

Wesley Community Center, Inc. of Houston, Texas
Financial Statements and Supplementary Information
For the Years Ended December 31, 2019 and 2018

CONTENTS

	Page
Independent Auditors' Report.....	1
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	6
Statements of Cash Flows	8
Notes to Financial Statements.....	9
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	23
Notes to Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs.....	26



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Wesley Community Center, Inc. of Houston, Texas
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, 2019 and 2018, 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.

Auditors' 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 auditors' 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.

To the Board of Directors of
Wesley Community Center, Inc. of Houston, Texas
Re: Independent Auditors' Report

Opinion

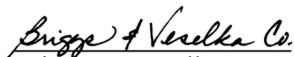
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wesley Community Center, Inc. of Houston, Texas as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Our audits were 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 April 22, 2020, 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.


Briggs & Veselka Co.
The Woodlands, Texas

April 22, 2020

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 609,120	\$ 761,322
Restricted cash	6,000	-
Investments	5,503	4,351
Prepaid expenses	9,466	16,243
Unconditional promises to give, net	129,086	219,173
Accounts receivable	179,860	93,103
Other receivables	850	-
Other assets	5,565	1,217
Property and equipment, net	1,929,895	2,070,397
Restricted investments	<u>75,500</u>	<u>75,500</u>
TOTAL ASSETS	<u>\$ 2,950,845</u>	<u>\$ 3,241,306</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable – trade	\$ 53,127	\$ 44,843
Accrued payroll and related liabilities	110,397	14,385
Deferred revenue	3,750	-
Note payable	<u>92,224</u>	<u>113,778</u>
Total liabilities	259,498	173,006
Net assets		
Without donor restrictions	2,240,169	2,516,826
With donor restrictions	<u>451,178</u>	<u>551,474</u>
Total net assets	<u>2,691,347</u>	<u>3,068,300</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,950,845</u>	<u>\$ 3,241,306</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 122,034	\$ -	\$ 122,034
Private and foundation grants	371,000	529,345	900,345
United Methodist donations	69,000	-	69,000
In-kind donations	949,519	-	949,519
United Way allocations	756,984	150,577	907,561
Government grants	790,249	58,496	848,745
Program service fees	166,401	-	166,401
Special events	111,836	-	111,836
Rent	43,635	-	43,635
Other	6,748	-	6,748
Net assets released from restrictions:			
United Way funding	177,615	(177,615)	-
Other	661,099	(661,099)	-
Total revenues and other support	<u>4,226,120</u>	<u>(100,296)</u>	<u>4,125,824</u>
Expenses			
Program services	3,658,890	-	3,658,890
Supporting services			
Management and general	583,127	-	583,127
Fundraising and development	260,760	-	260,760
Total expenses	<u>4,502,777</u>	<u>-</u>	<u>4,502,777</u>
Change in net assets	(276,657)	(100,296)	(376,953)
Net assets, beginning of year	<u>2,516,826</u>	<u>551,474</u>	<u>3,068,300</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,240,169</u></u>	<u><u>\$ 451,178</u></u>	<u><u>\$ 2,691,347</u></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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 56,313	\$ 13,463	\$ 69,776
Private and foundation grants	427,630	296,132	723,762
United Methodist donations	131,506	-	131,506
In-kind donations	564,558	-	564,558
United Way allocations	822,775	147,524	970,299
Government grants	891,555	-	891,555
Program service fees	120,965	-	120,965
Special events	212,396	-	212,396
Rent	52,232	-	52,232
Other	5,855	-	5,855
Net assets released from restrictions:			
United Way funding	136,859	(136,859)	-
Other	<u>672,784</u>	<u>(672,784)</u>	-
Total revenues and other support	4,095,428	(352,524)	3,742,904
Expenses			
Program services	3,534,309	-	3,534,309
Supporting services			
Management and general	374,643	-	374,643
Fundraising and development	<u>289,018</u>	<u>-</u>	<u>289,018</u>
Total expenses	<u>4,197,970</u>	<u>-</u>	<u>4,197,970</u>
Change in net assets	(102,542)	(352,524)	(455,066)
Net assets, beginning of year	<u>2,619,368</u>	<u>903,998</u>	<u>3,523,366</u>
NET ASSETS, END OF YEAR	<u>\$ 2,516,826</u>	<u>\$ 551,474</u>	<u>\$ 3,068,300</u>

