THE WORKFAITH CONNECTION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

C O N T E N T S

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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, 2022 and 2021, 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, 2022 and 2021, 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 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
August 28, 2023

	2022	2021 (Restated)
ASSETS		
Cash and cash equivalents	$ 2,291,865	$ 2,069,523
Contribution receivables	320,000	580,000
Other receivables	2,966	1,866
Prepaid expenses	18,921	20,644
Operating lease right-to-use asset	1,051,211	-
Finance lease right-to-use asset	32,847	-
Contributed facilities usage rights	110,000	176,000
Property and equipment, net	31,935	48,702
TOTAL ASSETS	$ 3,859,745	$ 2,896,735
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 70,409	$ 37,433
Compensation liability	83,206	84,747
Operating lease liabilities	1,051,211	-
Finance lease liabilities	32,973	-
TOTAL LIABILITIES	1,237,799	122,180
NET ASSETS		
Without Donor Restrictions	1,647,682	1,235,810
With Donor Restrictions	974,264	1,538,745
TOTAL NET ASSETS	2,621,946	2,774,555
TOTAL LIABILITIES AND NET ASSETS	$ 3,859,745	$ 2,896,735

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenues						
Contributions	$ 2,690,399	$ 267,500	$ 2,957,899	$ 2,142,200	$ 1,390,000	$ 3,532,200
Contributions - In-kind	-	-	-	3,245	176,000	179,245
Paycheck Protection Program Proceeds	-	-	-	365,400	-	365,400
Other income	4,845	-	4,845	1,570	-	1,570
Net assets released from restrictions	831,981	(831,981)	-	705,726	(705,726)	-
Total Support and Other Revenues	3,527,225	(564,481)	2,962,744	3,218,141	860,274	4,078,415
Expenses						
Program	2,426,234	-	2,426,234	2,170,439	-	2,170,439
Fundraising	298,005	-	298,005	278,064	-	278,064
General and administrative	391,114	-	391,114	245,745	-	245,745
Total Expenses	3,115,353	-	3,115,353	2,694,248	-	2,694,248
Change in Net Assets	411,872	(564,481)	(152,609)	523,893	860,274	1,384,167
Net Assets, Beginning of Year	1,235,810	1,538,745	2,774,555	711,917	678,471	1,390,388
Net Assets, End of Year	$ 1,647,682	$ 974,264	$ 2,621,946	$ 1,235,810	$ 1,538,745	$ 2,774,555

See accompanying notes.

	2022				2021			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
Advertising and marketing	$ 71,667	$ 4,116	$ -	$ 75,783	$ 132,701	$ 23,045	$ -	$ 155,746
Depreciation and amortization	25,609	2,867	2,566	31,042	20,663	2,241	1,992	24,896
Fees and miscellaneous	-	15,094	6,931	22,025	-	3,207	8,537	11,744
Graduate support	4,489	-	-	4,489	13,253	-	-	13,253
Insurance	7,096	795	711	8,602	7,108	771	685	8,564
Interest	-	-	310	310	-	-	-	-
Meetings and events	110,151	12,239	13,598	135,988	22,752	68,540	-	91,292
Occupancy	172,290	19,293	17,260	208,843	177,283	19,292	17,155	213,730
Printing and postage	8,324	932	834	10,090	13,919	1,509	1,342	16,770
Professional and contract services	220,630	42,000	126,056	388,686	53,995	56,000	61,481	171,476
Professional development	14,245	1,583	1,759	17,587	20,793	1,239	1,858	23,890
Salaries and related expenses	1,672,030	185,781	206,423	2,064,234	1,604,462	95,585	143,378	1,843,425
Software and electronic equipment	86,320	9,591	10,657	106,568	70,045	4,173	6,259	80,477
Supplies and materials	4,818	540	483	5,841	9,594	1,040	925	11,559
Telephone and utilities	17,441	1,938	2,153	21,532	18,837	1,122	1,683	21,642
Travel	11,124	1,236	1,373	13,733	5,034	300	450	5,784
Total	$ 2,426,234	$ 298,005	$ 391,114	$ 3,115,353	$ 2,170,439	$ 278,064	$ 245,745	$ 2,694,248

See accompanying notes.

