HOUSTON AREA URBAN LEAGUE, INC.

(A Texas Nonprofit Corporation)

Annual Financial Report
Years Ended December 31, 2017 and 2016

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

DECEMBER 31, 2017 and 2016

McConnell & Jones LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Houston Area Urban League, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Houston Area Urban League, Inc. (the "Organization), a Texas nonprofit corporation, which comprise the statements of financial position as of December 31, 2017 and 2016, 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. 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, 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.

McConnell & Jones LLP

Houston, Texas
June 22, 2018

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 311,902	$ 430,314
Cash and cash equivalents, restricted	492,433	11,808
Pledges receivable	139,313	166,760
Grants receivable	267,683	312,392
Other receivables	34,770	42,345
Prepaid expenses	14,751	16,951
Total current assets	1,260,852	980,570
NONCURRENT ASSETS		
Cash, restricted	46,820	-
Certificates of deposit	252,180	507,376
Rent deposit	10,712	2,754
Property and equipment, net	2,860,233	2,952,495
Total noncurrent assets	3,169,945	3,462,625
TOTAL ASSETS	$ 4,430,797	$ 4,443,195
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 4,729	$ 51,583
Accrued expenses and other liabilities	58,723	71,054
Unearned revenue	492,433	326,616
Total current liabilities	555,885	449,253
NONCURRENT LIABILITIES		
Unearned revenue	299,000	390,242
Total noncurrent liabilities	299,000	390,242
TOTAL LIABILITIES	854,885	839,495
NET ASSETS		
Temporarily restricted	731,461	538,088
Unrestricted	2,844,451	3,065,612
Total net assets	3,575,912	3,603,700
TOTAL LIABILITIES AND NET ASSETS	$ 4,430,797	$ 4,443,195

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

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES						
Contributions:						
United Way	$ 677,127	$ -	$ 677,127	$ 608,128	$ -	$ 608,128
Others	261,285	328,299	589,584	205,941	309,285	515,226
Federal grant revenue	542,265	-	542,265	403,384	-	403,384
State and local grants	440,917	-	440,917	341,195	-	341,195
Foundation and corporate grants revenue	498,652	-	498,652	363,590	-	363,590
Fund-raising and special events	572,655	70,000	642,655	543,980	80,000	623,980
In-kind contributions	601,905	-	601,905	63,852	-	63,852
Rental income	106,612	-	106,612	97,621	-	97,621
Program fees	11,407	-	11,407	9,892	-	9,892
Interest income	1,136	-	1,136	1,388	-	1,388
Other income	53,148	-	53,148	30,933	-	30,933
Net assets released from restrictions	204,926	(204,926)	-	255,315	(255,315)	-
TOTAL REVENUES	3,972,035	193,373	4,165,408	2,925,219	133,970	3,059,189
EXPENDITURES						
Program services:						
Special projects	114,772	-	114,772	116,039	-	116,039
Education and youth services	585,790	-	585,790	521,408	-	521,408
Workforce development and training	767,287	-	767,287	630,748	-	630,748
Housing and community services	710,605	-	710,605	494,794	-	494,794
Economic development	115,222	-	115,222	139,061	-	139,061
Health initiatives	137,217	-	137,217	53,737	-	53,737
Total program services	2,430,893	-	2,430,893	1,955,787	-	1,955,787
Support services:						
Management and general	1,567,416	-	1,567,416	1,080,567	-	1,080,567
Fundraising activities	194,887	-	194,887	188,728	-	188,728
Total support services	1,762,303	-	1,762,303	1,269,295	-	1,269,295
TOTAL EXPENDITURES	4,193,196	-	4,193,196	3,225,082	-	3,225,082
CHANGE IN NET ASSETS	(221,161)	193,373	(27,788)	(299,863)	133,970	(165,893)
NET ASSETS, BEGINNING OF YEAR	3,065,612	538,088	3,603,700	3,365,475	404,118	3,769,593
NET ASSETS, END OF YEAR	$ 2,844,451	$ 731,461	$ 3,575,912	$ 3,065,612	$ 538,088	$ 3,603,700

