

**Wesley Community Center, Inc.
of Houston, Texas**

Financial Statements

**For the Years Ended
December 31, 2015 and 2014**

Wesley Community Center, Inc. of Houston, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Wesley Community Center, Inc.
of Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Wesley Community Center, Inc. of Houston, Texas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015, and 2014, 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 of America; 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 Wesley Community Center, Inc. of Houston, Texas as of December 31, 2015 and 2014, 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 of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2016, on our consideration of Wesley Community Center, Inc. of Houston, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wesley Community Center, Inc. of Houston, Texas' internal control over financial reporting and compliance.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
May 19, 2016

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Wesley Community Center, Inc.
of Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wesley Community Center, Inc. of Houston, Texas (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wesley Community Center, Inc. of Houston, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wesley Community Center, Inc. of Houston, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wesley Community Center, Inc. of Houston Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
May 19, 2016

Wesley Community Center, Inc. of Houston, Texas

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	\$ 385,089	\$ 370,838
Investments	1,901	1,284
Prepaid Expenses	25,227	24,740
Unconditional Promises to Give, Net	398,244	331,503
Accounts Receivable	230,552	77,055
Other Receivables	29	14,962
Other Assets	500	-
Property and Equipment, Net	2,261,588	2,330,666
Restricted Investments	75,500	75,500
TOTAL ASSETS	<u>\$ 3,378,630</u>	<u>\$ 3,226,548</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Trade	\$ 43,232	\$ 38,727
Accrued Payroll and Related Liabilities	14,137	22,072
Note Payable	172,989	205,368
TOTAL LIABILITIES	<u>230,358</u>	<u>266,167</u>
NET ASSETS		
Unrestricted	2,534,622	2,438,095
Temporarily Restricted	538,150	446,786
Permanently Restricted	75,500	75,500
TOTAL NET ASSETS	<u>3,148,272</u>	<u>2,960,381</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,378,630</u>	<u>\$ 3,226,548</u>

The accompanying notes are an integral part of these financial statements.

Wesley Community Center, Inc. of Houston, Texas

Statement of Activities

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 197,299	\$ 60,000	\$ -	\$ 257,299
Private and Foundation Grants	412,747	290,000	-	702,747
United Methodist Donations	231,860	-	-	231,860
In-Kind Donations	487,421	-	-	487,421
United Way Allocations	636,545	147,853	-	784,398
Government Grants	635,774	-	-	635,774
Program Service Fees	133,722	-	-	133,722
Special Events	252,684	-	-	252,684
Other	25,519	-	-	25,519
Net Assets Released From Restrictions:				
United Way Funding	147,853	(147,853)	-	-
Other	258,636	(258,636)	-	-
TOTAL REVENUES AND OTHER SUPPORT	3,420,060	91,364	-	3,511,424
EXPENSES				
Program Services	2,857,792	-	-	2,857,792
Management and General	263,562	-	-	263,562
Fundraising and Development	202,179	-	-	202,179
TOTAL EXPENSES	3,323,533	-	-	3,323,533
CHANGE IN NET ASSETS	96,527	91,364	-	187,891
NET ASSETS, BEGINNING OF YEAR	2,438,095	446,786	75,500	2,960,381
NET ASSETS, END OF YEAR	\$ 2,534,622	\$ 538,150	\$ 75,500	\$ 3,148,272

The accompanying notes are an integral part of these financial statements.

Wesley Community Center, Inc. of Houston, Texas

Statement of Activities

For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 179,786	\$ 58,809	\$ -	\$ 238,595
Private and Foundation Grants	411,558	234,932	-	646,490
United Methodist Donations	124,229	-	-	124,229
In-Kind Donations	341,300	-	-	341,300
United Way Allocations	621,283	147,853	-	769,136
Government Grants	465,643	-	-	465,643
Program Service Fees	193,423	-	-	193,423
Special Events	132,214	-	-	132,214
Other	19,614	-	-	19,614
Net Assets Released From Restrictions:				
United Way Funding	166,603	(166,603)	-	-
Other	221,581	(221,581)	-	-
TOTAL REVENUES AND OTHER SUPPORT	2,877,234	53,410	-	2,930,644
EXPENSES				
Program Services	2,534,224	-	-	2,534,224
Management and General	233,503	-	-	233,503
Fundraising and Development	140,380	-	-	140,380
TOTAL EXPENSES	2,908,107	-	-	2,908,107
CHANGE IN NET ASSETS	(30,873)	53,410	-	22,537
NET ASSETS, BEGINNING OF YEAR	2,468,968	393,376	75,500	2,937,844
NET ASSETS, END OF YEAR	\$ 2,438,095	\$ 446,786	\$ 75,500	\$ 2,960,381

The accompanying notes are an integral part of these financial statements.

