,442</u>
EXPENSES			
Program expenses			
Increase Transportation Access to Housing	34,240	-	34,240
Ensure Inclusive Mobility	262,443	-	262,443
Keep Communities United	159,375	-	159,375
Administrative expenses	102,716	-	102,716
Fundraising expenses	<u>79,401</u>	<u>-</u>	<u>79,401</u>
Total expenses	<u>638,175</u>	<u>-</u>	<u>638,175</u>
INCREASE IN NET ASSETS	<u>327,783</u>	<u>698,484</u>	<u>1,026,267</u>
NET ASSETS			
BEGINNING OF YEAR	<u>1,981,419</u>	<u>239,316</u>	<u>2,220,735</u>
END OF YEAR	<u>\$ 2,309,202</u>	<u>\$ 937,800</u>	<u>\$ 3,247,002</u>

See accompanying notes.

**LINK HOUSTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Increase (Decrease) In Cash

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,026,267
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	3,171
Amortization	3,945
(Increase)/Decrease in	
Grants Receivable	(696,317)
Prepaid Expenses	11,292
Deposits	(6,895)
Increase/(Decrease) in	
Accounts Payable and Accrued Salaries	16,837
Capital Operating Lease Obligation	<u>(4,298)</u>
Net Cash Provided by Operating Activities	<u>354,002</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Equipment and Furniture	<u>(4,061)</u>
Net Cash Used by Investing Activities	<u>(4,061)</u>

Net Increase in Cash	349,941
Cash, Beginning of Year	<u>2,002,515</u>
Cash, End of Year	<u>\$ 2,352,456</u>

**LINK HOUSTON
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Programs</u>						
	<u>Increase Transportation Access to Housing</u>	<u>Ensure Inclusive Mobility</u>	<u>Keep Communities United</u>	<u>Total</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & Wages	\$ 27,825	\$ 207,999	\$ 128,557	\$ 364,381	\$ 55,716	\$ 60,503	\$ 480,600
Payroll Taxes & Fringe Benefits	3,675	27,468	16,977	48,120	7,358	7,992	63,470
Professional Fees	123	7,413	1,751	9,287	34,402	-	43,689
Operating & Maintenance	1,128	8,430	5,210	14,768	2,258	7,666	24,692
Rent	740	5,532	3,419	9,691	1,482	1,610	12,783
Travel & Conferences	309	2,311	1,428	4,048	619	673	5,340
Depreciation & Amortization	410	3,082	1,907	5,399	827	890	7,116
Interest	<u>30</u>	<u>208</u>	<u>126</u>	<u>364</u>	<u>54</u>	<u>67</u>	<u>485</u>
Total	<u>\$ 34,240</u>	<u>\$ 262,443</u>	<u>\$ 159,375</u>	<u>\$ 456,058</u>	<u>\$ 102,716</u>	<u>\$ 79,401</u>	<u>\$ 638,175</u>

See accompanying notes.

LINK HOUSTON
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND OPERATIONS

LINK Houston (LINK) is a Texas non-profit organization that was organized in March 2017. Its mission is to ensure a diverse and robust transportation network for all people to connect to opportunity. LINK provides education and advocacy services in the greater Houston region related to its mission.

LINK's programs are presently pursuing three primary focus areas to address mobility equity as follows:

Increase Transportation Access to Housing - Through community engagement and data analysis, LINK advocates for high-quality, affordable, environmentally friendly transportation infrastructure – sidewalks, bikeways, and transit services – being within reach of the region's affordable housing. Many residents in Houston face a decreasing supply of affordable housing, increasing rents, and an eviction crisis. In order to address affordability for Houstonians, LINK advocates for decision-makers to consider housing and transportation costs together as they work on improving affordability and developing new housing.