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, 2019

	Program Services					Supporting Services			Total Expenses
	Early Head Start	Early Childhood Education	Youth	Community Assistance	Finance FOC	Total Programs	Management and General	Fundraising and Development	
Salaries and wages	\$ 334,272	\$ 255,412	\$ 198,474	\$ 198,450	\$ 374,338	\$ 1,360,946	\$ 401,372	\$ 140,412	\$ 1,902,730
Employee benefits	50,695	54,468	30,866	36,326	60,146	232,501	80,941	19,658	333,100
Agency insurance	12,196	11,066	16,038	11,686	9,692	60,678	5,153	1,525	67,356
Assistance to individuals	-	-	-	175,785	84,909	260,694	-	-	260,694
Communication	5,091	3,394	3,394	1,694	5,596	19,169	5,663	1,957	26,789
Food costs, education services	872	54,980	3,021	18,813	480	78,166	3,557	128	81,851
General supplies	16,779	1,111	2,122	5,703	2,468	28,183	5,027	1,501	34,711
In-kind	-	-	-	949,519	-	949,519	-	-	949,519
Occupancy (building and grounds)	27,080	29,690	43,708	44,678	18,553	163,709	11,296	2,805	177,810
Postage and shipping	836	557	557	155	496	2,601	629	210	3,440
Printing and publications	6,343	4,266	4,233	1,231	4,168	20,241	2,844	3,014	26,099
Professional employer org. (PEO)	12,450	9,152	7,763	6,419	10,964	46,748	14,449	3,717	64,914
Professional fees and contract services	23,707	5,971	29,705	12,381	54,031	125,795	24,771	44,073	194,639
Professional dues/training	12,090	761	3,058	7,522	10,149	33,580	1,518	346	35,444
Program events/activities	232	762	15,162	8,195	39,943	64,294	-	-	64,294
Software maintenance	3,254	2,169	2,169	603	1,928	10,123	4,217	10,486	24,826
Special events	-	-	-	-	-	-	-	21,343	21,343
Travel, vehicle, field trips	834	1,781	1,473	5,948	7,212	17,248	956	164	18,368
Other	<u>834</u>	<u>1,050</u>	<u>1,297</u>	<u>1,638</u>	<u>1,236</u>	<u>6,055</u>	<u>5,564</u>	<u>4,930</u>	<u>16,549</u>
Total expenses before depreciation	507,565	436,590	363,040	1,486,746	686,309	3,480,250	567,957	256,269	4,304,476
Depreciation	<u>35,906</u>	<u>32,579</u>	<u>47,217</u>	<u>34,403</u>	<u>28,535</u>	<u>178,640</u>	<u>15,170</u>	<u>4,491</u>	<u>198,301</u>
TOTAL EXPENSES	<u>\$ 543,471</u>	<u>\$ 469,169</u>	<u>\$ 410,257</u>	<u>\$ 1,521,149</u>	<u>\$ 714,844</u>	<u>\$ 3,658,890</u>	<u>\$ 583,127</u>	<u>\$ 260,760</u>	<u>\$ 4,502,777</u>

