

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

*Financial Statements
and Supplementary Information*

**For the Years Ended
December 31, 2016 and 2015**

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, 2016 and 2015, 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, 2016 and 2015, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017 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 18, 2017

FINANCIAL STATEMENTS

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Wesley Community Center, Inc. of Houston, Texas

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 432,019	\$ 385,089
Investments	2,522	1,901
Prepaid Expenses	16,664	25,227
Unconditional Promises to Give, Net	382,718	398,244
Accounts Receivable	285,967	230,552
Other Receivables	4,235	29
Other Assets	550	500
Property and Equipment, Net	2,242,722	2,261,588
Restricted Investments	75,500	75,500
TOTAL ASSETS	\$ 3,442,897	\$ 3,378,630
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Trade	\$ 44,499	\$ 43,232
Accrued Payroll and Related Liabilities	18,587	14,137
Deferred Revenue	39,798	-
Note Payable	154,143	172,989
TOTAL LIABILITIES	257,027	230,358
NET ASSETS		
Unrestricted	2,628,076	2,534,622
Temporarily Restricted	482,294	538,150
Permanently Restricted	75,500	75,500
TOTAL NET ASSETS	3,185,870	3,148,272
TOTAL LIABILITIES AND NET ASSETS	\$ 3,442,897	\$ 3,378,630

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 57,930	\$ 53,870	\$ -	\$ 111,800
Private and Foundation Grants	342,186	200,596	-	542,782
United Methodist Donations	176,139	-	-	176,139
In-Kind Donations	574,105	-	-	574,105
United Way Allocations	701,180	139,100	-	840,280
Government Grants	1,278,997	-	-	1,278,997
Program Service Fees	101,779	-	-	101,779
Special Events	219,397	-	-	219,397
Other	36,682	-	-	36,682
Net Assets Released From Restrictions:				
United Way Funding	147,853	(147,853)	-	-
Other	301,569	(301,569)	-	-
TOTAL REVENUES AND OTHER SUPPORT	3,937,817	(55,856)	-	3,881,961
EXPENSES				
Program Services	3,462,006	-	-	3,462,006
Management and General	216,781	-	-	216,781
Fundraising and Development	165,576	-	-	165,576
TOTAL EXPENSES	3,844,363	-	-	3,844,363
CHANGE IN NET ASSETS	93,454	(55,856)	-	37,598
NET ASSETS, BEGINNING OF YEAR	2,534,622	538,150	75,500	3,148,272
NET ASSETS, END OF YEAR	\$ 2,628,076	\$ 482,294	\$ 75,500	\$ 3,185,870

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 Functional Expenses
For the Year Ended December 31, 2016

	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	\$ 363,145	\$ 255,376	\$ 220,060	\$ 386,250	\$ 252,646	\$ 1,477,477	\$ 120,718	\$ 84,576	\$ 1,682,771
Employee Benefits	68,227	41,398	36,552	63,978	45,753	255,908	24,059	13,370	293,337
Agency Insurance	10,700	11,287	14,070	10,252	8,503	54,812	4,521	1,338	60,671
Assistance to Individuals	-	-	-	168,602	73,565	242,167	1,000	-	243,167
Communication	5,335	2,240	3,501	4,487	1,960	17,523	2,656	897	21,076
Food Costs, Education Services	1,652	59,333	1,314	13,380	5,177	80,856	3,007	1,191	85,054
General Supplies	79,564	2,781	8,224	6,956	5,175	102,700	4,234	5,442	112,376
In-Kind	-	-	1,840	572,265	-	574,105	-	-	574,105
Occupancy (Bldg. and Grounds)	46,233	29,468	34,194	40,153	19,070	169,118	16,032	2,696	187,846
Other	59	1,351	1,707	3,805	1,708	8,630	2,704	7,679	19,013
Postage and Shipping	509	452	707	480	396	2,544	285	57	2,886
Printing and Publications	3,546	3,151	4,967	3,518	2,927	18,109	1,433	1,694	21,236
Prof. Employer Org. (PEO)	10,695	6,005	4,875	6,399	3,581	31,555	1,753	880	34,188
Prof. Fees and Contract Services	62,999	9,899	35,283	6,296	49,088	163,565	15,445	3,578	182,588
Professional Dues/Training	11,995	523	417	712	3,151	16,798	2,803	5,023	24,624
Program Events/Activities	-	43	13,662	3,962	27,917	45,584	190	2,854	48,628
Software Maintenance	2,115	1,630	2,547	2,332	3,426	12,050	737	4,553	17,340
Special Events	-	-	371	-	-	371	-	25,103	25,474
Travel, Vehicle, Field Trips	3,383	966	9,589	7,437	4,047	25,422	1,385	555	27,362
Total Expenses Before Depreciation	670,157	425,903	393,880	1,301,264	508,090	3,299,294	202,962	161,486	3,663,742
Depreciation	32,704	29,674	43,007	31,336	25,991	162,712	13,819	4,090	180,621
TOTAL EXPENSES	\$ 702,861	\$ 455,577	\$ 436,887	\$ 1,332,600	\$ 534,081	\$ 3,462,006	\$ 216,781	\$ 165,576	\$ 3,844,363

