THE WORKFAITH CONNECTION

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2015

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STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 401,619	$ 19,357
Pledges receivable	193,693	151,693
Other receivables	46,081	50,918
Prepaid expenses	6,000	-
Property and equipment, net	37,431	54,020
TOTAL ASSETS	$ 684,824	$ 275,988
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 19,354	$ 21,283
Compensation liability	15,821	13,290
TOTAL LIABILITIES	35,175	34,573
NET ASSETS		
Unrestricted	433,487	67,253
Temporarily restricted	216,162	174,162
TOTAL NET ASSETS	649,649	241,415
TOTAL LIABILITIES AND NET ASSETS	$ 684,824	$ 275,988

See accompanying notes.

	Unrestricted	Temporarily Restricted	Total
Support and Other Revenues			
Contributions	$ 2,364,606	$ 193,662	$ 2,558,268
Contributions - In-kind	56,072	-	56,072
Interest income	2,200	-	2,200
Other income	4,168	-	4,168
Net assets released from restrictions	151,662	(151,662)	-
Total Support and Other Revenues	2,578,708	42,000	2,620,708
Expenses			
Program	1,721,405	-	1,721,405
Fundraising	289,139	-	289,139
General and administrative	201,930	-	201,930
Total Expenses	2,212,474	-	2,212,474
Change in Net Assets	366,234	42,000	408,234
Net Assets, Beginning of Year	67,253	174,162	241,415
Net Assets, End of Year	$ 433,487	$ 216,162	$ 649,649

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.

	Program	Fundraising	General and Administrative	Total
Salaries and related expenses	$ 1,357,326	$ 167,372	$ 138,813	$ 1,663,511
Professional development	8,756	905	666	10,327
Supplies	54,179	5,160	5,160	64,499
Printing and postage	34,140	3,489	2,689	40,318
Graduate support	10,128	85	59	10,272
Insurance	7,251	691	691	8,633
Marketing	19,866	3,188	1,218	24,272
Meetings and events	24,638	63,140	1,788	89,566
Travel	4,106	430	298	4,834
Professional and contract services	33,828	28,383	35,511	97,722
Occupancy	114,180	10,874	10,874	135,928
Telephone and utilities	18,222	1,910	1,323	21,455
Software and electronic equipment	20,850	2,185	1,513	24,548
Depreciation	13,935	1,327	1,327	16,589
Total	$ 1,721,405	$ 289,139	$ 201,930	$ 2,212,474

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

	Program	Fundraising	General and Administrative	Total
Salaries and related expenses	$ 1,107,663	$ 158,109	$ 108,805	$ 1,374,577
Professional development	8,424	1,301	597	10,322
Supplies	43,385	2,885	1,273	47,543
Printing and postage	25,021	6,547	1,661	33,229
Graduate support	11,613	264	153	12,030
Insurance	6,982	297	149	7,428
Marketing	11,748	5,881	152	17,781
Meetings and events	16,621	38,141	1,214	55,976
Travel	9,221	1,752	669	11,642
Professional and contract services	13,784	23,544	26,332	63,660
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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 408,234	$ 57,108
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	16,589	18,435
Change in operating assets and liabilities:		
Pledges receivable	(42,000)	(20,172)
Other receivables	4,837	(28,418)
Prepaid expenses	(6,000)	-
Accounts payable and accrued expenses	(1,929)	(15,803)
Compensation liability	2,531	(4,339)
Total adjustments	(25,972)	(50,297)
Net cash provided by operating activities	382,262	6,811
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(5,328)
Net cash used by investing activities	-	(5,328)
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings on lines of credit	100,000	150,000
Repayments on lines of credit	(100,000)	(150,000)
Net cash provided by financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	382,262	1,483
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,357	17,874
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 401,619	$ 19,357

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, 2014, 8% of contributions was received from one entity and 13% of contributions was received from The United Way of Greater Houston ("UWGH"). For the year ended December 31, 2013, 9% of contributions was received from one entity and 14% was received from UWGH. At December 31, 2014 and 2013, 100% of pledges receivable were due from UWGH.

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)

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 2014 and 2013.

WorkFaith believes that all significant tax positions utilized by WorkFaith will more likely than not be sustained upon examination. As of December 31, 2014, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2011 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.

Reclassifications - Certain reclassifications have been made to the 2013 statement of functional expenses to conform with the 2014 presentation.

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 2014 and 2013 amounted to $84,968 and $76,868, respectively.

As of December 31, 2014 and 2013, WorkFaith had outstanding accounts payable of $189 and $9,667, respectively to MEMCO.

WorkFaith has 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. The line of credit was renewed during 2014 with the same terms and a maturity date of October 1, 2015. As of December 31, 2014 and 2013, 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.

NOTE C PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2014 and 2013 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:

	2014	2013
Electronic equipment	$ 7,225	$ 14,755
Furniture and fixtures	58,842	58,842
Leasehold improvements	12,979	12,979
Software	12,479	12,479
Vehicle	3,500	3,500
	95,025	102,555
Less accumulated depreciation	(57,594)	(48,535)
	$ 37,431	$ 54,020

NOTE E LEASES

WorkFaith leases office space from a related party, and equipment under operating leases that expire through April 2017 (See Note I). Net operating lease expense for the years ended December 31, 2014 and 2013 amounted to $165,454 and $145,302, 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, 2014 are as follows:

2015	$ 97,659
2016	95,165
2017	27,973
	$ 220,797

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, 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 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

Other in-kind expenses include postage, electronic equipment, and software.

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, 2014 and 2013, WorkFaith contributions to the plan amounted to $19,834 and $19,780, respectively.

NOTE H WORKFAITH BIRMINGHAM

WorkFaith entered into an agreement with WorkFaith Birmingham ("WFB"), an Alabama entity seeking nonprofit status, during August 2013 enabling WFB to model WorkFaith's programs to serve the needs of people in Birmingham. As part of the agreement, WorkFaith recorded contributions collected on WFB's behalf and recorded related expenses. WorkFaith recorded contributions of $64,907 and $28,262 and expenses of $66,961 and $26,208 for the years ended December 31, 2014 and 2013, respectively. The agreement was intended to be short-term and was terminated by mutual agreement effective July 2014.

NOTE I SUBSEQUENT EVENTS

WorkFaith has evaluated subsequent events through June 30, 2015, the date the financial statements were available to be issued. Except as discussed below, no other subsequent events occurred which require adjustment or disclosure to the financial statements at December 31, 2014.

In 2015, WorkFaith entered into new copier leases with lease payments of approximately $13,000 per year for five years.

In February 2015, WorkFaith entered into an agreement with UWGH to provide staff through January 30, 2016 to deliver employment workshops and services at UWGH's Bay Area Financial Opportunity Center. UWGH will pay a total of $75,000 in semi-monthly installments for these services.

Effective April 1, 2015, the lease agreement with Dacoma Interests, L.L.C. (See Note B) was modified to increase the amount of office space and increase the monthly lease payments to $10,041 through May 31, 2022. As of May 2015, WorkFaith has capitalized approximately $24,500 for property and equipment purchases related to the increased office space.