THE WORKFAITH CONNECTION

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The WorkFaith Connection
Houston, Texas

We have audited the accompanying financial statements of The WorkFaith Connection (a Texas not-for-profit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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 WorkFaith Connection as of December 31, 2017 and 2016, 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.

Harper & Pearson Company, P.C.

Houston, Texas
June 26, 2018

One Riverway · Suite 1900 · Houston, Texas 77056-1973 · 713.622.2310 · 713.622.5613 fax
harperpearson.com

	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,088,414	$ 679,383
Pledges receivable	337,793	223,193
Other receivables	132,911	71,020
Prepaid expenses	19,668	16,641
Property and equipment, net	174,949	67,404
TOTAL ASSETS	$ 1,753,735	$ 1,057,641
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 34,205	$ 29,924
Compensation liability	25,227	18,874
TOTAL LIABILITIES	59,432	48,798
NET ASSETS		
Unrestricted	1,032,332	763,181
Temporarily restricted	661,971	245,662
TOTAL NET ASSETS	1,694,303	1,008,843
TOTAL LIABILITIES AND NET ASSETS	$ 1,753,735	$ 1,057,641

THE WORKFAITH CONNECTION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Support and Other Revenues						
Contributions	$ 2,896,909	$ 864,100	$ 3,761,009	$ 2,624,509	$ 223,162	$ 2,847,671
Contributions - In-kind	146,863	-	146,863	68,202	-	68,202
Interest income	2,000	-	2,000	2,500	-	2,500
Other income	6,233	-	6,233	5,068	-	5,068
Net assets released from restrictions	447,791	(447,791)	-	210,408	(210,408)	-
Total Support and Other Revenues	3,499,796	416,309	3,916,105	2,910,687	12,754	2,923,441
Expenses						
Program	2,477,710	-	2,477,710	2,100,132	-	2,100,132
Fundraising	396,120	-	396,120	432,575	-	432,575
General and administrative	356,815	-	356,815	304,839	-	304,839
Total Expenses	3,230,645	-	3,230,645	2,837,546	-	2,837,546
Change in Net Assets	269,151	416,309	685,460	73,141	12,754	85,895
Net Assets, Beginning of Year	763,181	245,662	1,008,843	690,040	232,908	922,948
Net Assets, End of Year	$ 1,032,332	$ 661,971	$ 1,694,303	$ 763,181	$ 245,662	$ 1,008,843

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
Salaries and related expenses	$ 1,976,114	$ 211,455	$ 280,130	$ 2,467,699	$ 1,681,144	$ 226,676	$ 233,134	$ 2,140,954
Professional development	13,786	1,306	1,192	16,284	8,438	930	715	10,083
Supplies	44,346	4,696	4,201	53,243	39,497	4,517	4,036	48,050
Printing and postage	46,670	4,559	4,138	55,367	39,895	4,422	3,481	47,798
Graduate support	26,834	247	225	27,306	22,357	262	197	22,816
Insurance	8,941	947	847	10,735	8,091	925	827	9,843
Marketing	47,134	4,107	2,593	53,834	33,327	2,033	1,525	36,885
Meetings and events	27,553	119,734	2,374	149,661	29,381	130,732	2,416	162,529
Travel	7,995	754	689	9,438	5,512	604	453	6,569
Professional and contract services	38,781	23,479	38,126	100,386	36,498	39,217	38,688	114,403
Occupancy	167,034	17,688	15,824	200,546	148,302	16,959	15,155	180,416
Telephone and utilities	20,400	1,924	1,757	24,081	19,275	2,114	1,585	22,974
Software and electronic equipment	25,533	2,408	2,200	30,141	13,884	1,522	1,142	16,548
Depreciation	26,589	2,816	2,519	31,924	14,531	1,662	1,485	17,678
Total	$ 2,477,710	$ 396,120	$ 356,815	$ 3,230,645	$ 2,100,132	$ 432,575	$ 304,839	$ 2,837,546