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
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

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 37,598	\$ 187,891
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	180,621	166,194
(Increase) Decrease in:		
Prepaid Expenses	8,563	(487)
Unconditional Promises to Give	15,526	(66,741)
Accounts Receivable	(55,415)	(153,497)
Other Receivables	(4,206)	14,933
Other Assets	(50)	(500)
Increase (Decrease) in:		
Accounts Payable, Trade	1,267	4,505
Accrued Payroll and Related Liabilities	4,450	(7,935)
Deferred Revenue	39,798	-
Net Cash Provided by Operating Activities	228,152	144,363
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(621)	(617)
Purchase of Property and Equipment	(161,755)	(97,116)
Net Cash Used by Investing Activities	(162,376)	(97,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable	(18,846)	(32,379)
Net Cash Used by Financing Activities	(18,846)	(32,379)
NET CHANGE IN CASH AND CASH EQUIVALENTS	46,930	14,251
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	385,089	370,838
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 432,019	\$ 385,089
Cash Paid During the Year for Interest	\$ 7,294	\$ 8,362

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

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2016 and 2015

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

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

Basis of Presentation

Wesley reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of Wesley and changes therein are classified and reported as follows:

- ***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, 2016 and 2015

- *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, Wesley 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

For the purposes of the statement of cash flow, Wesley considers cash in banks and short-term investments, with a maturity of three months or less, to be cash and cash equivalents.

Concentration of Credit Risk

Wesley maintains cash in deposit accounts with federally insured banks. The cash balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 of the balance. At December 31, 2016 and 2015, cash deposits in excess of FDIC limitations were \$148,401 and \$44,232, respectively.

Investments

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

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.

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 Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2016 and 2015

Unconditional promises to give represent amounts receivable from individual donors for Wesley's fundraising campaign. For the years ended December 31, 2016 and 2015, Wesley had unconditional promises to give for the campaign of \$87,850 and \$64,150, respectively. Pledges receivable are stated at the amount management expects to collect.

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, 2016 and 2015, the balance was \$13,680 and \$13,380, respectively. Pledges receivable are stated at the amount management expects to collect.

Property and Equipment

Wesley defines property and equipment as assets with an original cost of \$1,000 or more. 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; five years for automobiles; and a range of ten to thirty years for buildings.

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.

Deferred Revenue

Revenue from certain conditional grants is deferred and recognized over the periods to which the support relates. Deferred revenue has been recorded for unearned receipts in the amounts of \$39,798 and \$-0- as of December 31, 2016 and 2015, respectively.

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

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2016 and 2015

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.

Federal Income Taxes

Wesley is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

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.

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 2016 and 2015, respectively approximately \$93,061 and \$76,551 of these expenses have been allocated to programs.