Ensure Inclusive Mobility - LINK aims to improve the quantity and quality of mobility options, especially in communities of color where transportation infrastructure and service investments have lagged for decades. The organization continues to update and release the Equity in Transit reports to measure progress, provide data and lived experiences to community members to hold decision-makers accountable to the promises they make. LINK advocates for improvement to high-frequency transit in areas with high demand for affordable transportation; lives saved among people walking and biking; and affordable, zero-to-low carbon emissions mobility options, especially for communities of color.

Keep Communities United - LINK continues to partner with residents and non-profit organizations to advocate for mitigation in the proposed North Houston Highway Improvement Project. The organization co-filed a Title VI Civil Rights Complaint against the Texas Department of Transportation, resulting in a pause of the highway expansion. Additionally, LINK continues to train community leaders to impact decision-making systems influencing long-term transportation planning and funding in the region to ensure investments in transportation infrastructure transform projects that maintain communities and provide access to important destinations and opportunity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. LINK follows the guidance in Accounting Standards for Not-For-Profit Entities. Accordingly, LINK is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Cash - Cash consists of all cash or cash equivalents at financial institutions with maturities of three months or less.

Grants Receivable - Grants that are expected to be collected in more than one year have been discounted to reduce the expected cash flow to present value.

Equipment and Furniture - Equipment and furniture and equipment are recorded at cost. Additions costing over \$500 are capitalized. Repairs are expensed. Depreciation is recorded on the straight-line over the estimated useful life of the asset for five years.

Impairment of Long-Lived Assets - The authoritative guidance requires that long-lived assets and certain identifiable intangibles held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The guidance has not materially affected LINK's reported financial position, activities or cash flows.

Contributions - Contributions in the form of cash and services are recorded as support in the period received and valued at fair market value at the date of donation. Conditional promises to give are not recognized until the condition on which it depends have been met. Services are performed for LINK by its board of directors who receive no compensation for their efforts. The value of their donated services is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for accounting recognition.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated. The most critical estimates are the functional allocation of expenses.

LINK HOUSTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements - The financial statements are presented under the authoritative guidance regarding Fair Value Measurements. The guidance establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurement. LINK did not elect the fair value option for measurement of any eligible assets or liabilities. LINK's financial instruments (primarily cash, receivables and payable) are carried in the accompanying statement of financial position at amounts which reasonably approximate fair value.

Allocation of Expenses - Expenditures incurred have been summarized on a functional basis and by natural categories in the Statement of Functional Expenses based on management's estimates.

Federal Income Tax - LINK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that normally receives a substantial part of its support from a government unit or from the general public as described in Section 170(b)(1)(A)(vi) and is other than a private foundation. Therefore, no provision for federal income tax has been included in these financial statements.

Adoption of Recent Accounting Pronouncement - LINK adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* on January 1, 2022. Topic 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position for leases with terms of more than 12 months. See Note 7 for additional information.

Date of Management Review - Subsequent events have been evaluated through June 13, 2023 which is the date the financial statements were available to be issued. Based on this evaluation, no adjustments are required to the financial statements.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of the following at December 31, 2022:

Grants	\$ 980,500
Discount	(68,200)
Net amount	<u>\$ 912,300</u>

Grants receivable are expected to be collected as follows:

	Amount Due	Discount	Net
2023	\$ 480,500	\$ (17,130)	\$ 463,370
2024	400,000	(36,772)	363,228
2025	<u>100,000</u>	<u>(14,298)</u>	<u>85,702</u>
Total	<u>\$ 980,500</u>	<u>\$ (68,200)</u>	<u>\$ 912,300</u>

NOTE 4 - EQUIPMENT AND FURNITURE

A summary of equipment and furniture at December 31, 2022 is as follows:

	Cost	Accumulated Depreciation	Net
Equipment	\$ 16,577	\$ (8,311)	\$ 8,266
Furniture	<u>974</u>	<u>(828)</u>	<u>146</u>
	<u>\$ 17,551</u>	<u>\$ (9,139)</u>	<u>\$ 8,412</u>

LINK HOUSTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CONTRIBUTIONS

Contributions recognized for the year ended December 31, 2022 are as follows:

Foundations and corporations	\$ 1,619,008
Board of directors	8,838
Others	<u>36,109</u>
	<u>\$ 1,663,955</u>

NOTE 6 - DEFERRED COMPENSATION PLAN

LINK established a Savings Incentive Match Plan for Employees or SIMPLE IRA which covers all eligible employees. For the year ending December 31, 2022, LINK contributed \$9,612 to the plan.