Wesley Community Center, Inc. of Houston, Texas

Statement of Functional Expenses

For the Year Ended December 31, 2015

	Program Services					Supporting Services			
	Early Head Start	Early Childhood Education	Youth	Community Assistance	Finance FOC	Total Programs	Management & General	Fundraising & Development	Total
Salaries and Wages	\$ 120,198	\$ 280,588	\$ 186,748	\$ 311,017	\$ 248,842	\$ 1,147,393	\$ 142,767	\$ 105,905	\$ 1,396,065
Employee Benefits	17,416	50,558	35,495	54,031	47,078	204,578	29,995	16,025	250,598
Agency Insurance	11,156	10,123	14,671	10,690	8,866	55,506	4,714	1,395	61,615
Assistance to Individuals	-	-	91	239,505	52,434	292,030	-	-	292,030
Communication	-	1,485	2,227	6,079	2,227	12,018	3,756	1,485	17,259
Food Costs, Education Services	924	48,649	2,592	3,022	247	55,434	331	845	56,610
General Supplies	32,128	5,221	10,624	7,678	2,385	58,036	2,744	1,637	62,417
In-Kind	-	1,230	-	486,191	-	487,421	-	-	487,421
Occupancy (Bldg. and Grounds)	11,715	41,266	37,743	39,004	30,999	160,727	8,087	7,037	175,851
Other	-	2,282	1,780	3,910	1,755	9,727	5,701	15,395	30,823
Postage and Shipping	-	309	489	918	489	2,205	648	600	3,453
Printing and Publications	60	5,462	2,734	5,818	6,403	20,477	3,965	1,932	26,374
Prof. Employer Org. (PEO)	3,992	6,573	4,516	5,711	3,773	24,565	4,222	1,513	30,300
Prof. Fees and Contract Services	10,172	(3,763)	10,976	9,621	51,034	78,040	36,216	15,596	129,852
Professional Dues/Training	3,364	1,564	1,020	581	671	7,200	1,510	96	8,806
Program Events/Activities	-	2,582	44,144	3,610	17,864	68,200	2,050	1,318	71,568
Purchased Equipment and Improvements	-	-	-	-	-	-	-	-	-
Software Maintenance	-	920	1,380	2,761	3,310	8,371	2,041	6,887	17,299
Special Events	-	1,032	-	-	-	1,032	-	20,749	21,781
Travel, Vehicle, Field Trips	-	3,621	6,439	3,889	1,167	15,116	2,101	-	17,217
Total Expenses Before Depreciation	211,125	459,702	363,669	1,194,036	479,544	2,708,076	250,848	198,415	3,157,339
Depreciation	30,092	27,304	39,572	28,833	23,915	149,716	12,714	3,764	166,194
TOTAL EXPENSES	\$ 241,217	\$ 487,006	\$ 403,241	\$ 1,222,869	\$ 503,459	\$ 2,857,792	\$ 263,562	\$ 202,179	\$ 3,323,533

The accompanying notes are an integral part of these financial statements.

Wesley Community Center, Inc. of Houston, Texas

Statement of Functional Expenses

For the Year Ended December 31, 2014

	Program Services				Supporting Services			
	Early Childhood Education	Youth	Community Assistance	Finance FOC	Total Programs	Management & General	Fundraising & Development	Total
Salaries and Wages	\$ 287,082	\$ 149,075	\$ 332,392	\$ 280,239	\$ 1,048,788	\$ 140,853	\$ 77,458	\$ 1,267,099
Employee Benefits	21,796	13,469	26,722	26,799	88,786	15,597	5,818	110,201
Agency Insurance	12,463	7,478	9,970	4,985	34,896	9,970	4,985	49,851
Assistance to Individuals	-	800	364,410	80,501	445,711	-	-	445,711
Communication	1,569	2,354	5,661	2,354	11,938	3,210	1,569	16,717
Food Costs, Education Services	42,642	90	2,831	-	45,563	-	-	45,563
General Supplies	3,679	2,971	5,152	2,145	13,947	2,065	1,625	17,637
In-Kind	1,860	991	338,449	-	341,300	-	-	341,300
Occupancy (Bldg. and Grounds)	52,229	35,941	39,545	28,818	156,533	7,188	7,188	170,909
Other	2,814	2,263	4,845	2,593	12,515	3,018	1,511	17,044
Postage and Shipping	306	460	919	460	2,145	613	847	3,605
Printing and Publications	5,045	2,289	4,433	6,118	17,885	2,868	1,532	22,285
Prof. Employer Org. (PEO)	8,468	4,327	9,619	7,650	30,064	7,380	2,147	39,591
Prof. Fees and Contract Services	3,013	8,310	7,205	40,308	58,836	23,003	6,146	87,985
Professional Dues/Training	2,044	1,182	1,059	3,801	8,086	1,469	444	9,999
Program Events/Activities	6,484	11,993	454	15,050	33,981	1,285	35	35,301
Purchased Equipment and Improvements	-	9,020	2,352	8,450	19,822	1,035	-	20,857
Software Maintenance	1,671	2,507	5,013	3,897	13,088	3,342	1,671	18,101
Special Events	-	-	-	-	-	-	19,993	19,993
Travel, Vehicle, Field Trips	1,614	2,217	3,653	2,547	10,031	974	487	11,492
Total Expenses Before Depreciation	454,779	257,737	1,164,684	516,715	2,393,915	223,870	133,456	2,751,241
Depreciation	52,119	39,370	18,415	30,405	140,309	9,633	6,924	156,866
TOTAL EXPENSES	\$ 506,898	\$ 297,107	\$ 1,183,099	\$ 547,120	\$ 2,534,224	\$ 233,503	\$ 140,380	\$ 2,908,107

The accompanying notes are an integral part of these financial statements.

Wesley Community Center, Inc. of Houston, Texas

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 187,891	\$ 22,537
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	166,194	156,866
Loss on Disposal of Property and Equipment	-	2,625
(Increase) Decrease in:		
Prepaid Expenses	(487)	(19,634)
Unconditional Promises to Give	(66,741)	(164,900)
Accounts Receivable	(153,497)	90,835
Other Receivables	14,933	1,952
Other Assets	(500)	-
Increase (Decrease) in:		
Accounts Payable, Trade	4,505	11,794
Accrued Payroll and Related Liabilities	(7,935)	5,601
Deferred Revenue	-	(5,000)
Net Cash Provided by Operating Activities	<u>144,363</u>	<u>102,676</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(617)	(611)
Purchase of Property and Equipment	<u>(97,116)</u>	<u>(88,394)</u>
Net Cash Used by Investing Activities	(97,733)	(89,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable	<u>(32,379)</u>	<u>(45,343)</u>
Net Cash Used by Financing Activities	<u>(32,379)</u>	<u>(45,343)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,251	(31,672)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>370,838</u>	<u>402,510</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 385,089</u>	<u>\$ 370,838</u>
Cash Paid During the Year for Interest	\$ 8,362	\$ 10,209

The accompanying notes are an integral part of these financial statements.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 1 – Organization and Nature of Activities

Wesley Community Center, Inc. of Houston, Texas (“Wesley” or the “Organization”) is a multi-purpose social service agency founded by local Methodist Women in 1904. It is located in the Near Northside of Houston, Texas at 1410 Lee Street. The Organization owns the entire city block bounded by Lee, Chapman, Noble and Terry streets; a parking lot at 2114 Terry Street, and the Reba Veal Henderson Food Cooperative at 1235 Lorraine Street.

Services provided include early childhood education; programs for school-age youth including drug abuse and teen pregnancy prevention, after school activities, team sports and tutoring; adult and family services including counseling, emergency food, utilities and rent, a food co-op, job placement, financial management, adult literacy programs, crime prevention programs, and daily senior nutrition and activity programs.

The Wesley Community Center Endowment, Inc. of Houston, Texas (the Endowment) was formed in 1946, to help support the operations of Wesley. Wesley management controls the assets of the Endowment. Additionally, certain members of the Endowment Board of Directors also serve on the Board of Wesley Community Center, Inc. of Houston, Texas, enabling Wesley to exercise control over Endowment assets. Accordingly, the financial position and the activity of the Endowment are consolidated in the Wesley financial statements.

Wesley is a National Mission Institution related to the General Board of Global Ministries and the Texas Annual Conference of The United Methodist Church. It is also an affiliate agency of the United Way of Greater Houston.

NOTE 2 – Significant Accounting Policies

Basis of Accounting

The Organization uses the accrual basis of accounting. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

- *Permanently restricted net assets:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

In addition, the Organization is required to present a statement of cash flow.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The cash and cash equivalents account represents cash in banks and short-term investments, with a maturity of three months or less. Short term investments with a maturity over three months are recorded at market value. At December 31, 2015 and 2014, cash deposits in excess of FDIC limitations were \$44,232 and \$145,063, respectively.

Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, investments, accounts receivable, and accounts payable. The recorded values of these assets approximate their fair values based on their short-term nature. Investments are comprised of funds invested with the Texas Methodist Foundation (TMF) in an investment vehicle that functions as a cash deposit account with a monthly variable interest rate which are valued, by TMF, at the deposit amount.

Investments

Investment balances represent balances deposited with the Texas Methodist Foundation Fund. These funds are maintained by the Texas Methodist Foundation.

Accounts Receivable and Promises to Give

Accounts receivable are primarily comprised of reimbursements due from government and private agencies upon appropriate execution of program contracts. Promises to give or pledged contributions are recognized if they are pledged unconditionally or once conditions of the promise to give have been met.

Wesley uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2015 and 2014, the balance was \$13,380 and \$-0-, respectively.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

Property and Equipment

Property and equipment balance represents property owned by Wesley, including Wesley House Main Building, 1410 Lee Street, Kurtz Recreational Center, Children's Building, 1417 Noble (adjacent to main building), parking lot, 2114 Terry Street, Reba Veal Henderson Building (Food Co-op), 1235 Lorraine Street land, and the furniture and equipment in the properties. Depreciation is determined using the straight line method. The estimated useful lives for property generally used are as follows: a range of five to ten years for furniture and equipment and five years for automobiles. Estimated useful lives used for the buildings range from ten to thirty years. In addition, acquisitions of property and equipment in excess of \$1,000 are capitalized.

Donations of property and equipment are recorded as support at their estimated fair market value at date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Wesley reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Other major renewals and betterments are capitalized at cost. Minor items and repairs and maintenance costs are expensed as incurred.

Federal Income Taxes

Wesley is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

Contributions

Wesley records unconditional contributions and unconditional promises to give as revenue when awarded. Any conditional promises to give are recognized as income when the conditions of the promise are substantially met. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional Allocation of Expenses

Expenses are categorized on the statement of activities as program services, management and general, and fundraising and development. Expenditures of Wesley are allocated on a functional basis among its various programs and support services. Services offered by Wesley are organized into distinct programs. These programs are presented in detail on the statement of functional expenses.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

Development expenses represent costs incurred relating to fundraising efforts. Some development expenses that are allocated to programmatic categories are for activities that jointly promote both programmatic and fundraising goals. These activities include salaries and benefits for fund development employees who are also engaged in monitoring and maintaining compliance with program grants. During 2015 and 2014, respectively approximately \$76,551 and \$68,558 of these expenses have been allocated to programs.

Management's Review of Subsequent Events

Wesley has evaluated subsequent events through May 19, 2016, the date which the financial statements were available to be issued.

NOTE 3 – Investments

The Organization's investments totaled \$77,401 and \$76,784 for December 31, 2015 and 2014 respectively. Investment balances are comprised of restricted investments in a cash savings fund of \$75,500, for both years ended December 31, 2015 and 2014, and its related accumulated earnings of \$1,901 and \$1,284 for the years ended December 31, 2015 and 2014, respectively. These investments are managed by the Texas Methodist Foundation. During 2015 and 2014 the investments earned \$617 and \$611, respectively. Investments are valued on the financial statements based on quoted value provided by the Texas Methodist Foundation. Based on the nature of the fund, this is considered a Level 1 valuation input.

NOTE 4 – Unconditional Promises to Give

Unconditional promises to give at December 31 are as follows:

	2015	2014
United Way	\$ 147,853	\$ 147,853
Bank of America	100,000	-
Houston Endowment	75,000	150,000
Other Unconditional Promises to Give	75,391	33,650
	<u>\$ 398,244</u>	<u>\$ 331,503</u>
Receivable in less than one year	\$ 344,053	\$ 231,453
Receivable in one to five years	67,571	100,050
	<u>411,624</u>	<u>331,503</u>
Total unconditional promises to give	411,624	331,503
Less allowance for uncollectible promises to give	<u>13,380</u>	<u>-</u>
Unconditional Promises to Give, net	<u>\$ 398,244</u>	<u>\$ 331,503</u>

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	2015	2014
Land	\$ 73,731	\$ 73,731
Building and Improvements	3,101,308	3,075,610
Automobiles	126,271	101,341
Furniture and Fixtures	521,863	475,375
Childcare Building	415,204	415,204
Childcare Furniture and Fixtures	9,444	9,444
	<hr/>	<hr/>
Total Property and Equipment	4,247,821	4,150,705
Accumulated Depreciation	(1,986,233)	(1,820,039)
	<hr/>	<hr/>
Property and Equipment, net	<u>\$ 2,261,588</u>	<u>\$ 2,330,666</u>

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$166,194 and \$156,866, respectively.