Management's Review of Subsequent Events

Wesley has evaluated subsequent events through May 18, 2017, the date which the financial statements were available to be issued.

NOTE 3 – Investments

The Organization's investments totaled \$78,022 and \$77,401 for December 31, 2016 and 2015 respectively. Investment balances are comprised of restricted investments in a cash savings fund of \$75,500, for both years ended December 31, 2016 and 2015, and its related accumulated earnings of \$2,522 and \$1,901 for the years ended December 31, 2016 and 2015, respectively. These investments are managed by the Texas Methodist Foundation. During 2016 and 2015 the investments earned \$622 and \$617, 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.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 4 – Unconditional Promises to Give

Unconditional promises to give at December 31 are as follows:

	2016	2015
United Way	\$ 139,100	\$ 147,853
Bank of America	-	100,000
Houston Endowment	150,000	75,000
Other Unconditional Promises to Give	107,298	75,391
	<u>\$ 396,398</u>	<u>\$ 398,244</u>
Receivable in less than one year	\$ 246,300	\$ 344,053
Receivable in one to five years	150,098	67,571
	<u>396,398</u>	<u>411,624</u>
Total unconditional promises to give	396,398	411,624
Less allowance for uncollectible promises to give	<u>13,680</u>	<u>13,380</u>
Unconditional Promises to Give, net	<u>\$ 382,718</u>	<u>\$ 398,244</u>

NOTE 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	2016	2015
Land	\$ 73,731	\$ 73,731
Building and Improvements	3,137,068	3,101,308
Automobiles	126,271	126,271
Furniture and Fixtures	647,858	521,863
Childcare Building	415,204	415,204
Childcare Furniture and Fixtures	9,444	9,444
	<u>4,409,576</u>	<u>4,247,821</u>
Total Property and Equipment	4,409,576	4,247,821
Accumulated Depreciation	<u>(2,166,854)</u>	<u>(1,986,233)</u>
Property and Equipment, net	<u>\$ 2,242,722</u>	<u>\$ 2,261,588</u>

Depreciation expense for the years ended December 31, 2016 and 2015 amounted to \$180,621 and \$166,194, respectively.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2016 and 2015

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 \$81,091 is due in July 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	
2017	\$ 19,736
2018	20,625
2019	21,553
2020	92,229
2021	-
	<u>\$ 154,143</u>

Wesley incurred \$7,294 and \$8,362 in interest expense during the years ended December 31, 2016 and 2015, respectively.

NOTE 7 – Temporarily and Permanently Restricted Net Assets

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

	2016	2015
Restricted for Future Period	\$ 363,270	\$ 273,873
Restricted for Specific Programs	119,024	264,277
	<u>\$ 482,294</u>	<u>\$ 538,150</u>

Permanently restricted net assets at December 31, 2016 and 2015 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.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2016 and 2015

Future minimum lease payments as of December 31, 2016 are as follows:

Year Ending December 31	
2017	\$ 13,162
2018	13,162
2019	13,162
2020	13,162
2021	3,290
	<hr/>
	\$ 55,938

NOTE 9 – United Way Funding Allocation

The Organization recorded \$840,280 and \$784,398 of United Way funding allocations in revenue for the years ended December 31, 2016 and 2015, respectively, representing approximately 22% and 22% of revenues and other support for the year.

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 2016 and 2015, respectively, was \$30,367 and \$30,261.

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.