	2022	**2021 (Restated)**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (152,609)	$ 1,384,167
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	31,042	24,896
Loss on disposal of property and equipment	-	721
Change in operating assets and liabilities:		
Contribution receivables	260,000	(235,000)
Other receivables	(1,100)	(656)
Contributed facilities usage rights	66,000	(110,000)
Prepaid expenses	1,723	(10,603)
Accounts payable and accrued expenses	32,976	(7,926)
Compensation liability	(1,541)	(8,762)
Total adjustments	389,100	(347,330)
Net cash provided by operating activities	236,491	1,036,837
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,088)	(14,541)
Net cash used by investing activities	(3,088)	(14,541)
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayments on Paycheck Protection Program note payable	-	(10,050)
Principal paid on finance leases	(11,061)	-
Net cash used by financing activities	(11,061)	(10,050)
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,342	1,012,246
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,069,523	1,057,277
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,291,865	$ 2,069,523
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	$ 310	$ -

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 individuals with faith-based training and coaching to obtain and keep long-term employment. WorkFaith's training and coaching model includes on-demand, virtual, and live options to accommodate all situational barriers and deliver effective training to anyone needing assistance.

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 $1,990,000 at December 31, 2022); 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, 2022 and 2021, two and three donors accounted for 34% and 40% of contributions, respectively.

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, 2022 and 2021 were considered immaterial.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022 and 2021.

WorkFaith believes that all significant tax positions utilized by WorkFaith will more likely than not be sustained upon examination. As of December 31, 2022, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2019 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.

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.

Interest is related to finance leases and is allocated to management and general.

Accounting Standard Adopted in 2022 - WorkFaith adopted FASB ASC Topic 842, Leases ("ASC 842") effective January 1, 2022 utilizing the effective date approach. WorkFaith applied ASC Topic 842 to all leases existing or commencing after January 1, 2022 and elected the package of transition practical expedients for expired or existing contracts, which does not require reassessment of: (1) whether any contracts are or contain leases, (2) lease classification and (3) initial direct costs. There were no cumulative effects recorded from the adoption.

WorkFaith determines if an arrangement is a lease at inception. Long-term operating leases are included in right-of-use (ROU) assets and lease liabilities.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ROU assets represent WorkFaith's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. WorkFaith uses the implicit rate when readily determinable. As most of WorkFaith's leases do not provide an implicit rate, an incremental borrowing rate is used in determining the present value of lease payments based on the information available at the commencement date. The incremental borrowing rate reflects the estimated rate of interest that would be paid to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. WorkFaith elected the practical expedient to utilize a risk free interest rate (the US Treasury rate) as the incremental borrowing rate. The ROU asset also includes any lease payments made and excludes lease incentives received. WorkFaith's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

Prior Period Restatement - In 2021, WorkFaith received an unconditional, donor restricted multi-year pledge of $450,000, to be paid in equal annual payments of $150,000 over a three-year period. WorkFaith recorded only the $150,000 cash received. Accounting standards require the full amount of unconditional pledges be recorded at the time such pledges are made. As a result, the 2021 financials have been restated to properly increase pledges receivable and total contributions by $300,000. Net assets and contributions without donor restrictions was reduced by $150,000 and net assets and contributions with donor restrictions were increased by $450,000 to properly restrict the gift for the expansion project (see Note E). Other related footnotes have been restated in accordance with generally accepted accounting principles.

Subsequent Events - WorkFaith has evaluated subsequent events through August 28, 2023, 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, 2022.

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, 2022 and 2021, WorkFaith has available the following assets to meet cash needs for the next fiscal year:

	2022	2021
Cash	$ 2,291,865	$ 2,069,523
Contribution receivables	320,000	580,000
Other receivables	2,966	1,866
Less net assets with purpose restrictions	(864,264)	(1,352,745)
Assets available	$ 1,750,567	$ 1,298,644

NOTE C CONTRIBUTION RECEIVABLES

The table below sets forth contribution receivables at December 31:

	2022	2021
Receivable in one year or less	$ 320,000	$ 345,000
Receivable in one to five years	-	235,000
	$ 320,000	$ 580,000

100% of contribution receivables are from two and four donors at December 31, 2022 and 2021, respectively.