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, 2018

	Program Services					Supporting Services			Total Expenses
	Early Head Start	Early Childhood Education	Youth	Community Assistance	Finance FOC	Total Programs	Management and General	Fundraising and Development	
Salaries and wages	\$ 306,384	\$ 222,542	\$ 268,918	\$ 177,658	\$ 306,913	\$ 1,282,415	\$ 252,289	\$ 154,887	\$ 1,689,591
Employee benefits	52,246	39,187	42,187	28,073	60,900	222,593	47,025	25,212	294,830
Agency insurance	11,566	10,494	15,214	11,082	9,192	57,548	5,055	1,446	64,049
Assistance to individuals	-	110	-	478,112	109,166	587,388	-	-	587,388
Communication	4,495	3,000	3,007	1,493	4,863	16,858	5,601	1,516	23,975
Food costs, education services	867	55,845	427	22,756	356	80,251	3,022	488	83,761
General supplies	16,252	204	291	4,564	2,542	23,853	5,280	3,638	32,771
In-kind	-	-	-	564,558	-	564,558	-	-	564,558
Occupancy (building and grounds)	27,640	29,670	32,659	45,388	18,342	153,699	14,823	2,642	171,164
Postage and shipping	702	468	468	130	416	2,184	530	269	2,983
Printing and publications	6,366	4,244	4,339	1,266	4,119	20,334	3,321	3,499	27,154
Professional employer org. (PEO)	10,103	5,794	7,734	3,538	4,953	32,122	2,855	1,894	36,871
Professional fees and contract services	16,516	4,845	37,205	17,443	98,407	174,416	9,025	23,617	207,058
Professional dues/training	11,519	958	1,733	370	9,702	24,282	3,077	1,289	28,648
Program events/activities	199	2,114	36,486	2,973	46,556	88,328	153	122	88,603
Software maintenance	3,089	2,059	2,059	572	1,830	9,609	3,020	4,472	17,101
Special events	-	-	-	-	-	-	-	30,688	30,688
Travel, vehicle, field trips	-	920	1,221	3,259	6,335	11,735	2,331	83	14,149
Other	-	930	1,399	2,980	1,399	6,708	2,338	28,795	37,841
Total expenses before depreciation	467,944	383,384	455,347	1,366,215	685,991	3,358,881	359,745	284,557	4,003,183
Depreciation	35,260	31,993	46,368	33,785	28,022	175,428	14,898	4,461	194,787
TOTAL EXPENSES	\$ 503,204	\$ 415,377	\$ 501,715	\$ 1,400,000	\$ 714,013	\$ 3,534,309	\$ 374,643	\$ 289,018	\$ 4,197,970

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (376,953)	\$ (455,066)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	9,125	24,726
Depreciation	198,301	194,787
Investment income reinvested	(1,152)	(1,025)
Changes in operating assets and liabilities:		
Prepaid expenses	6,776	6,705
Unconditional promises to give	80,963	33,655
Accounts receivable	(86,757)	(38,363)
Other receivables	(850)	-
Other assets	(4,348)	(1,218)
Accounts payable – trade	8,284	(9,807)
Accrued payroll and related liabilities	96,012	(507)
Deferred revenue	3,750	(15,970)
Net cash from operating activities	<u>(66,849)</u>	<u>(262,083)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(57,799)</u>	<u>(63,392)</u>
Net cash from investing activities	<u>(57,799)</u>	<u>(63,392)</u>
Cash flows from financing activities		
Principal payments on note payable	<u>(21,554)</u>	<u>(20,626)</u>
Net cash from financing activities	<u>(21,554)</u>	<u>(20,626)</u>
Net change in cash, cash equivalents and restricted cash	(146,202)	(346,101)
Cash, cash equivalents and restricted cash, beginning of year	<u>761,322</u>	<u>1,107,423</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 615,120</u>	<u>\$ 761,322</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 4,585	\$ 5,514

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

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Wesley is a Houston nonprofit organization, anchored in the Near Northside, providing an array of social services to families in our neighborhood and throughout Houston. Our services include Early Head Start, childcare, after school and summer care for school-aged youth, food for struggling families, meals and activities for seniors, and a financial opportunity center for individuals to gain the skills they need to become financially stable.

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. 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.