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

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Programs Services							Support Services			
	Special Projects	Education & Youth Services	Workforce Development & Training	Housing & Community Services	Economic Development	Health Initiatives	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenditures
Payroll & related costs	$ 2,836	$ 235,745	$ 341,565	$ 459,546	$ 33,786	$ 19,672	$ 1,093,150	$ 392,445	$ -	$ 392,445	$ 1,485,595
Contract services	-	16,759	122,167	57,229	-	-	196,155	31,695	250	31,945	228,100
Professional fees	39,252	108,011	147,738	78,711	51,361	112,485	537,558	185,118	3,286	188,404	725,962
Supplies	732	34,045	9,386	10,311	-	2,328	56,802	8,205	27	8,232	65,034
Telephone & communications	7,110	3,204	4,600	3,428	245	712	19,299	28,832	141	28,973	48,272
Postage & delivery	73	1,114	431	5,678	-	-	7,296	19,187	1,007	20,194	27,490
Printing, publicity & publications	-	7,273	6,114	7,325	2,195	824	23,731	6,507	792	7,299	31,030
Occupancy costs	32,830	29,418	29,733	29,463	-	-	121,444	127,990	-	127,990	249,434
Equipment rental & maintenance	6,451	11,573	12,140	18,842	-	-	49,006	51,873	-	51,873	100,879
Travel	63	15,446	15,842	9,120	5,330	986	46,787	34,006	-	34,006	80,793
Insurance	-	105	866	3,673	-	-	4,644	14,578	-	14,578	19,222
Memberships	-	580	-	-	-	-	580	16,780	-	16,780	17,360
Staff training	-	1,590	-	1,685	236	45	3,556	1,050	-	1,050	4,606
Annual meeting expenses	-	-	-	-	-	-	-	3,206	-	3,206	3,206
Gala night & membership drive	-	-	-	-	-	-	-	-	183,791	183,791	183,791
Volunteer recognition & other meetings	1,594	68,629	20,051	7,011	19,616	165	117,066	10,684	493	11,177	128,243
Urban League national & regional	-	887	612	2,112	-	-	3,611	842	-	842	4,453
Assistance to individuals	-	40,184	56,042	16,000	2,345	-	114,571	530,511	-	530,511	645,082
Expendable equip. purchases	300	7,151	-	-	108	-	7,559	5,443	-	5,443	13,002
Interest & finance charges	-	-	-	-	-	-	-	585	-	585	585
Depreciation	23,531	-	-	-	-	-	23,531	83,941	-	83,941	107,472
Other expenses	-	4,076	-	471	-	-	4,547	13,938	5,100	19,038	23,585
Total Expenses	$ 114,772	$ 585,790	$ 767,287	$ 710,605	$ 115,222	$ 137,217	$ 2,430,893	$ 1,567,416	$ 194,887	$ 1,762,303	$ 4,193,196

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

HOUSTON AREA URBAN LEAGUE, INC.
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Programs Services							Support Services			
	Special Projects	Education & Youth Services	Workforce Development & Training	Housing & Community Services	Economic Development	Health Initiatives	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenditures
Payroll & related costs	$ 3,711	$ 227,454	$ 276,111	$ 260,572	$ 21,092	$ 7,732	$ 796,672	$ 433,480	$ -	$ 433,480	$ 1,230,152
Contract services	9,470	14,015	158,931	13,514	-	1,000	196,930	62,507	-	62,507	259,437
Professional fees	31,661	108,802	88,752	71,064	76,905	40,207	417,391	150,449	5,392	155,841	573,232
Supplies	855	20,966	3,786	4,671	130	3,461	33,869	6,217	-	6,217	40,086
Telephone & communications	4,293	2,509	3,176	2,264	35	-	12,277	36,570	45	36,615	48,892
Postage & delivery	-	869	477	3,122	-	100	4,568	2,861	1,624	4,485	9,053
Printing, publicity & publications	-	8,362	3,784	8,231	895	50	21,322	1,031	316	1,347	22,669
Occupancy costs	34,624	22,244	22,260	22,594	-	-	101,722	114,110	37	114,147	215,869
Equipment rental & maintenance	6,189	8,352	8,146	10,731	-	-	33,418	51,081	-	51,081	84,499
Travel	68	17,121	10,934	8,434	927	69	37,553	36,382	64	36,446	73,999
Insurance	872	-	-	1,352	-	-	2,224	16,254	300	16,554	18,778
Memberships	-	-	45	25	-	-	70	15,510	-	15,510	15,580
Staff training	35	375	3,000	2,682	520	-	6,612	350	-	350	6,962
Annual meeting expenses	-	-	-	-	-	-	-	1,223	-	1,223	1,223
Gala night & membership drive	-	-	-	-	-	-	-	-	173,493	173,493	173,493
Volunteer recognition & other meetings	549	56,261	1,046	7,534	19,647	1,118	86,155	10,236	157	10,393	96,548
Urban League national & regional	-	1,500	943	-	355	-	2,798	2,310	-	2,310	5,108
Assistance to individuals	-	22,954	43,327	71,871	6,445	-	144,597	3,450	-	3,450	148,047
Expendable equip. purchases	-	8,362	4,768	4,709	12,110	-	29,949	8,400	-	8,400	38,349
Interest & finance charges	-	-	-	-	-	-	-	1,578	-	1,578	1,578
Depreciation	23,712	-	-	-	-	-	23,712	83,941	-	83,941	107,653
Other expenses	-	1,262	1,262	1,424	-	-	3,948	42,627	7,300	49,927	53,875
Total Expenses	$ 116,039	$ 521,408	$ 630,748	$ 494,794	$ 139,061	$ 53,737	$ 1,955,787	$ 1,080,567	$ 188,728	$ 1,269,295	$ 3,225,082