NOTE 7 - CAPITAL OPERATING LEASE

As previously stated, LINK adopted Topic 842 which pertains to leasing agreements with terms over 12 months. LINK leases office facilities under an operating lease with an initial term of 25 months. The agreement provides for minimum lease payments and variable payments based on a proportionate share of facility operating expenses as defined in the agreement. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease asset and liability. The lease agreement does not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the statement of financial position which includes amounts for capital operating leases at December 31, 2022:

Capital leases included as right of use asset, net of accumulated amortization of \$3,945	<u>\$ 47,338</u>
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The maturities of capital operating lease liabilities for the right of use asset at December 31, 2022 are as follows:

2023	\$ 21,661
2024	<u>25,324</u>
	<u>\$ 46,985</u>

The components of capital operating lease expense that are included in the statement of functional expenses for the year ended December 31, 2022 follows:

Amortization of right of use asset	<u>\$ 3,945</u>
Interest expense on capital operating lease obligation	<u>\$ 485</u>

The following summarizes the cash flow information related to capital operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of capital operating lease liabilities	<u>\$ 4,298</u>
Lease asset obtained in exchange for lease liability	<u>\$ 51,283</u>

Weighted average remaining lease term and discount rate as of December 31, 2022 are 22 months and 5.8%, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - PROFESSIONAL FEES

During the year ended December 31, 2022, LINK incurred \$20,000 in costs to contract professional search firm Koya Partners to hire a new executive director. These costs are included in professional fees in the administrative category in the statement of functional expenses.

NOTE 9 - INCOME TAX UNCERTAINTIES

LINK is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to Federal income taxes. LINK has reviewed its filing positions. LINK did not have any unrecognized tax positions that do not meet the more likely than not criterion. Accordingly, there was no effect on LINK's financial condition or results of operations for the period ended December 31, 2022.

NOTE 10 - CREDIT RISK CONCENTRATION

LINK maintains a cash balance at a financial institution. The account at the financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2022, its deposits at the bank exceeded the FDIC limits by approximately \$1,850,000. Management believes any credit risk is low due to the financial strength of the financial institution.

NOTE 11 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATION

LINK operates in Houston, Texas. Future operations could be affected by changes in economic and other conditions in that geographical area or the demand for its services.

As of and for the year ended December 31, 2022 one entity provided 77% of LINK's contributions and accounted for 91% of LINK's receivables.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects LINK's financial assets as of December 31, 2022, reduced by amounts not available for general use because of designations or certain restrictions within one year of the statement of financial position date.

Financial assets at December 31, 2022	\$	3,264,756
Less those unavailable for general expenditure within one year		
Designated by the Board		1,305,000
Donations restricted by time		907,008
Donations restricted by purpose		25,500
Donations restricted by time and purpose		<u>5,292</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>1,021,956</u></u>

LINK has \$1,021,956 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. LINK manages liquidity needed for operations primarily through budgets of monthly cash inflows and outflows. Cash outflows are planned accordingly so as to not exceed expected inflows.

NOTE 13 - RISKS AND UNCERTAINTIES

The geopolitical situation in Eastern Europe has affected the U.S. economy and led to a steep rise in inflation. There is still some uncertainty as to how this issue will impact the economy in future periods. LINK has robust management systems in place to both oversee the well-being of their stakeholders and react quickly to new economic conditions, however management cannot determine the short-term or long-term effect on operations.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 - SUBSEQUENT EVENTS

LINK has evaluated subsequent events through June 13, 2023, the date which the financial statements were available for issue. Based on the evaluation, no adjustments or additional disclosures were required by the accompanying financial statements.