Basis of Accounting – Wesley uses the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). 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 classifications based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Wesley and changes therein are classified and reported as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.
- **With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates – The preparation of financial statements in conformity with GAAP 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 statements of cash flows, 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. The Organization believes it is not exposed to any significant risk on its cash balances.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Investments – Investment balances represent amounts deposited with the Texas Methodist Foundation Fund. These funds are maintained by the Texas Methodist Foundation (TMF).

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 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.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy is required to prioritize the inputs used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

At December 31, 2019 and 2018, the Organization had \$75,500 of assets recorded at fair value on a recurring or nonrecurring basis.

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.

Unconditional promises to give represent amounts receivable from individual donors for Wesley’s fundraising campaign. For 2019 and 2018, Wesley had unconditional promises to give for the campaign of \$19,750 and \$34,500, 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, 2019 and 2018, the balance was \$11,150 and \$10,338, respectively.

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.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Donations of property and equipment are recorded as support at their estimated fair market value at date of donation. Such donations are reported as support without restrictions 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 support with restrictions.

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.

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 support with or without restrictions. Contributions that are restricted by the donor are reported as increases in net assets without restrictions 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 net assets with restrictions. When a restriction expires or is met, net assets with restrictions are reclassified to net assets without restrictions.

Contributed Food – Contributed food represent food received from the Houston Food Bank and is reflected in the statements of activities at their estimated fair value when received. Food received during 2019 and 2018 are valued at \$949,519 and \$564,558, respectively.

Revenue Recognition – The Organization offers high quality, affordable educational programming for young children in the Early Childhood Education (ECE) program. Wesley also offers an abundance of after school and summer activities for elementary, middle and high school children in the Youth program. Revenue is recognized from ECE and Youth program fees when related services are provided to the children. The performance obligation of delivering educational services is simultaneously received and consumed by the children.

Revenue derived from rent of property over the lease period is recognized when the Organization satisfies a performance obligation, by transferring control of property to a tenant, in an amount that reflects the consideration to which the Organization expects to be entitled for that property.

Wesley has analyzed the various provision of the FASB ASC Topic 606, Revenue From Contracts With Customers, and has concluded that no changes are necessary to conform to the new standard.

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 statements 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 statements 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 2019 and 2018, no such expenses have been allocated to programs.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019 AND 2018

Wesley's methods of allocation are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Communication (phone service)	Headcount
IT contract services	Headcount
Postage and shipping	Headcount
Printing (copier and usage)	Headcount
Depreciation	Square footage
Insurance	Square footage
Occupancy (facility overhead and janitorial supplies)	Square footage

Recently Implemented Accounting Pronouncements – In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statements of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statements of cash flows. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the not-for-profit (NFP) organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellations of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019 if the NFP is a resource recipient or a resource provider, respectively.

The effects of these pronouncements are presented in the financial statements.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 – UPCOMING RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for fiscal years beginning after December 15, 2020, for nonpublic entities.

The Organization is currently evaluating the impacts this guidance will have on its financial statements and related disclosures.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 609,120	\$ 761,322
Investments	5,503	4,351
Unconditional promises to give, net	138,736	199,453
Accounts receivable	179,860	93,103
Other receivable	<u>850</u>	<u>-</u>
Total financial assets at year-end available for general expenditures over the next 12 months	<u>\$ 934,069</u>	<u>\$ 1,058,229</u>

The Organization’s CFO monitors cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, a line of credit, and significant contributions, grants, and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those programs to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identifies the sources and uses of the Organization’s cash, cash equivalent and restricted cash for 2019 and 2018.

NOTE 4 – INVESTMENTS

The Organization’s investments totaled \$81,003 and \$79,851 for December 31, 2019 and 2018, respectively. Investment balances are comprised of restricted investments in a cash savings fund of \$75,500 for both 2019 and 2018, respectively, and its related accumulated earnings of \$5,503 and \$4,351 for 2019 and 2018, respectively. These investments are managed by the TMF.

