THE WORKFAITH CONNECTION

FINANCIAL STATEMENTS

DECEMBER 31, 2011

CONTENTS

HARPER & PEARSON
COMPANY, P.C. CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The WorkFaith Connection

We have audited the accompanying statement of financial position of The WorkFaith Connection (a non-profit Texas Corporation) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The WorkFaith Connection's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The WorkFaith Connection as of December 31, 2011, and the changes in its net assets and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States.

Harper & Pearson Company, P.C.

Houston, Texas
July 31, 2012

One Riverway · Suite 1000 · Houston, Texas 77056-1973 · 713.622.2310 · 713.622.5613 fax
harperpearson.com

THE WORKFAITH CONNECTION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

Cash and cash equivalents	$	155,656
Pledges receivable		188,337
Other receivables		26,290
Property and equipment, net		45,501
TOTAL ASSETS	$	415,784

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	$	17,882
Compensation liability		14,699
TOTAL LIABILITIES		32,581
NET ASSETS		
Unrestricted		244,041
Temporarily restricted		139,162
TOTAL NET ASSETS		383,203
TOTAL LIABILITIES AND NET ASSETS	$	415,784

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support and Other Revenues			
Contributions	$ 1,285,375	$ 116,662	$ 1,402,037
Contributions - In-kind	77,609	22,500	100,109
Investment income	41	-	41
Net assets released from restrictions	102,088	(102,088)	-
Total Support and Other Revenues	1,465,113	37,074	1,502,187
Expenses			
Program	1,075,735	-	1,075,735
Fundraising	153,658	-	153,658
General and administrative	115,153	-	115,153
Total Expenses	1,344,546	-	1,344,546
Change in Net Assets	120,567	37,074	157,641
Net Assets, Beginning of Year, as previously stated	289,122	-	289,122
Prior Period adjustment	(165,648)	102,088	(63,560)
Net Assets, Beginning of Year, as restated	123,474	102,088	225,562
Net Assets, End of Year	$ 244,041	$ 139,162	$ 383,203

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program	Fundraising	Management	Total
Salaries and related expenses	$ 789,209	$ 78,660	$ 95,323	$ 963,192
Professional development	4,528	359	467	5,354
Supplies	33,318	1,418	709	35,445
Printing and postage	20,543	9,184	426	30,153
Graduate support	20,988	-	-	20,988
Insurance	8,248	351	175	8,774
Marketing	7,587	10,500	65	18,152
Meetings and events	-	16,700	-	16,700
Travel	5,434	-	-	5,434
Professional and contract services	16,985	26,416	12,190	55,591
Occupancy	88,218	1,456	728	90,402
Telephone and utilities	13,542	1,192	1,240	15,974
Software and electronic equipment	16,413	4,962	1,407	22,782
Depreciation	47,935	2,289	1,479	51,703
Other	2,787	171	944	3,902
Total	$ 1,075,735	$ 153,658	$ 115,153	$ 1,344,546

See accompanying notes.

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 157,641
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	51,703
In-kind contributions of property and equipment	(16,229)
Change in operating assets and liabilities:	
Pledges receivable	(36,249)
Other receivables	(26,258)
Accounts payable and accrued expenses	(66,063)
Compensation liability	7,509
Total adjustments	(85,587)
Net cash provided by operating activities	72,054
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(1,897)
Net cash used by investing activities	(1,897)
NET INCREASE IN CASH AND CASH EQUIVALENTS	70,157
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	85,499
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 155,656

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The WorkFaith Connection (WorkFaith) was organized on February 14, 2006 as a Texas Non-Profit Corporation for the purpose of assisting men and women find and keep full-time employment.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk - Financial instruments which subject WorkFaith to concentrations of credit risk consist principally of cash and pledges and other receivables. WorkFaith places its cash with high credit quality financial institutions. Deposits with financial institutions may exceed the amount of federal deposit insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. In monitoring this credit risk, WorkFaith periodically evaluates the stability of the financial institutions.

No collateral or other security is required to support pledges and other receivables. An allowance for doubtful accounts is established as needed based upon factors surrounding the credit risk of specific donors and debtors, historical trends and other information. Management estimates that all receivables are collectible, thus no allowance for uncollectible amounts has been recorded. For the year ended December 31, 2011, 22% of contributions were received from two individuals and 13% was received from The United Way of Greater Houston. At December 31, 2011, 62% of pledges receivable were due from The United Way of Greater Houston.

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

Property and Equipment - Property and equipment are stated at cost when purchased or estimated fair market value at the date of donation. Additions greater than $1,000 individually, or $3,000 as a lot, are capitalized and depreciated using the straight-line method over the following estimated useful lives of the assets.

