

Nehemiah Center, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2015 and 2014

Nehemiah Center, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of June 30, 2015 and 2014	2
Statement of Activities for the year ended June 30, 2015	3
Statement of Activities for the year ended June 30, 2014	4
Statements of Cash Flows for the years ended June 30, 2015 and 2014	5
Statement of Functional Expenses for the year ended June 30, 2015	6
Statement of Functional Expenses for the year ended June 30, 2014	7
Notes to Financial Statements for the years ended June 30, 2015 and 2014	8

Independent Auditors' Report

To the Board of Directors of
Nehemiah Center, Inc.:

We have audited the accompanying financial statements of Nehemiah Center, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

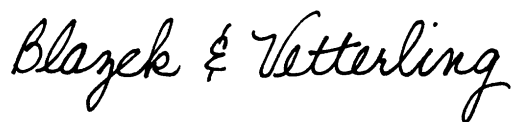
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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. Those standards require that we plan and perform our audits 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.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nehemiah Center, Inc. as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



September 16, 2015

Nehemiah Center, Inc.

Statements of Financial Position as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (<i>Note 2</i>)	\$ 391,418	\$ 464,416
Pledges receivable	51,297	49,598
Prepaid expenses and other assets	31,748	11,903
Cash designated for property maintenance	88,027	88,027
Property and equipment, net (<i>Note 3</i>)	<u>1,903,815</u>	<u>1,934,703</u>
TOTAL ASSETS	<u>\$ 2,466,305</u>	<u>\$ 2,548,647</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 80,061	\$ 85,940
Note payable (<i>Note 4</i>)	<u>226,239</u>	<u>238,488</u>
Total liabilities	<u>306,300</u>	<u>324,428</u>
Net assets:		
Unrestricted (<i>Note 5</i>)	2,042,205	2,149,623
Temporarily restricted (<i>Note 6</i>)	<u>117,800</u>	<u>74,596</u>
Total net assets	<u>2,160,005</u>	<u>2,224,219</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,466,305</u>	<u>\$ 2,548,647</u>

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Activities for the year ended June 30, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 560,825	\$ 296,970	\$ 857,795
Special events	580,187		580,187
Direct donor benefit costs – special events	(105,856)		(105,856)
Program fees	101,116		101,116
Government grants	<u>33,412</u>	<u> </u>	<u>33,412</u>
Total revenue	1,169,684	296,970	1,466,654
Net assets released from restrictions:			
Program expenditures	<u>253,766</u>	<u>(253,766)</u>	<u> </u>
Total	<u>1,423,450</u>	<u>43,204</u>	<u>1,466,654</u>
EXPENSES:			
Program services:			
Pre-kindergarten (Pre-K)	209,038		209,038
Middle school	406,090		406,090
Academic enrichment	196,695		196,695
High school	159,663		159,663
Family services	71,178		71,178
Adult literacy	61,280		61,280
Summer programs	<u>44,343</u>	<u> </u>	<u>44,343</u>
Total program services	<u>1,148,287</u>	<u> </u>	<u>1,148,287</u>
Supporting services:			
Management and general	147,147		147,147
Fundraising	<u>235,434</u>	<u> </u>	<u>235,434</u>
Total supporting services	<u>382,581</u>	<u> </u>	<u>382,581</u>
Total expenses	<u>1,530,868</u>	<u> </u>	<u>1,530,868</u>
CHANGES IN NET ASSETS	(107,418)	43,204	(64,214)
Net assets, beginning of year	<u>2,149,623</u>	<u>74,596</u>	<u>2,224,219</u>
Net assets, end of year	<u>\$ 2,042,205</u>	<u>\$ 117,800</u>	<u>\$ 2,160,005</u>

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Activities for the year ended June 30, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 664,558	\$ 251,200	\$ 915,758
Special events	585,394		585,394
Direct donor benefit costs – special events	(88,272)		(88,272)
Program fees	98,276		98,276
Government grants	<u>34,374</u>		<u>34,374</u>
Total revenue	1,294,330	251,200	1,545,530
Net assets released from restrictions:			
Program expenditures	<u>264,207</u>	<u>(264,207)</u>	
Total	<u>1,558,537</u>	<u>(13,007)</u>	<u>1,545,530</u>
EXPENSES:			
Program services:			
Pre-kindergarten (Pre-K)	203,508		203,508
Middle school	381,930		381,930
Academic enrichment	204,467		204,467
High school	173,091		173,091
Family services	69,914		69,914
Adult literacy	59,858		59,858
Summer programs	<u>48,974</u>		<u>48,974</u>
Total program services	<u>1,141,742</u>		<u>1,141,742</u>
Supporting services:			
Management and general	138,901		138,901
Fundraising	<u>244,496</u>		<u>244,496</u>
Total supporting services	<u>383,397</u>		<u>383,397</u>
Total expenses	<u>1,525,139</u>		<u>1,525,139</u>
CHANGES IN NET ASSETS	33,398	(13,007)	20,391
Net assets, beginning of year	<u>2,116,225</u>	<u>87,603</u>	<u>2,203,828</u>
Net assets, end of year	<u>\$ 2,149,623</u>	<u>\$ 74,596</u>	<u>\$ 2,224,219</u>

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statements of Cash Flows for the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (64,214)	\$ 20,391
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	53,963	55,293
Changes in operating assets and liabilities:		
Pledges receivable	(1,699)	(30,816)
Prepaid expenses and other assets	(19,845)	5,535
Accounts payable and accrued expenses	<u>(5,879)</u>	<u>39,877</u>
Net cash used by operating activities	<u>(37,674)</u>	<u>90,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(23,075)</u>	<u>(13,920)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable	<u>(12,249)</u>	<u>(11,231)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(72,998)	65,129
Cash and cash equivalents, beginning of year	<u>464,416</u>	<u>399,287</u>
Cash and cash equivalents, end of year	<u>\$ 391,418</u>	<u>\$ 464,416</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$10,591	\$11,246

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Functional Expenses for the year ended June 30, 2015

	PROGRAM SERVICES							SUPPORTING SERVICES			
	PRE-K	MIDDLE SCHOOL	ACADEMIC ENRICHMENT	HIGH SCHOOL	FAMILY SERVICES	ADULT LITERACY	SUMMER PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related benefits	\$ 155,074	\$ 305,974	\$ 116,039	\$ 72,104	\$ 54,165	\$ 50,091	\$ 27,627	\$ 781,074	\$ 65,734	\$ 149,243	\$ 996,051
Occupancy	27,064	41,688	45,590	22,657	10,104	8,354	2,607	158,064	17,266	9,816	185,146
Program supplies	15,125	33,835	16,808	8,850	3,446	181	4,745	82,990			82,990
Printing, postage and event production costs	272	833	207	650	1,045	11		3,018	8,927	70,705	82,650
College scholarships				47,742				47,742			47,742
Professional fees	508	3,856	366	205	120	65		5,120	25,815	2,484	33,419
Transportation/field trips	5,844	6,673	7,796	4,334			8,671	33,318			33,318
Family assistance	4,125	6,188	7,734	2,578	2,063	2,578	516	25,782			25,782
Other	<u>1,026</u>	<u>7,043</u>	<u>2,155</u>	<u>543</u>	<u>235</u>	<u></u>	<u>177</u>	<u>11,179</u>	<u>29,405</u>	<u>3,186</u>	<u>43,770</u>
Total expenses	<u>\$ 209,038</u>	<u>\$ 406,090</u>	<u>\$ 196,695</u>	<u>\$ 159,663</u>	<u>\$ 71,178</u>	<u>\$ 61,280</u>	<u>\$ 44,343</u>	<u>\$1,148,287</u>	<u>\$ 147,147</u>	<u>\$ 235,434</u>	1,530,868
Direct donor benefit costs – special events											<u>105,856</u>
Total											<u>\$1,636,724</u>

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Statement of Functional Expenses for the year ended June 30, 2014

	PROGRAM SERVICES								SUPPORTING SERVICES		
	PRE-K	MIDDLE SCHOOL	ACADEMIC ENRICHMENT	HIGH SCHOOL	FAMILY SERVICES	ADULT LITERACY	SUMMER PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related benefits	\$ 151,238	\$ 282,701	\$ 125,927	\$ 73,955	\$ 52,970	\$ 48,950	\$ 21,890	\$ 757,631	\$ 61,786	\$ 155,198	\$ 974,615
Occupancy	27,305	39,869	46,615	22,499	10,182	8,292	1,386	156,148	11,777	8,508	176,433
Program supplies	12,331	36,482	13,008	9,640	3,125	168	5,006	79,760			79,760
Printing, postage and event production costs	1,186	424			1,204	250		3,064	10,129	75,299	88,492
College scholarships				57,049				57,049			57,049
Professional fees	197	513	106					816	19,322	960	21,098
Transportation/field trips	7,213	11,136	10,019	7,449			20,090	55,907			55,907
Family assistance	3,517	5,275	6,594	2,198	1,758	2,198	440	21,980			21,980
Equipment			250					250	967		1,217
Other	<u>521</u>	<u>5,530</u>	<u>1,948</u>	<u>301</u>	<u>675</u>		<u>162</u>	<u>9,137</u>	<u>34,920</u>	<u>4,531</u>	<u>48,588</u>
Total expenses	<u>\$ 203,508</u>	<u>\$ 381,930</u>	<u>\$ 204,467</u>	<u>\$ 173,091</u>	<u>\$ 69,914</u>	<u>\$ 59,858</u>	<u>\$ 48,974</u>	<u>\$1,141,742</u>	<u>\$ 138,901</u>	<u>\$ 244,496</u>	1,525,139
Direct donor benefit costs – special events											<u>88,272</u>
Total											<u>\$1,613,411</u>

See accompanying notes to financial statements.

Nehemiah Center, Inc.

Notes to Financial Statements for the years ended June 30, 2015 and 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Nehemiah Center, Inc. (the Center) was founded by members of the First Presbyterian Church of Houston (the Church) in 1994 as a charitable nonprofit corporation. The Center's mission is to offer academic, emotional, cultural, social, and spiritual enrichment to children and their families residing in the Houston inner city. The healthy environment of the Center helps to build trust and a sense of community by developing long-term relationships through a process of engaging and retaining family participation year after year. The Center provides a Pre-K program to eligible children ages 3 to 5. The Academic Enrichment program follows by serving the needs of children after school in kindergarten through elementary school age. The college preparatory program for after school children is available to those who are beyond elementary school and encompasses the unique needs of middle school and high school students. In 2012, the Center opened a private middle school to serve the needs of economically disadvantaged students in grades 6, 7, and 8 with an entry class of 6th graders.

Parents are required to be active participants at the Center for their children to remain enrolled. This approach allows the Center's staff the opportunity to interface with the whole family over extended periods of time. In addition, all parents are required to volunteer at least 20 hours a semester at the Center. New families are required to attend 25 hours of Effective Parenting Classes. This requirement presents an opportunity to introduce other programs of the Center such as Life Skills for Women, Fathers & Sons, Computer Literacy, GED, English as a Second Language, and Counseling Services. These adult programs are designed to help identify and deal with the realities of the inner-city family dynamics.

Federal income tax status – The Center is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Center files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. The Center believes it is no longer subject to examinations of returns for tax years ended before June 30, 2012.

Cash equivalents are highly liquid financial instruments with original maturities of three months or less.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. At June 30, 2015, all pledges receivable are expected to be collected within one year.

Property and equipment is reported at cost if purchased or at fair value at the date of the gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 39 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or future time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions are recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit the use of the donated assets are classified as restricted revenue.

Fees for services – Program fees and government grants are recognized as revenue as services are provided.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2015</u>	<u>2014</u>
Bank deposits	\$ 336,227	\$ 409,116
Money market mutual funds	<u>55,191</u>	<u>55,300</u>
Total cash and cash equivalents	<u>\$ 391,418</u>	<u>\$ 464,416</u>

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 575,873	\$ 575,873
Buildings and improvements	1,938,008	1,914,933
Equipment	158,176	158,176
Vans and trucks	<u>102,000</u>	<u>102,000</u>
Total property and equipment, at cost	2,774,057	2,750,982
Accumulated depreciation	<u>(870,242)</u>	<u>(816,279)</u>
Property and equipment, net	<u>\$ 1,903,815</u>	<u>\$ 1,934,703</u>

NOTE 4 – NOTE PAYABLE

The Center has entered into a loan agreement with a bank for the purchase of property in the amount of \$270,000. Monthly principal and interest payments of \$1,901 (approximately \$23,000 per year) will be paid through August 2018, at which time the note will be due in full. Interest on the loan is a fixed rate of 4.5%. The loan is collateralized by property.

NOTE 5 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Property and equipment, net of debt	\$ 1,677,576	\$ 1,696,215
Board designated for property maintenance	88,027	88,027
Undesignated	<u>276,602</u>	<u>365,381</u>
Total unrestricted net assets	<u>\$ 2,042,205</u>	<u>\$ 2,149,623</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
School transportation	\$ 41,650	
Camp scholarships	28,876	\$ 23,481
Alcorn Scholarship Fund	17,209	25,251
Technology	9,275	
Mommy & Me	9,158	14,552
Other	<u>11,632</u>	<u>11,312</u>
Total temporarily restricted net assets	<u>\$ 117,800</u>	<u>\$ 74,596</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The Session of the Church approves the members of the Board of Directors of the Center and the majority of the directors are members of the Church. The Church contributed \$73,882 in 2015 and \$91,729 in 2014 to the Center, of which \$42,120 and \$27,302 came from members contributing amounts to the Church designated for the Center.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 16, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.