NOTE 6 – Note Payable

In July 2013, Wesley refinanced a bank promissory note, with a principal balance of \$286,384. The purpose of the original note payable was to fund the final termination of a pension plan. The current note is payable in monthly installments of \$2,178 comprised of principal and interest at 4.35% per annum through July 2020. A final payment of \$79,546 is due in August 2020. The note is secured by a first lien security interest in land and building.

The note payable is scheduled for repayment as follows:

Year Ending December 31	
2016	\$ 18,810
2017	19,736
2018	20,625
2019	21,553
2020	92,265
	<hr/>
	<u>\$ 172,989</u>

Wesley incurred \$8,362 and \$10,209 in interest expense during the years ended December 31, 2015 and 2014, respectively.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 7 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31, are presented below:

	<u>2015</u>	<u>2014</u>
Restricted for Future Period	\$ 273,873	\$ 331,503
Restricted for Specific Programs	<u>264,277</u>	<u>115,283</u>
	<u>\$ 538,150</u>	<u>\$ 446,786</u>

Permanently restricted net assets at December 31, 2015 and 2014 are \$75,500 and \$75,500, respectively. These balances represent investments in the endowment. In accordance with the donor restrictions, the principal balance is to be invested; earnings on the investment are unrestricted and can be used for the general operations of Wesley.

NOTE 8 – Lease Agreement

Wesley leases office equipment under one operating lease agreement. This lease terminates in 2021 and consists of monthly lease payments of approximately \$1,097. Future minimum lease payments as of December 31, 2015 are as follows:

<u>Year Ending December 31</u>	
2016	\$ 13,249
2017	13,162
2018	13,162
2019	13,162
2020	13,162
Thereafter	<u>3,290</u>
	<u>\$ 69,187</u>

NOTE 9 – United Way Funding Allocation

The Organization recorded \$784,398 and \$769,136 of United Way funding allocations in revenue for the years ended December 31, 2015 and 2014, respectively, representing approximately 22% and 26% of revenues and other support for the year.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 10 – Employee Benefits

Defined Contribution Plan

Employees may contribute to a 401(k) plan. Wesley contributes to the 401(k) plan for qualified participants. The 401(k) employer contribution for 2015 and 2014, respectively, was \$30,261 and \$30,021.

Health and Welfare Plans

Wesley contracts with a professional employer organization that provides employee health benefits and performs other human resource functions.

NOTE 11 – Endowment Fund

Wesley's endowment is comprised of one fund, established to support the general operations of the Organization. The funds in the endowment are all donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor imposed restrictions.

Wesley has adopted investment and spending policies based on the requirements of the State Uniform Management of Institutional Funds Act (SUMIFA). As a result, of the Organization's interpretation of SUMIFA, and in accordance with donor restrictions, contributions to these endowment funds are classified as permanently restricted net assets. The historical dollar value of those contributions must be maintained inviolate.

The composition of endowment net assets and the changes in endowment assets as of December 31, are as follows:

<u>December 31, 2015</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 75,500
Contributions	-
Endowment net assets, end of year	<u>\$ 75,500</u>
<u>December 31, 2014</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 75,500
Contributions	-
Endowment net assets, end of year	<u>\$ 75,500</u>

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2015 and 2014

Return Objectives and Risk Parameters

Wesley has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide a stable rate of return on investments. Actual results in any given year will vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of return objectives, Wesley has invested endowment assets in, and relies on Texas Methodist Foundation, Methodist Loan Fund, which consist of primarily real estate secured loans originated by the Methodist Loan Portfolio. Wesley receives a variable rate of return on these assets as set by the Foundation board based in part on changes in broader interest rates and changes in the financial markets. Using the Loan Fund, Wesley's objective is to emphasize capital preservation with conservative investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 12 – Commitments and Contingencies

In October 2015, Wesley entered into a credit agreement with Amegy Bank which provides a revolving line of credit bearing interest at 4% at December 31, 2015. The credit line provides for a maximum borrowing limit of \$150,000, and expires on October 28, 2016. The line of credit remains unused at December 31, 2015.

NOTE 13 – Reclassification

Certain amounts for the year ending December 31, 2014 have been reclassified in these comparative financial statements to conform to their 2015 classification. These reclassifications had no effect on the change in net assets.