During 2019 and 2018, the investments earned \$1,152 and \$1,025, respectively. Investments are valued on the financial statements based on quoted value provided by the TMF, but are not actively traded on the open market. Based on the nature of the fund, this is considered a Level 2 valuation input.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows at December 31:

	<u>2019</u>	<u>2018</u>
United Way	\$ 120,486	\$ 136,828
Houston Endowment	-	37,500
Other unconditional promises to give	<u>19,750</u>	<u>55,183</u>
Totals	<u>\$ 140,236</u>	<u>\$ 229,511</u>
Receivable in less than one year	\$ 138,736	\$ 199,453
Receivable in one to five years	<u>1,500</u>	<u>30,058</u>
	<u>140,236</u>	229,511
Less: allowance for uncollectible promises to give	<u>(11,150)</u>	<u>(10,338)</u>
Total unconditional promises to give, net	<u>\$ 129,086</u>	<u>\$ 219,173</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 73,731	\$ 73,731
Building and improvements	3,313,533	3,271,090
Automobiles	126,271	126,271
Furniture and fixtures	739,674	724,318
Childcare building	415,204	415,204
Childcare furniture and fixtures	<u>9,444</u>	<u>9,444</u>
	<u>4,677,857</u>	4,620,058
Less: accumulated depreciation	<u>(2,747,962)</u>	<u>(2,549,661)</u>
Total property and equipment, net	<u>\$ 1,929,895</u>	<u>\$ 2,070,397</u>

Depreciation expense for December 31, 2019 and 2018 amounted to \$198,301 and \$194,787, respectively.

NOTE 7 – 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, with final payment of \$2,325 is due in October 2023. The note is secured by a first lien security interest in land and building. The balance of the note was \$92,224 and \$113,778 at December 31, 2019 and 2018, respectively.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The note payable is scheduled for repayment as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 22,532
2021	23,575
2022	24,621
2023	<u>21,496</u>
Total	<u>\$ 92,224</u>

Wesley incurred \$4,585 and \$5,514 in interest expense during 2019 and 2018, respectively.

NOTE 8 – DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions at December 31, are presented below:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time	\$ 157,986	\$ 273,828
Subject to expenditure for specified purpose	217,692	202,146
To be held in perpetuity	<u>75,500</u>	<u>75,500</u>
Total net assets with donor restrictions	<u>\$ 451,178</u>	<u>\$ 551,474</u>

Net assets restricted to be held in perpetuity represent investments in the Endowment. In accordance with the donor restrictions, the principal balance is to be invested; earnings on the investment are not restricted and can be used for the general operations of Wesley.

NOTE 9 – 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 at December 31 are as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 13,162
2021	<u>3,291</u>
Total	<u>\$ 16,453</u>

NOTE 10 – UNITED WAY FUNDING ALLOCATION

For 2019 and 2018, the Organization recorded \$907,561 and \$970,299, respectively, of United Way funding allocations in revenue, representing approximately 22% and 26%, respectively, of revenues and other support for the years.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019 AND 2018

NOTE 11 – 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 discretionary contributions for 2019 and 2018 was \$37,236 and \$29,616, respectively.

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

NOTE 12 – 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 net assets with restrictions to be held in perpetuity. 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>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 75,500	\$ 75,500
Contributions	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 75,500</u>	<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 TMF, 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 13 – COMMITMENTS AND CONTINGENCIES

In October 2016, Wesley entered into a 12-month line of credit agreement with Amegy Bank which provides for a maximum borrowing limit of \$150,000, and an interest rate of 4.25%. The line of credit was renewed effective October 2017 for three years at the same terms, and expires in October 2020. The line of credit went unused in 2019 and 2018.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to year-end, many countries around the world, including the United States, were impacted by the coronavirus (the “virus” or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve interruptions to supply chains, unavailability of personnel, and reductions in program service fees, contributions, and grant assistance, affecting results of operations and cash flows. In addition, Wesley may be impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time, Wesley is not aware of any material risk to the financial statements and cannot quantify the extent the virus may have on Wesley’s financial information.

Wesley has evaluated subsequent events through April 22, 2020, the date which the financial statements were available to be issued.



