THE WORKFAITH CONNECTION

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

CONTENTS

HARPER & PEARSON
COMPANY, P.C. CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The WorkFaith Connection

We have audited the accompanying financial statements of The WorkFaith Connection (a Texas non-profit corporation), which comprise the statements of financial position as of December 31, 2013 and 2012, 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, 2013 and 2012, 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
August 5, 2014

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	2013	2012
ASSETS		
Cash and cash equivalents	$ 19,357	$ 17,874
Pledges receivable	151,693	131,521
Other receivables	50,918	22,500
Property and equipment, net	54,020	67,127
TOTAL ASSETS	$ 275,988	$ 239,022
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 21,283	$ 37,086
Compensation liability	13,290	17,629
TOTAL LIABILITIES	34,573	54,715
NET ASSETS		
Unrestricted	67,253	42,249
Temporarily restricted	174,162	142,058
TOTAL NET ASSETS	241,415	184,307
TOTAL LIABILITIES AND NET ASSETS	$ 275,988	$ 239,022

See accompanying notes.

	Unrestricted	Temporarily Restricted	Total
Support and Other Revenues			
Contributions	$ 1,655,840	$ 151,662	$ 1,807,502
Contributions - In-kind	58,427	-	58,427
Interest income	1,100	-	1,100
Net assets released from restrictions	119,558	(119,558)	-
Total Support and Other Revenues	1,834,925	32,104	1,867,029
Expenses			
Program	1,417,160	-	1,417,160
Fundraising	247,836	-	247,836
General and administrative	144,925	-	144,925
Total Expenses	1,809,921	-	1,809,921
Change in Net Assets	25,004	32,104	57,108
Net Assets, Beginning of Year	42,249	142,058	184,307
Net Assets, End of Year	$ 67,253	$ 174,162	$ 241,415

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support and Other Revenues			
Contributions	$ 1,153,627	$ 119,558	$ 1,273,185
Contributions - In-kind	59,219	-	59,219
Interest income	800	-	800
Net assets released from restrictions	116,662	(116,662)	-
Total Support and Other Revenues	1,330,308	2,896	1,333,204
Expenses			
Program	1,250,763	-	1,250,763
Fundraising	152,968	-	152,968
General and administrative	128,369	-	128,369
Total Expenses	1,532,100	-	1,532,100
Change in Net Assets	(201,792)	2,896	(198,896)
Net Assets, Beginning of Year	244,041	139,162	383,203
Net Assets, End of Year	$ 42,249	$ 142,058	$ 184,307

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program	Fundraising	Management	Total
Salaries and related expenses	$ 1,107,663	$ 158,109	$ 108,805	$ 1,374,577
Professional development	10,174	2,801	2,347	15,322
Supplies	43,385	2,885	1,273	47,543
Printing and postage	25,021	6,547	1,661	33,229
Graduate support	28,234	2,291	1,332	31,857
Insurance	6,982	297	149	7,428
Marketing	11,748	5,881	152	17,781
Meetings and events	-	36,114	35	36,149
Travel	9,221	1,752	669	11,642
Professional and contract services	12,034	22,044	24,582	58,660
Occupancy	127,707	3,136	1,568	132,411
Telephone and utilities	5,679	693	403	6,775
Software and electronic equipment	9,305	3,535	660	13,500
Depreciation	17,329	737	369	18,435
Other	2,678	1,014	920	4,612
Total	$ 1,417,160	$ 247,836	$ 144,925	$ 1,809,921

See accompanying notes.

	Program	**Fundraising**	**Management**	**Total**
Salaries and related expenses	$ 947,113	$ 83,422	$ 97,783	$ 1,128,318
Professional development	19,003	1,265	1,235	21,503
Supplies	37,429	1,589	795	39,813
Printing and postage	24,665	7,938	1,426	34,029
Graduate support	20,532	885	1,147	22,564
Insurance	6,198	264	132	6,594
Marketing	15,502	1,504	388	17,394
Meetings and events	-	26,299	-	26,299
Travel	5,248	355	337	5,940
Professional and contract services	9,788	21,387	20,972	52,147
Occupancy	114,446	2,572	1,287	118,305
Telephone and utilities	11,800	799	758	13,357
Software and electronic equipment	9,145	3,417	588	13,150
Depreciation	29,894	1,272	636	31,802
Other	-	-	885	885
Total	$ 1,250,763	$ 152,968	$ 128,369	$ 1,532,100

See accompanying notes.

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 57,108	$ (198,896)
Adjustments to reconcile change in net assets to net cash provided (used) by operations:		
Depreciation	18,435	31,802
Change in operating assets and liabilities:		
Pledges receivable	(20,172)	56,847
Other receivables	(28,418)	3,759
Accounts payable and accrued expenses	(15,803)	19,204
Compensation liability	(4,339)	2,930
Total adjustments	(50,297)	114,542
Net cash provided (used) by operating activities	6,811	(84,354)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,328)	(53,428)
Net cash used by investing activities	(5,328)	(53,428)
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings on lines of credit	150,000	50,000
Repayments on lines of credit	(150,000)	(50,000)
Net cash provided by financing activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,483	(137,782)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,874	155,656
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,357	$ 17,874

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 Non-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 may exceed the amount of federal deposit insurance provided on such deposits; 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 year ended December 31, 2013, 9% of contributions was received from one individual and 14% was received from The United Way of Greater Houston. At December 31, 2013, 100% of pledges receivable were due from The United Way of Greater Houston. For the year ended December 31, 2012, 17% of contributions were received from two individuals and 15% was received from The United Way of Greater Houston. At December 31, 2012, 91% of pledges receivable were due from The United Way of Greater Houston.

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.

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 their fair values 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 their fair values in the period received.

In addition, WorkFaith uses non-professional volunteers in order 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 2013 and 2012.

WorkFaith believes that all significant tax positions utilized by WorkFaith will more likely than not be sustained upon examination. As of December 31, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2010 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 statement of activities.

Subsequent Events - Workfaith has evaluated subsequent events through August 5, 2014, the date the financial statements were available to be issued. Subsequent to December 31, 2013, WorkFaith purchased a new phone system and entered into a three year service agreement with a total cost of $48,009. No other subsequent events occurred which require adjustment or disclosure to the financial statements at December 31, 2013.

NOTE B RELATED-PARTY TRANSACTIONS

WorkFaith contracts part-time hourly assistance through MEMCO, a staffing company owned and operated by the chairman of WorkFaith's Board of Directors. Expenses related to the contract labor through MEMCO during 2013 and 2012 amounted to $76,868 and $30,978, respectively.

As of December 31, 2013 and 2012, WorkFaith had outstanding accounts payable of $9,667 and $3,871, respectively to MEMCO.

In 2012, WorkFaith entered into a non-interest bearing line of credit with the Marek Family Foundation, a related party, providing maximum borrowings of $100,000 with a maturity date of October 1, 2013. The line of credit was renewed during 2013 with the same terms and a maturity date of October 1, 2014. As of December 31, 2013 and 2012, there were no outstanding balances on the line of credit.

In 2012, WorkFaith also entered into an agreement to lease office space from Dacoma Interests, L.L.C., a related party, for $6,681 per month through April 30, 2017. Rent amounting to $20,043 was outstanding at December 31, 2012. There was no similar liability at December 31, 2013 (see Note E).

NOTE C PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2013 and 2012 are all due in less than one year.

NOTE D PROPERTY AND EQUIPMENT

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

	2013	2012
Furniture and fixtures	$ 58,842	$ 58,842
Electronic equipment	14,755	9,427
Leasehold improvements	12,979	12,979
Software	12,479	12,479
Vehicle	3,500	3,500
	102,555	97,227
Less accumulated depreciation	(48,535)	(30,100)
	$ 54,020	$ 67,127

NOTE E LEASES

WorkFaith leases office space from a related party, and equipment under operating leases that expire through April 2017. Net operating lease expense for the years ended December 31, 2013 and 2012 amounted to $145,302 and $128,515, 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, 2013 are as follows:

2014	$	86,484
2015		82,665
2016		80,171
2017		26,724
	$	276,044

NOTE F IN-KIND CONTRIBUTIONS/EXPENSES

In-Kind Rent Expense

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, phone charges, 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 6th month) and was recorded as temporarily restricted revenue in 2011. This receivable of $22,500 will remain in other receivables until the 6-month notice to vacate has been issued, at which point it will be expensed over the remaining 5 months.

Other In-Kind Expenses

At December 31, 2013 and 2012, in-kind postage expense was valued at $4,427 and $5,141, respectively.

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, 2013 and 2012, WorkFaith contributions to the plan amounted to $19,780 and $14,221, respectively.