Leasehold improvements	5 - 20 years (life of the lease)
Vehicles	3 - 5 years
Furniture and fixtures	5 - 7 years
Electronic equipment	3 - 7 years
Software	3 - 5 years

Maintenance and repairs are expensed as incurred. When property and equipment is retired or otherwise disposed of, the cost thereof and the applicable accumulated depreciation is removed from the respective accounts and the resulting gain or loss is reflected in earnings.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions - Contributions are recorded when received or upon an unconditional promise to give from the donor. All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and an increase to the respective net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, Workfaith reports the support as unrestricted.

In-Kind Contributions - Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In addition, WorkFaith uses non-professional volunteers in order to administer many areas of the job-readiness program. While these volunteer hours do not qualify to be recorded as in-kind contributions per GAAP, they are significant in that they reduce program related salary costs that would otherwise be required were the volunteers not available. In the fiscal year ended December 31, 2011, WorkFaith estimates that volunteers served one hour for every five paid employee hours (unaudited).

Functional Expenses - Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, number of staff or other reasonable methods for allocating WorkFaith's multiple functional expenditures.

Income Taxes - WorkFaith is a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, WorkFaith is subject to taxes on unrelated business income. During 2011, there was no unrelated business income.

GAAP requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. WorkFaith believes that all significant tax positions utilized by WorkFaith will more likely than not be sustained upon examination. As of December 31, 2011, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2008 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be included in general and administrative expenses in the statement of activities.

Prior Period Adjustments - Leasehold improvements were previously amortized using the tax basis of 15 years. During 2011, WorkFaith determined that the amortization period should align with the life of the lease of approximately four years and recorded an adjustment to increase accumulated depreciation and decrease beginning net assets by $73,081. In addition, WorkFaith recorded $25,672 of property and equipment net of accumulated depreciation of $9,375. WorkFaith also reduced net assets by $6,776 for compensated absences not previously recorded.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges receivable from the United Way of Greater Houston were previously recorded as unrestricted. During 2011, WorkFaith determined that the pledges should be recorded as temporarily time restricted contributions and recorded an adjustment to increase beginning temporarily restricted net assets and decrease beginning unrestricted net assets $102,088.

NOTE B RELATED-PARTY TRANSACTIONS

WorkFaith contracts part-time hourly assistance through MEMCO, a staffing company owned and operated by the chairman of WorkFaith's Board of Directors. Expenses related to the contract labor through MEMCO during 2011 amounted to $33,274.

Additionally, during the first 6 months of 2011, MEMCO also provided drug testing and background checks for WorkFaith. MEMCO billed WorkFaith on a monthly basis for these services. Expenses related to background checks and drug tests through MEMCO in 2011 amounted to $1,439.

As of December 31, 2011, WorkFaith had outstanding accounts payable of $2,258 to MEMCO.

NOTE C PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2011 are all due in less than one year.

NOTE D PROPERTY AND EQUIPMENT

Cost of property and equipment and accumulated depreciation are as follows as of December 31, 2011:

Leasehold improvements	$ 158,799
Furniture and fixtures	18,392
Software	12,479
Electronic equipment	9,427
Vehicle	3,500
	202,597
Less accumulated depreciation	(157,096)
	$ 45,501

NOTE E IN-KIND CONTRIBUTIONS/EXPENSES

In-Kind Rent Expense

In January 2011, WorkFaith began operations at a second location in the Main Street Ministries (MSM) Building on Travis Street. This training space was provided by MSM free of rent and certain expenses including utilities, phone charges, etc. The location also came virtually fully furnished. WorkFaith determined the fair value of the lease to be $4,500 per month based on the costs they would pay for similar property. Every month, WorkFaith records a $4,500 in-kind donation and offsetting expense. Additionally, per the signed agreement, MSM agreed to give WorkFaith a minimum 6-month notice if they ever needed WorkFaith to vacate. This was treated as a 5-month pledge (with the current month representing the 6^{th} month) and was recorded as temporarily restricted revenue in 2011. This pledge receivable of $22,500 will remain in pledges receivable until the 6-month notice to vacate has been issued, at which point it will be expensed over the remaining 5 months.

Other In-Kind Expenses

Other significant in-kind expenses include software and electronic equipment donations valued at $16,229 and postage donations valued at $4,462.

NOTE F RETIREMENT PLAN

Effective January 1, 2007, WorkFaith established a 401(k) plan for all eligible employees. All employees who are age 21 and have 1 year of service are eligible to participate. The plan is a defined contribution plan and the investments are selected by the participants. WorkFaith matches 100% of the first 6% of an eligible member's pre-tax contribution. Employer and employee contributions vest immediately.

For the year ended December 31, 2011, WorkFaith contributions to the plan amounted to $10,451.

NOTE G SUBSEQUENT EVENTS

WorkFaith has evaluated subsequent events through July 31, 2012, the date the financial statements were available to be issued. Significant subsequent events are as follows:

On February 6, 2011, the Board of Directors approved a plan to move WorkFaith's headquarters to a facility owned by an entity owned by the Chairman of the Board of WorkFaith. Future rent payments under the new lease are $6,680 per month. The move was completed in May 2012.