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

HOUSTON AREA URBAN LEAGUE, INC.
(A Texas Nonprofit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (27,788)	$ (165,893)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,862	107,653
Decrease in pledges receivable	27,447	29,198
Decrease)/(increase) in grants receivable	44,709	(63,932)
Decrease in other receivables	7,575	140,799
(Increase)/decrease in prepaid expenses	(5,759)	11,059
Decrease in accounts payable	(46,853)	(22,032)
(Decrease)/increase in accrued expenses and other liabilities	(12,331)	8,090
Increase in unearned revenue	74,575	96,335
Total adjustments	197,225	307,170
Net cash provided by operating activities	169,437	141,277
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of certificate of deposit	255,196	(1,243)
Purchases of property and equipment	(15,600)	(4,477)
Net cash provided by/(used in) investing activities	239,596	(5,720)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Release of restricted cash and cash equivalents	(527,445)	91,031
Net cash (used in)/provided by financing activities	(527,445)	91,031
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(118,412)	226,588
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	430,314	203,726
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 311,902	$ 430,314
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid on borrowed funds during the year	$ 585	$ 1,578

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

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

The Houston Area Urban League, Inc. (the "Organization") is a Texas nonprofit corporation chartered by the State of Texas in 1968 and is an affiliate of the National Urban League. The Organization is also a United Way agency. The Organization was established for the purpose of providing comprehensive community and social services in the areas of education, employment, economic development, training, and housing.

The Organization's mission is to enable African-Americans and other minorities to secure economic self-reliance, parity, power and civil rights.

The Organization is supported primarily through contributions and grants from the National Urban League, United Way of Greater Houston, governmental entities, foundations, corporations and individuals.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Entities-Presentation of Financial Statements.* Under FASB ASC Topic 958-205, the Organization is required to report 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, as defined below:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization. The Organization did not have any permanently restricted net assets as of December 31, 2017 and 2016.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

In addition, the Organization is required under FASB ASC Topic 958-205 to present statements of activities, statements of functional expenses and cash flows.

<u>Revenue Recognition</u>

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of costs and commitments that are allowable for reimbursement. Revenue from contributions, donations and other sources is recognized as unrestricted or temporarily restricted revenue when received or unconditionally promised by a third party. Revenue from special events is recognized when the event is held. Interest income is recognized when earned based on the passage of time. Program income and other income are recognized when received. Conditional promises to give cash or other assets are not recognized until received.

<u>Contributions</u>

In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities - Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions.

<u>Grants Receivable</u>

Grants receivable represent pending reimbursements of program expenses incurred as of year-end, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers such receivables at December 31, 2017 and 2016 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

Pledges Receivables

Unconditional promises to give are recognized as revenues in the period received and as pledges receivable. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. It is the Organization's policy to charge off uncollectible accounts receivable against allowances when management determines the receivable will not be collected. All pledges receivable as of December 31, 2017 and 2016 were receivable within one year and considered fully collectible.

In-Kind Contributions and Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its operations. The Organization records the value of contributed services when there is an objective basis available to measure the value. During the years ended December 31, 2017 and 2016, the Organization did not have any contributed volunteer services meeting the criteria for recognition in the financial statements, and accordingly, no value was recorded.

Receipt of in-kind goods and services are presented as both revenue and expense in the accompanying financial statements and are recorded as non-cash contributions at their estimated fair value at the date of performance of service or receipt of donation. The value of such non-cash contributions that are included in the financial statements for the years ended December 31, 2017 and 2016 was $601,905 and $63,852, respectively. Non-cash contributions are primarily comprised of videography, printing of invitation letters, and other such incidental expenditures associated with the Organization's annual Equal Opportunity Day Gala, and were included as part of the fundraising and special events revenue and expense in the statements of activities.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. As of December 31, 2017 and 2016, cash equivalents amounted to $375,193 and $67,379, respectively. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Unearned Revenues

Grants received in advance of the delivery of goods or performance of services are reported as unearned revenues.

Property and Equipment

Property and equipment are generally recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are recorded 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 or maintain property and equipment are recorded as restricted contributions. At December 31, 2017 and 2016, the Organization did not have any assets with donor-imposed restrictions.

The Organization has a policy of capitalizing all expenditures for property and equipment in excess of $5,000. Property and equipment are depreciated using the straight-line method based on their estimated useful lives ranging from three to forty years. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the useful lives of assets are capitalized.

Compensable Absences

Under the Organization's policy, vacation time and sick leave are earned based on the employee's length of service and time worked in the preceding year. Any unused vacation time not taken because of business requirements may be allowed to carryover up to one week into the following year. All other earned vacation that has not been used by the employee by the end of the calendar year will lapse. Sick leave may be accumulated from one calendar year to another up to a maximum of ten (10) days. While employees are paid for unused but earned vacation time upon termination of employment, they are not paid for unused sick days. Therefore, no accrual for unused sick days is recorded in the accompanying financial statements. Earned but unused vacation time as of December 31, 2017 and 2016 has been accrued and included in accrued expenses and other liabilities in the financial statements.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a nonprofit corporation, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Federal income tax returns of the Organization for years 2014 through 2016 are still subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation expense which is based on the estimated useful lives of the underlying depreciable assets, valuation of non-cash donations of goods and services, as well as the functional allocation of expenses.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for the Organization’s 2020 annual financial statements. Management is currently evaluating the impact this update will have on the Organization’s financial statements.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which makes improvements that address certain identified issues about the current financial reporting for not-for-profit entities. This update will be effective for the Organization’s 2018 annual financial statements. Management is currently evaluating the impact this update will have on the Organization’s financial statements.

In August 2016, the FASB issued ASU 2016-15 – Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which clarified guidance on certain cash flow classification issues. This update will be effective for the Organization’s 2019 annual financial statements. Management is currently evaluating the impact this update will have on the Organization’s financial statements.

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18 – Statement of Cash Flows (Topic 230): *Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update will be effective for the Organization's 2019 annual financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

2. PROGRAM AND SUPPORTING SERVICES

The costs of providing the various programs and other activities are summarized on the accompanying statements of functional expenses. The following are some of the programs included in the accompanying financial statements:

- **Special Programs and Projects** address the Angel Lane Community Center that is currently used to service 65 families who were affected by Hurricane Katrina by supporting and assisting with self-sufficiency and stability.

- The primary goal of the **Education and Youth Services Program** is to engender the desire of individuals and families to seek the skills that empower them and their community to possess the knowledge, attitude, and values to thrive in by focusing on the areas of: quality education, emotional stability, and social success. This goal is best achieved through advocacy and direct service delivery.

Direct educational service deliveries include:

- Project Ready Youth Leadership - National Urban League Incentives to Excel and Succeed (NULITES): College and Career readiness programs for 15 to 18 year olds.
- Project Ready Youth Leadership – Managing Individual Development Leading into Transitional Education Skills (MIDLITES): College readiness programs for 11- 14 year olds.
- Project Ready Early Literacy Development – Gaining Early Needed Literacy Information to Excel & Succeed (GENLITES): Focuses on early literacy development for children from conception to 10 year olds.
- Family & Community Engagement.
- Youth Mentoring.
- Summer Youth & Literacy Programs: STEAM, Performing Arts, Digital Game Design, Summer ID, Barbara Bush Summer Camp.

- Employment and training services are provided through the **Workforce Development and Training Program** and the purpose is to help individuals become marketable, teach clients effective techniques for job searches, presentation management, interview protocol, instruct in the application process, and address employment retention with the goal of family self-sufficiency.