INDEPENDENT AUDITORS' 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
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, 2019, 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 April 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entity'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 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.

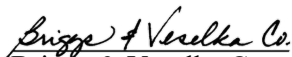
To the Board of Directors of
Wesley Community Center, Inc. of Houston, Texas
Re: Independent Auditors' Report on Internal Control

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Briggs & Veselka Co.
The Woodlands, Texas

April 22, 2020



INDEPENDENT AUDITORS' 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
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, 2019. Wesley Community Center, Inc. of Houston, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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' 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.

To the Board of Directors of
Wesley Community Center, Inc. of Houston, Texas
Re: Independent Auditors' Report on 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, 2019.

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.


Briggs & Veselka Co.
The Woodlands, Texas

April 22, 2020

SUPPLEMENTARY INFORMATION

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass Thru Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Aging Cluster			
U.S. Department of Health and Human Services Passed Through Texas Department of Aging and Disability Seniors Congregate Meals	93.045	2018-2019	\$ 25,251
Seniors Congregate Meals	93.045	2019-2020	<u>7,424</u>
Total U.S. Department of Health and Human Services			<u>32,675</u>
Total Aging Cluster			32,675
Community Development Block Grant - Entitlement Cluster			
U.S. Department of Housing and Urban Development Passed Through Child Care Council of Greater Houston Community Development Child Care Program	14.218	2018-2019 CDBG	11,878
Community Development Child Care Program	14.218	2019-2020 CDBG	<u>52,182</u>
Total U.S. Department of Housing and Urban Development			<u>64,060</u>
Total Community Development Block Grant - Entitlement Cluster			64,060
Other Programs			
U.S. Department of Agriculture Passed Through Texas Department of Agriculture Child and Adult Care Food Program	10.558	2018-2019	77,409
Child and Adult Care Food Program	10.558	2019-2020	<u>22,558</u>
Total Passed Through Texas Department of Agriculture			99,967
Passed Through Houston Food Bank Environmental Quality Incentives Program	10.912		<u>176,487</u>
Total Passed Through Houston Food Bank			<u>176,487</u>
Total U.S. Department of Agriculture			276,454
U.S. Department of Health and Human Services Passed Through AVANCE Early Head Start Program	93.600	06HP0029-04	<u>469,548</u>
Total Passed Through AVANCE			469,548
Passed Through Houston-Galveston Area Council Texas Rising Star Texas Rising Star Program	93.645	846297	<u>23,318</u>
Total Texas Rising Star Program			<u>23,318</u>
Total U.S. Department of Health and Human Services			492,866
Department of Housing and Urban Development Emergency Solution Grant Emergency Solution Grant	14.231		<u>681</u>
Total Emergency Solution Grant			<u>681</u>
Total Department of Housing and Urban Development			<u>681</u>

See accompanying notes to schedule of expenditures of federal awards.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass Thru Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of Homeland Security			
Emergency Food and Shelter National Board Program			
Emergency Food and Shelter National Board Program	97.024		<u>31,030</u>
Total Emergency Food and Shelter National Board Program			<u>31,030</u>
Total Department of Homeland Security			<u>31,030</u>
Corporation for National and Community Service			
Passed Through Local Initiatives Support Organization			
Social Innovation Fund	94.019	44669-0033	<u>100,000</u>
Total Passed Through Local Initiatives Support Organization			<u>100,000</u>
Total Corporation for National and Community Service			<u>100,000</u>
Total Other Programs			<u>901,031</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 997,766</u>

See accompanying notes to schedule of expenditures of federal awards.

WESLEY COMMUNITY CENTER, INC. OF HOUSTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 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 – NONCASH AND LOANS

Wesley expended federal awards in the form of noncash 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

Grants 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, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial statements

Type of auditors’ 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)?	No
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)?	No
Type of auditors’ 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:

Award Type	CFDA Number	Name of Federal Program or Cluster
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?	Yes
--	-----

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported