THE WORKFAITH CONNECTION

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

C O N T E N T S

HARPER | PEARSON

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The WorkFaith Connection
Houston, Texas

Opinion

We have audited the accompanying financial statements of The WorkFaith Connection (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2020 and 2019, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 The WorkFaith Connection 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, 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 The WorkFaith Connection'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 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 The WorkFaith Connection'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 The WorkFaith Connection'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.

Harper & Pearson Company, P.C.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
June 11, 2021

	2020	2019
ASSETS		
Cash and cash equivalents	$ 1,057,277	$ 1,054,735
Contribution receivables	345,000	541,693
Other receivables	67,210	225,420
Prepaid expenses	10,041	44,195
Property and equipment, net	59,778	104,188
TOTAL ASSETS	$ 1,539,306	$ 1,970,231
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 45,359	$ 35,472
Compensation liability	93,509	55,573
Note payable, Paycheck Protection Program	10,050	-
TOTAL LIABILITIES	148,918	91,045
NET ASSETS		
Without Donor Restrictions	711,917	905,209
With Donor Restrictions	678,471	973,977
TOTAL NET ASSETS	1,390,388	1,879,186
TOTAL LIABILITIES AND NET ASSETS	$ 1,539,306	$ 1,970,231

See accompanying notes.

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and Other Revenues						
Contributions	$ 2,046,950	$ 161,500	$ 2,208,450	$ 2,662,736	$ 847,258	$ 3,509,994
Contributions - In-kind	71,500	-	71,500	120,000	-	120,000
Paycheck Protection Program Proceeds	419,219	-	419,219	-	-	-
Interest income	-	-	-	1,880	-	1,880
Other income	2,868	-	2,868	5,842	-	5,842
Net assets released from restrictions	457,006	(457,006)	-	420,628	(420,628)	-
Total Support and Other Revenues	2,997,543	(295,506)	2,702,037	3,211,086	426,630	3,637,716
Expenses						
Program	2,410,787	-	2,410,787	2,261,415	-	2,261,415
Fundraising	384,401	-	384,401	314,799	-	314,799
General and administrative	395,647	-	395,647	340,749	-	340,749
Total Expenses	3,190,835	-	3,190,835	2,916,963	-	2,916,963
Change in Net Assets	(193,292)	(295,506)	(488,798)	294,123	426,630	720,753
Net Assets, Beginning of Year	905,209	973,977	1,879,186	611,086	547,347	1,158,433
Net Assets, End of Year	$ 711,917	$ 678,471	$ 1,390,388	$ 905,209	$ 973,977	$ 1,879,186

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
Advertising and marketing	$ 85,147	$ 39,760	$ -	$ 124,907	$ 39,025	$ 9,263	$ 60	$ 48,348
Depreciation	39,557	4,289	3,813	47,659	48,110	4,173	3,733	56,016
Fees and miscellaneous	-	5,289	21,127	26,416	-	-	-	-
Graduate support	6,088	-	-	6,088	5,419	-	-	5,419
Insurance	6,624	718	638	7,980	6,752	586	524	7,862
Interest	-	-	3,468	3,468	-	-	-	-
Meetings and events	15,615	18,751	-	34,366	11,087	93,173	566	104,826
Occupancy	191,050	20,716	18,414	230,180	224,162	19,445	17,395	261,002
Printing and postage	16,757	1,817	1,615	20,189	27,112	5,722	2,695	35,529
Professional and contract services	-	68,074	121,653	189,727	33,986	4,748	58,818	97,552
Professional development	24,146	2,650	2,650	29,446	28,680	3,493	2,763	34,936
Salaries and related expenses	1,918,835	210,604	210,604	2,340,043	1,748,254	166,316	247,540	2,162,110
Software and electronic equipment	60,929	6,687	6,687	74,303	21,608	3,506	2,020	27,134
Supplies	5,666	614	546	6,826	24,719	1,623	1,452	27,794
Telephone and utilities	30,583	3,357	3,357	37,297	25,823	2,027	2,616	30,466
Travel	9,790	1,075	1,075	11,940	16,678	724	567	17,969
Total	$ 2,410,787	$ 384,401	$ 395,647	$ 3,190,835	$ 2,261,415	$ 314,799	$ 340,749	$ 2,916,963

See accompanying notes.