  Direct workforce development and training service deliveries include:

  - Employment Orientation (Basic Skills Training)
  - Job Club (Soft Skills Training)
  - Life Skills Training
  - Personal Development
  - Job Placement Assistance
  - Occupational Skills Training

- The primary goal of the **Housing and Community Services Program** is to provide safe, decent and affordable housing in the community. To accomplish this goal, the following services are provided to individuals and families in the community:

  - First time homebuyer's seminar
  - Pre-purchase counseling
  - Financial education: credit enhancement program
  - Mortgage default and foreclosure prevention counseling
  - Fair Housing Center Education and Outreach program
  - Veteran Housing/Homeless Support program

- The **Economic Development Program** primary goals are to a) encourage entrepreneurial ventures to achieve economic independence through education and gainful employment; b) provide opportunities for disadvantaged small business owners to network with successful small business owners in the community; c) provide access to capital and procurement opportunities; d) provide ongoing community support and business mentorship; and e) build self-confidence while offering solutions to problems.

- The **Health Initiatives Program** aims to increase access to quality healthcare, improve chronic disease management and prevention as well as increase access to nutritious foods for under-represented and under-served populations in the greater Houston area through: a) education; b) awareness and advocacy; c) health insurance enrollment; d) faith-based partnerships; and e) community engagement.

3. CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Organization will not be able to recover its deposits. Although the Organization does not have a formal deposit policy, it maintains demand deposits at federally insured banks and strives to spread its deposits with several banks to minimize exposure to custodial credit risk. Balances in interest bearing accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank.

The total cash and cash equivalents, including certificates of deposit, maintained by the Organization in those banks as of December 31, 2017 and 2016 were $560,390 and $570,194, respectively, which exceeded the FDIC insured amounts by $289,925 and $132,601, respectively, and was not otherwise insured. Management believes that such credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held.

The credit risk associated with grant or other receivables is limited due to the credit worthiness of the federal, state, and local funding agencies.

4. FAIR VALUE MEASUREMENTS

U.S. GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

Certain financial assets of the Organization are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Pricing inputs include significant inputs that are generally less observable or from unobservable sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial instruments measured at fair value on a recurring basis at December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	-	$252,180	-	$252,180

Financial instruments measured at fair value on a recurring basis at December 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	-	$507,376	-	$507,376

The Organization's remaining financial instruments consist of cash, receivables and accounts payables. Management believes the carrying amounts of these financial instruments approximate their fair value. Valuation techniques utilized to determine fair value are consistently applied.

5. LINE OF CREDIT

The Organization maintained a line of credit with a local bank for $250,000 bearing interest at a fixed rate of 2.60%. The Organization’s outstanding balance on this line of credit was $0 and $0, respectively, as of December 31, 2017 and 2016.

6. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment, less accumulated depreciation and amortization, as of December 31, 2017 and 2016:

	2017	2016
Land	$ 569,195	569,195
Leasehold Improvements	15,600	-
Buildings	3,858,830	3,858,830
Furniture and fixtures	204,955	204,955
Office equipment	163,945	163,945
Automobile	23,672	23,672
	4,836,197	4,820,597
Less: Accumulated depreciation and amortization	(1,975,964)	(1,868,102)
Property and equipment, net	$ 2,860,233	$ 2,952,495

Depreciation expense charged to operations was $107,862 and $107,653 for the years ended December 31, 2017 and 2016, respectively.

Building costs include $293,808 of renovation costs for the Organization's administrative building in Houston, Texas. The cost of these renovations were facilitated with the proceeds from a Community Development Block Grant that the Organization received from the City of Houston, Texas ("City"), pursuant to a grant agreement in June 2009. Per the terms of this agreement, the Organization is required to use the building as its administrative facility for a minimum period of five years from the date of such agreement and cannot sell the building during this restricted period without the prior written approval from the Director of the City's Housing and Community Development Department. In the case of an authorized sale of this building, proceeds from such sale will be treated as program income. Unauthorized sale of the building will result in a full repayment of amounts expended with grant funds. Additionally, the administration building should be used to benefit the public; at least 51% of whom must be low/moderate income persons.