Wesley Community Center, Inc. of Houston, Texas

Notes to Financial Statements

December 31, 2016 and 2015

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

<u>December 31, 2016</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, 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>

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 2016, Wesley entered into a credit agreement with Amegy Bank which provides a revolving line of credit bearing interest at 4% at December 31, 2016. The credit line provides for a maximum borrowing limit of \$150,000, and expires on October 28, 2017. The line of credit remains unused at December 31, 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, 2016, 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 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's 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 the Organization's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 of 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 18, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Wesley Community Center, Inc. of Houston Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wesley Community Center, Inc. of Houston Texas' major federal programs for the year ended December 31, 2016. Wesley Community Center, Inc. of Houston Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wesley Community Center, Inc. of Houston Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wesley Community Center, Inc. of Houston Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wesley Community Center, Inc. of Houston Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, Wesley Community Center, Inc. of Houston Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Wesley Community Center, Inc. of Houston Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referenced to above. In planning and performing our audit of compliance, we considered Wesley Community Center, Inc. of Houston Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wesley Community Center, Inc. of Houston Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
May 18, 2017

SUPPLEMENTARY INFORMATION

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Wesley Community Center, Inc. of Houston, Texas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Pass Thru Grantor/Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program	10.558	2015-2016 2016-2017	\$ 61,172 21,133
Passed Through Houston Food Bank Emergency Food Assistance Program (Food Commodities)	10.569	2015-2016	105,031
Total U.S. Department of Agriculture			<u>187,337</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Child Care Council of Greater Houston			
Community Development Block Grants	14.218	2015-2016 2016-2017	33,879 55,770
Passed Through Alliance of Community Assistance Ministries Emergency Solutions Grant Program	14.231	WCC 2015-2016 WCC 2016 WCC 2016-2017	39,898 35,168 28,557
Passed Through Local Initiatives Support Organization Section 4 Capacity Building for Community Development and Affordable Housing	14.252	44669-019 44669-022 44669-025	9,690 153,236 16,000
Total U.S. Department of Housing and Urban Development			<u>372,197</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Department of Aging and Disability Special Programs for the Aging - Title III, Part C - Nutrition Services			
	93.045	2015-2016 2016-2017	25,378 7,549
Passed Through AVANCE Early Head Start Program	93.600	06HP0029-01 06HP0029-02	601,652 116,368
Passed Through Houston Galveston Area Council Child Welfare Services Program	93.645	74-1557575	25,547
Total U.S. Department of Health and Human Services			<u>776,494</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Emergency Food and Shelter Program	97.024		24,405
Total U.S. Department of Homeland Security			<u>24,405</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,360,433</u></u>

Wesley Community Center, Inc. of Houston, Texas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

NOTE 1 – The Organization

Wesley Community Center, Inc. of Houston, Texas (Wesley) receives federal grants to carry out its programs and services for low-income families in the Near Northside of Houston, Texas and its surrounding communities.

NOTE 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (Schedule) includes the activity of Wesley Community Center, Inc. of Houston Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the OMB Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – Non-Cash and Loans

Wesley expended federal awards in the form of non-cash food commodity assistance. There were no federal awards expended in the form of insurance and there were no federal program loans or loan guarantees outstanding at year end.

NOTE 4 – Indirect Cost

Expenditures included in the Schedule represent both direct and indirect costs. Instead of using the 10% de minimus indirect cost rate allowed under the Uniform guidance, Wesley's indirect costs are based on an indirect cost allocation plan that has been agreed upon and approved by the applicable grantor.

NOTE 5 – Relationship of the Schedule to Financial Reports Submitted to Grant Awarding Agencies

Expenditures included in the Schedule may differ from amounts reflected in the financial reports submitted to grant awarding agencies for the following reasons:

- Expenses accrued at the end of Wesley's fiscal year may not be included in the financial reports submitted to grant awarding agencies until after year end;
- Program matching costs that are reported in the financial reports submitted to awarding agencies are not included in the amounts reported in the Schedule; and
- Differences may exist between grant periods and Wesley's accounting period.

NOTE 6 – Contingencies

Grant require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by the grantors. Failure to satisfy the requirement of contract agreements could result in disallowed costs and return of funds to grantors. Management believes that Wesley is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the financial statements.

Wesley Community Center, Inc. of Houston, Texas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	No

Major Programs:

<u>Award Type</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Federal	93.600	Early Head Start Program

Dollar threshold used to distinguish between type A and type B Programs:

Federal Awards \$ 750,000

Auditee qualified as low-risk auditee? No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

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