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (488,798)	$ 720,753
Adjustments to reconcile change in net assets to net cash (used) provided by operations:		
Depreciation	47,659	56,016
Change in operating assets and liabilities:		
Contribution receivables	196,693	(307,500)
Other receivables	158,210	(111,239)
Prepaid expenses	34,154	(612)
Accounts payable and accrued expenses	9,887	22,110
Compensation liability	37,936	38,794
Total adjustments	484,539	(302,431)
Net cash (used) provided by operating activities	(4,259)	418,322
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,249)	(13,045)
Net cash used by investing activities	(3,249)	(13,045)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program note payable	10,050	-
Net cash provided by financing activities	10,050	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,542	405,277
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,054,735	649,458
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,057,277	$ 1,054,735

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 $766,000 at December 31, 2020); 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, 2020 and 2019, two donors accounted for 21% of contributions each year.

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

Contribution Receivables - Contribution receivables that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Estimated discounts at December 31, 2020 were considered immaterial.

Property and Equipment - Property and equipment are stated at cost when purchased or estimated fair market value at the date of donation. Additions equal to or greater than $1,000 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

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.

Net Assets - Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions.

Net Assets With Donor Restrictions - Include contributions restricted by the donor for specific purposes or time periods.

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. Currently there are no such stipulations on any of the net assets without donor restrictions.

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 net assets with donor restrictions 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 an increase to net assets without donor restrictions.

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.

Advertising and Marketing Expense - Advertising and marketing costs are expensed as incurred.

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 2020 and 2019.

WorkFaith believes that all significant tax positions utilized by WorkFaith will more likely than not be sustained upon examination. As of December 31, 2020, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2017 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.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses - Where possible, expenses are directly charged to the appropriate category. Indirect charges are allocated using the following methods:

Salaries and related benefits, software and electronic equipment, telephone and utilities, professional and contract services (computer network support), graduate support (miscellaneous expenses), travel, meetings and events, professional development are allocated based on the percentage of direct employees serving each function.

Occupancy, depreciation, insurance, supplies and materials, printing and postage, marketing (printing) are allocated based on square footage.

COVID-19 - As a result of the COVID-19 pandemic occurring during 2020, economic uncertainties have arisen which may negatively affect WorkFaith. While the situation is expected to be temporary, the extent to which COVID-19 may impact the financial condition or results of operations of WorkFaith is uncertain.

Implementation of new Accounting Pronouncement - Effective January 1, 2020, WorkFaith implemented the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made".* This ASU defines conditional contributions as contributions with barriers that must be overcome before a not-for-profit is entitled to the contribution and requires assets received prior to meeting the barrier to be recorded as a deferred advance. Previously such contributions were recorded as contributions with donor restrictions. The ASU was implemented using a modified prospective approach for all contracts entered into after the effective date. As a result, contributions receivable, contributions with donor restrictions and net assets with donor restrictions in 2020 are $204,167 less than would have been reported using the prior method.

Accounting Pronouncement Not Yet Effective - In February 2016, 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, 2022. WorkFaith is currently evaluating the effect the provisions of ASU 2016-02 will have on the financial statements.

Subsequent Events - WorkFaith has evaluated subsequent events through June 11, 2021, the date the financial statements were available to be issued. On February 18, 2021 WorkFaith was approved for a second loan under the Paycheck Protection Program of $365,400 which will mature five years from the loan origination date. On May 21, 2021, WorkFaith filed an application for forgiveness and expects to receive full forgiveness. No other subsequent events occurred which require adjustment or disclosure to the financial statements at December 31, 2020.

NOTE B LIQUIDITY

WorkFaith manages its cash flows through the adherence of budgets created annually and with projection updates every two months. Additionally, WorkFaith prepares weekly minimum cash balance projections for a rolling month. WorkFaith generally relies on contributions from donors to fund its on-going operations. WorkFaith also actively manages its expenses and makes expense reductions based on projected income. As of December 31, 2020 and 2019, WorkFaith has available the following assets to meet cash needs for the next fiscal year:

	2020	2019
Cash	$ 1,057,277	$ 1,054,735
Contribution receivables	345,000	541,693
Other receivables	67,210	225,420
Less net assets with purpose restrictions	(592,471)	(686,810)
Less long term other receivables	(76,000)	(83,000)
Assets available	$ 801,016	$ 1,052,038

NOTE C CONTRIBUTION RECEIVABLES

The table below sets forth contribution receivables at December 31:

	2020	2019
Receivable in one year or less	$ 235,000	$ 341,693
Receivable in one to five years	110,000	200,000
	$ 345,000	$ 541,693

100% of contribution receivables are from three donors at December 31, 2020 and 2019.

NOTE D PROPERTY AND EQUIPMENT

Property and equipment cost and accumulated depreciation at December 31 are as follows:

	2020	2019
Electronic equipment	$ 39,274	$ 40,235
Furniture and fixtures	145,609	151,765
Leasehold improvements	26,993	39,972
Software	100,439	103,629
Vehicle	-	3,500
	312,315	339,101
Less accumulated depreciation	(252,537)	(234,913)
	$ 59,778	$ 104,188

During 2020, WorkFaith disposed of fully depreciated assets no longer in service with total original cost of $30,035.

NOTE E NOTE PAYABLE, PAYCHECK PROTECTION PROGRAM

On May 2, 2020, WorkFaith obtained a loan in the amount of $425,800, pursuant to the Paycheck Protection Program (the "PPP"). $419,219 was forgiven in 2020. The unforgiven portion and accrued interest is included in notes payable, Paycheck Protection Program on the statement of financial position and was paid in full on March 9, 2021.

NOTE F NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include contributions restricted by the donor for specific purposes or time periods and are comprised of the following:

	2020	2019
Purpose Restricted:		
Technology and training	$ 176,006	$ 189,552
Fund raising support	280,465	300,000
Expansion project	125,000	-
Long term employment program	-	180,484
CEO search	-	16,774
Other	11,000	-
Total Purpose Restricted	592,471	686,810
Time Restricted:		
Future periods	86,000	287,167
Total Time Restricted	86,000	287,167
Total Net Assets With Donor Restrictions	$ 678,471	$ 973,977

NOTE G LEASES

WorkFaith leases office space from a related party (see Note J) and equipment under operating leases that expire through April 2025. WorkFaith receives donated office space and is committed to paying utilities through 2024 on the facilities (see Note H). Net operating lease expense, including in-kind lease expense and related utilities, for the years ended December 31, 2020 and 2019 amounted to $209,091 and $287,214, respectively.

Future minimum payments by year at December 31, 2020 are as follows:

2021	$ 143,240
2022	72,187
2023	19,685
2024	17,059
2025	2,295
	$ 254,466

NOTE H 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 6th month) and was recorded as temporarily restricted revenue in 2011. This receivable of $22,500 will remain in other receivables and net assets with donor restrictions until the 6-month notice to vacate has been issued, at which point it will be expensed over the remaining 5 months. In 2020, the notice to vacate was issued and the receivable has been fully expensed as of December 31, 2020.

In October 2017, WorkFaith began operations at a 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. In 2017, WorkFaith recognized a receivable and a time restricted contribution for this advance notice requirement. The agreement with SOH, requires WorkFaith to provide services to SOH residents of the Cornerstone Community. Upon implementation of ASU 2018-08 (See note A), this agreement has been deemed to be a conditional contribution and thus recorded on a monthly basis as the services are provided.

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

NOTE I CONDITIONAL CONTRIBUTIONS

At December 31, 2020, WorkFaith has total conditional contributions of approximately $451,700 for general operations. These will be recognized as revenue through 2024 as the required services under the agreements with the donors are provided.

NOTE J RELATED-PARTY TRANSACTIONS

WorkFaith contracted 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 2020 and 2019 amounted to $4,181 and $14,211, respectively.

WorkFaith leases 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 K 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, 2020 and 2019, WorkFaith contributions to the plan amounted to $35,638 and $31,751, respectively.