7. UNEARNED REVENUE

In September 2010, the Organization entered into an agreement with Oprah's Angel Network (OAN), a nonprofit corporation located in Chicago, Illinois, and Houston Habitat for Humanity, a Texas nonprofit corporation, in which the three organizations agreed to commit resources and efforts to develop, build, operate and maintain a community center on a site in "The Village of Glen Iris subdivision," also known as the Angel Lane Community, in Houston, Texas, for the purpose of serving the residents of the Angel Lane Community. OAN granted to the Organization a total of $1,927,000 for the community center, comprised of $61,800 for the acquisition of the designated site, $1,083,909 for development and construction of the building, $542,271 for the operation of the community center for the first five years, and $239,021 for capital improvement, repair and maintenance. Per the agreement, of the sum of $1,083,909 designated for development and construction of the community center, any remaining amounts may be used by the Organization for any reasonable cause associated with the community center. OAN provided the design of the building, identified the specific site and community to be benefited by the project, and may rescind all or part of the grant if the Organization materially defaults or breaches under the agreement. In addition, the Organization does not have a variance right for the grant. The Organization has recorded the unspent balance of the grant as unearned revenue in accordance with the criteria for recording such transactions. Project construction work was completed and the center commenced operations during calendar year 2014. Project expenditures incurred as of December 31, 2017 and 2016 amounted to $91,242 and $92,001, respectively.

The balance outstanding in unearned revenue related to various projects as of December 31, 2017 and 2016 were as follows:

	2017			2016		
	Current	**Long-term**	**Total**	**Current**	**Long-term**	**Total**
Angel Lane	$ 92,352	$299,000	$391,352	$ 92,352	$390,242	$482,594
Episcopal Health	116,148	-	116,148	103,241	-	103,241
Storm Relief	-	-	-	84,106	-	84,106
Harvey Relief	236,871	-	236,871	-	-	-
Other	47,062	-	47,062	46,917	-	46,917
Total	$492,433	$299,000	$791,433	$326,616	$390,242	$716,858

8. RETIREMENT PLAN

The Organization sponsors a 403(b) Thrift Plan (the "Plan") covering all employees who have completed one year of service during any consecutive twelve-month period. In February 2008, the Organization's board of directors approved changes to the Plan effective April 1, 2008. The Organization amended the Plan to allow an employer matching contribution up to a maximum of 5% of the annual compensation of each participant actively employed at any time during the Plan year. In addition to that, the Organization may also make a discretionary contribution of up to 1% of the annual compensation of each participant actively employed at any time during the plan year. Participants are fully vested in their account balances as soon as they become participants in the Plan. The Organization's contributions to the Plan for the years ended December 31, 2017 and 2016 were $41,214 and $39,349, respectively.

9. NET ASSETS

Unrestricted net assets as of December 31, 2017 and 2016 amounted to $2,844,451 and $3,065,612, respectively, which are available to support the programs and activities of the Organization.

Temporarily restricted net assets are related to funds received from certain sources to support the Organization's program. Temporarily restricted net assets as of December 31, 2017 and 2016 were as follows:

	2017	2016
Gala	$ 120,000	$ 80,000
Technology	146,762	146,762
Special Community Projects	65,479	4,563
Project Ready	4,964	34,960
Family Literacy	7,248	7,248
STEM	-	55,500
Occupational Skills Training	-	20,000
Workforce Development and Training	188,861	84,172
Financial Literacy	38,809	16,509
First Time Homebuyers	21,159	11,365
Economic Development	122,730	74,009
Education	15,449	-
General Operations	-	3,000
Temp Restrictions	$ 731,461	$ 538,088

10. LEASE TRANSACTIONS

The Organization has entered into various non-cancellable operating lease agreements covering office space and office equipment which expire at different times through calendar year 2019. The minimum future lease payments under all non-cancelable operating leases at December 31, 2017 is as follows:

Year ending December 31,	Amount
2018	$ 200,085
2019	154,447
2020	157,197
2021	158,388
2022	164,343
Thereafter	837,201
	$ 1,671,661

Lease rental expense for the years December 31, 2017 and 2016 was $156,558 and $137,452, respectively.

Minimum future rentals to be received on non-cancellable leases as of December 31, 2017 are as follows:

Year ending December 31,	Amount
2018	$ 41,823
	$ 41,823

11. CONTINGENCIES

The Organization receives grants from federal, state and local sources that are governed by various statues and regulations and are subject to review and audit by the funding agencies. The Organization's management believes that the results of such audits will not have a material effect on the financial statements.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 22, 2018, the date the financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.