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 685,460	$ 85,895
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	31,924	17,678
Change in operating assets and liabilities:		
Pledges receivable	(114,600)	(12,754)
Other receivables	(61,891)	8,621
Prepaid expenses	(3,027)	480
Accounts payable and accrued expenses	4,281	(8,176)
Compensation liability	6,353	563
Total adjustments	(136,960)	6,412
Net cash provided by operating activities	548,500	92,307
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(139,469)	(39,157)
Net cash used by investing activities	(139,469)	(39,157)
NET INCREASE IN CASH AND CASH EQUIVALENTS	409,031	53,150
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	679,383	626,233
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,088,414	$ 679,383

See accompanying notes.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The WorkFaith Connection (WorkFaith) was organized on February 14, 2006 as a Texas not-for-profit corporation for the purpose of assisting men and women find and keep full-time employment.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk - Financial instruments which subject WorkFaith to concentrations of credit risk consist principally of cash and pledges and other receivables. WorkFaith places its cash with high credit quality financial institutions. Deposits with financial institutions at year-end and various times during the year exceeded the amount of federal deposit insurance provided on such deposits (approximately $838,000 at December 31, 2017); however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. In monitoring this credit risk, WorkFaith periodically evaluates the stability of the financial institutions.

No collateral or other security is required to support pledges and other receivables. An allowance for doubtful accounts is established as needed based upon factors surrounding the credit risk of specific donors and debtors, historical trends and other information. Management estimates that all receivables are collectible, thus no allowance for uncollectible amounts has been recorded. For the years ended December 31, 2017 and 2016, five donors accounted for 34% and 31% of total contributions, respectively, and the United Way of Greater Houston accounted for 10% and 15% of total contributions, respectively.

Cash and Cash Equivalents - Cash and cash equivalents generally consist of demand deposits.

Property and Equipment - Property and equipment are stated at cost when purchased or estimated fair market value at the date of donation. Additions greater than $1,000 individually, or $3,000 as a lot, are capitalized and depreciated using the straight-line method over the following estimated useful lives of the assets.

Electronic equipment	3 - 7 years
Furniture and fixtures	5 - 7 years
Leasehold improvements	Life of the lease
Software	3 - 5 years
Vehicles	3 - 5 years

Maintenance and repairs are expensed as incurred. When property and equipment is retired or otherwise disposed of, the cost thereof and the applicable accumulated depreciation is removed from the respective accounts and the resulting gain or loss is reflected in earnings.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets - Temporarily restricted net assets are restricted for the expansion of WorkFaith, technology upgrades, staff development, and for future periods.

Contributions - Contributions are recorded when received or upon an unconditional promise to give from the donor. All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and an increase to the respective net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, WorkFaith reports the support as unrestricted.

In-Kind Contributions - Contributions of non-cash assets are recorded at fair value in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

In addition, WorkFaith uses non-professional volunteers to administer many areas of the job-readiness program. While these volunteer hours do not qualify to be recorded as in-kind contributions per GAAP, they are significant in that they reduce program related salary costs that would otherwise be required were the volunteers not available.

Functional Expenses - Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, number of staff or other reasonable methods for allocating WorkFaith's multiple functional expenditures.

Income Taxes - WorkFaith is a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, WorkFaith is subject to taxes on unrelated business income. There was no unrelated business income during 2017 and 2016.

WorkFaith believes that all significant tax positions utilized by WorkFaith will more likely than not be sustained upon examination. As of December 31, 2017, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2014 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be included in general and administrative expenses in the statements of activities.

Recent Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "Leases (Topic 842)". Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for WorkFaith for the year beginning January 1, 2020. WorkFaith is currently evaluating the effect the provisions of ASU 2016-02 will have on the financial statements.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In August 2016, the FASB issued ASU No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)". The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU becomes effective for WorkFaith beginning January 1, 2018, and it not expected to significantly impact net assets or changes in net assets.

Subsequent Events - WorkFaith has evaluated subsequent events through June 26, 2018, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment or disclosure to the financial statements at December 31, 2017.

NOTE B RELATED-PARTY TRANSACTIONS

WorkFaith contracts part-time hourly assistance through MEMCO, a staffing company owned and operated by a member of WorkFaith's Board of Directors. Expenses related to the contract labor through MEMCO during 2017 and 2016 amounted to $31,377 and $68,579, respectively. As of December 31, 2017 and 2016, WorkFaith had outstanding accounts payable of $4,063 and $1,722, respectively to MEMCO.

In 2015, WorkFaith entered into an agreement to lease office space from Dacoma Interests, L.L.C., an entity partially owned by a board member, for $10,041 per month through May 31, 2022.

NOTE C PLEDGES RECEIVABLE

The table below sets forth pledges receivable at December 31:

	2017	2016
Receivable in one year or less	$ 307,793	$ 223,193
Receivable in one to five years	30,000	-
	$ 337,793	$ 223,193

Three donors accounted for 99% and one donor accounted for 100% of pledges receivable at December 31, 2017 and 2016, respectively.

NOTE D PROPERTY AND EQUIPMENT

Cost of property and equipment and accumulated depreciation are as follows as of December 31:

	2017	2016
Electronic equipment	$ 35,546	$ 16,720
Furniture and fixtures	134,668	102,680
Leasehold improvements	39,972	19,067
Software	84,529	16,779
Vehicle	3,500	3,500
	298,215	158,746
Less accumulated depreciation	(123,266)	(91,342)
	$ 174,949	$ 67,404

NOTE E LEASES

WorkFaith leases office space from a related party, and equipment under operating leases that expire through April 2022 (See Note B). Net operating lease expense for the years ended December 31, 2017 and 2016 amounted to $227,232 and $206,348, respectively. In conjunction with the office space lease, WorkFaith also pays a portion of the monthly operating expenses.

Future minimum payments by year at December 31, 2017 are as follows:

2018	$ 143,679
2019	142,479
2020	131,639
2021	129,471
2022	59,182
Thereafter	15,708
	$ 622,158

NOTE F IN-KIND CONTRIBUTIONS/EXPENSES

In-Kind Rent

In January 2011, WorkFaith began operations at a second location in the Main Street Ministries (MSM) Building on Travis Street, Houston, Texas. This space, furniture and certain expenses including utilities, housekeeping, security, etc. are provided free to WorkFaith by MSM. WorkFaith determined the fair value of the lease to be $4,500 per month based on the costs they would pay for similar property. Every month, WorkFaith records a $4,500 in-kind donation and offsetting expense. Additionally, per the signed agreement, MSM agreed to give WorkFaith a minimum 6-month notice if they ever needed WorkFaith to vacate. This was treated as a 5-month pledge (with the current month representing the 6^{th} month) and was recorded as temporarily restricted revenue in 2011. This receivable of $22,500 will remain in other receivables and temporarily restricted net assets until the 6-month notice to vacate has been issued, at which point it will be expensed over the remaining 5 months.

In October 2017, WorkFaith began operations at a third location in the Cornerstone Community on Reed Road, Houston, Texas. This space is provided for free to WorkFaith by the Star of Hope Mission (SOH). WorkFaith determined the fair value of the lease to be $5,500 per month based on the costs they would pay for similar property. Every month, WorkFaith records a $5,500 in-kind donation and offsetting expense. Additionally, per the signed agreement, SOH agreed to give WorkFaith a minimum 12-month notice if they ever needed WorkFaith to vacate. This was treated as an 11-month pledge (with the current month representing the 12^{th} month) and was recorded as temporarily restricted revenue in 2017. This receivable of $60,500 will remain in other receivables and temporarily restricted net assets until the 12-month notice to vacate has been issued, at which point it will be expensed over the remaining 11 months.

Other In-Kind Contributions

Other in-kind contributions include furniture, consulting services, medallions, and equipment.

NOTE G RETIREMENT PLAN

Effective January 1, 2007, WorkFaith established a 401(k) plan for all eligible employees. All employees who are age 21 and have 1 year of service are eligible to participate. The plan is a defined contribution plan and the investments are selected by the participants. WorkFaith matches 100% of the first 6% of an eligible member’s pre-tax contribution. Employer and employee contributions vest immediately. For the years ended December 31, 2017 and 2016, WorkFaith contributions to the plan amounted to $35,350 and $27,387, respectively.