NOTE D PROPERTY AND EQUIPMENT

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

	2022	2021
Electronic equipment	$ 43,709	$ 43,709
Furniture and fixtures	157,487	154,399
Leasehold improvements	22,669	22,669
Software	101,755	101,755
	325,620	322,532
Less accumulated depreciation	(293,685)	(273,830)
	$ 31,935	$ 48,702

During 2021, Workfaith disposed of assets with an original cost of $4,324 and accumulated depreciation of $3,603.

NOTE E 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:

	2022	2021
Purpose Restricted:		
Technology and training	$ 80,908	$ 89,989
Fund raising support	50,196	184,791
Expansion project	461,815	834,253
Spanish translation	134,276	186,950
Digital access	50,000	50,000
WorkFaith now on-demand	50,000	-
Other	37,069	6,762
Total Purpose Restricted	864,264	1,352,745
Time Restricted:		
Future periods	110,000	186,000
Total Time Restricted	110,000	186,000
Total Net Assets With Donor Restrictions	$ 974,264	$ 1,538,745

In 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors as follows:

	2022	2021
Purpose Restricted:		
Technology and training	$ 119,079	$ 86,017
Fund raising support	134,595	95,674
Expansion project	447,438	220,747
Spanish translation	52,675	13,050
Other	2,194	14,238
Total Purpose Restricted	755,981	429,726
Time Restricted:		
Future periods	76,000	276,000
Total Time Restricted	76,000	276,000
Total Net Assets Released from Restriction	$ 831,981	$ 705,726

NOTE F LEASES

WorkFaith leases office space from a related party (see Note H) and equipment under leases that expire through May 2032. WorkFaith receives donated office space and is committed to paying utilities through 2024 on the facilities (see Note G). Net operating lease expense, including in-kind lease expense and related utilities, for the years ended December 31, 2022 and 2021 amounted to $208,601 and $205,877, respectively.

Future minimum payments by year at December 31, 2022 are as follows:

	Finance Leases	Operating Leases
2023	$ 11,808	$ 120,495
2024	11,808	120,495
2025	5,688	120,495
2026	2,628	120,495
2027	2,409	120,495
Thereafter	-	532,192
Total minimum lease payments	34,341	1,134,667
Less: Imputed interest	(1,368)	(83,456)
Present value of lease liabilities	$ 32,973	$ 1,051,211
Non-Cash Activities:		
Additions to right of use asset from new lease liabilities	$ 44,034	$ 1,153,665

Weighted-average discount rate	
Operating leases	1.63%
Finance leases	2.01%
Weighted-average remaining lease term (years)	
Operating leases	9.42
Finance leases	3.26

NOTE G IN-KIND CONTRIBUTIONS/EXPENSES

Contributions of Facilities Usage - In October 2017, WorkFaith began operations at a location in the Cornerstone Community on Reed Road, Houston, Texas. This space is provided free for seven years 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. The agreement with SOH, requires WorkFaith to provide services to SOH residents of the Cornerstone Community. Upon implementation of ASU 2018-08 during 2020, this agreement was deemed to be a conditional contribution and thus recorded on a monthly basis as the services were provided. In 2021, WorkFaith determined all conditions had been met and recorded the remaining time restricted contribution for the life of the lease and the related right to use asset. The amortization of the facilities usage rights, amounting to $66,000 annually, is recorded as rent expense and released from net assets with donor restrictions.

Other In-Kind Contributions - Other in-kind contributions include furniture, consulting services, medallions, and equipment and are generally utilized in programmatic activities.

NOTE H RELATED-PARTY TRANSACTIONS

WorkFaith leases office space from Dacoma Interests, L.L.C., an entity partially owned by a board member, for $10,043 per month through 2032.

NOTE I RETIREMENT PLAN

Effective January 1, 2007, WorkFaith established a 401(k) plan for all eligible employees. All employees who are at least 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, 2022 and 2021, WorkFaith contributions to the plan amounted to $21,139 and $18,543, respectively.

NOTE J CONDITIONAL CONTRIBUTIONS

At December 31, 2022, WorkFaith has total conditional contributions of approximately $264,000 for general operations. These will be recognized as revenue through 2023 as the required services under the agreements with the donor are provided.

NOTE K PAYCHECK PROTECTION PROGRAM

During 2021, WorkFaith repaid the unforgiven portion of a Paycheck Protection Program (PPP) loan received in 2020 and received a second PPP loan which was fully forgiven in 2021.