



Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Financial Statements
and
Independent Auditors' Report

December 31, 2014

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

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Independent Auditors' Report

Board of Directors
Women's Economic Self-Sufficiency Team, Corp
and Controlled Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST"), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the WESST's preparation and fair presentation of the consolidated 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 WESST'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WESST as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 consolidated financial statements or to the consolidated 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 15, 2015, on our consideration of the WESST's 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 the WESST's internal control over financial reporting and compliance.

Loftis Group ^{LLC}

Albuquerque, New Mexico
April 15, 2015

Financial Statements

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Consolidated Statement of Financial Position
December 31, 2014

Assets

Current Assets

Cash and cash equivalents	\$ 1,447,262
Cash held for others	140,757
Contributions receivable	180,359
Grants and accounts receivable, net	79,725
Loans receivable - current portion	331,760
Prepaid expenses	<u>21,890</u>
Total current assets	2,201,753

Restricted cash	959,655
Loans receivable - less current portion	536,270
Property and equipment, net	8,043,831
Beneficial interest in assets held by others	11,112
Deposits	<u>8,177</u>

Total assets	<u>\$ 11,760,798</u>
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Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 34,897
Accrued liabilities	37,525
Deferred revenue	219,414
Funds held for others	140,757
Notes payable - current portion	<u>269,405</u>
Total current liabilities	701,998

Deposits	16,045
Secured debt	45,161
Capital lease payable	380,744
Notes payable - less current portion	<u>589,011</u>
Total liabilities	<u>1,732,959</u>

Net assets

Unrestricted	9,888,101
Temporarily restricted	129,738
Permanently restricted	<u>10,000</u>
Total net assets	<u>10,027,839</u>

Total liabilities and net assets	<u>\$ 11,760,798</u>
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The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statement of Activities For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Grants and contracts	\$ 1,254,270	\$ -	\$ -	\$ 1,254,270
Contributions	411,317	110,000	-	521,317
In-kind contributions	311,488	-	-	311,488
WEC membership and services	250,579	-	-	250,579
Special events, net of expenses of \$21,491	142,063	-	-	142,063
Interest and loan fees	66,623	-	-	66,623
Consulting, training and other	53,970	-	-	53,970
Net assets released from restriction	36,512	(36,512)	-	-
Total support and revenue	2,526,822	73,488	-	2,600,310
Expenses				
Program services				
Business consulting and training	1,636,135	-	-	1,636,135
Financial assistance	799,485	-	-	799,485
Total program services	2,435,620	-	-	2,435,620
Supporting services				
Management and general	322,473	-	-	322,473
Fundraising	133,223	-	-	133,223
Total supporting services	455,696	-	-	455,696
Total expenses	2,891,316	-	-	2,891,316
Change in net assets	(364,494)	73,488	-	(291,006)
Net assets, beginning of year	1,986,502	7,854,548	10,250	9,851,300
Prior period adjustment	8,266,093	(7,798,298)	(250)	467,545
Net assets, beginning of year, adjusted	10,252,595	56,250	10,000	10,318,845
Net assets, end of year	\$ 9,888,101	\$ 129,738	\$ 10,000	\$ 10,027,839

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

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2014

	Business Consulting And Training	Financial Assistance	Total Program	Management and General	Fundraising	Total
Salaries	\$ 723,517	\$ 335,918	\$ 1,059,435	\$ 129,199	\$ 103,360	\$ 1,291,994
WEC In-kind facility	192,004	60,801	252,805	67,201	-	320,006
Professional services	168,069	63,330	231,399	12,179	-	243,578
Depreciation	163,342	35,002	198,344	35,002	-	233,346
IDA match contribution	-	138,393	138,393	-	-	138,393
Payroll taxes	64,285	29,221	93,506	15,195	8,182	116,883
Employee benefits	62,702	29,111	91,813	11,197	8,957	111,967
Occupancy	60,289	20,096	80,385	20,096	-	100,481
Telephone	52,165	11,178	63,343	7,452	3,726	74,521
Supplies	26,039	8,680	34,719	4,340	4,340	43,399
Repairs and maintenance	27,626	3,453	31,079	3,453	-	34,532
Travel	24,502	6,806	31,308	-	2,722	34,030
Interest	-	27,873	27,873	-	-	27,873
Insurance	14,601	4,867	19,468	4,867	-	24,335
Accounting and legal fees	5,658	3,772	9,430	9,430	-	18,860
Training	12,211	5,746	17,957	-	-	17,957
Paid to subrecipients	13,953	-	13,953	-	-	13,953
Printing and postage	5,462	1,821	7,283	910	910	9,103
Advertising	5,166	1,722	6,888	861	861	8,610
Dues and fees	5,988	2,566	8,554	-	-	8,554
Provision for loan loss	-	8,039	8,039	-	-	8,039
Equipment lease	6,087	761	6,848	761	-	7,609
Miscellaneous	2,469	329	2,798	330	165	3,293
Total expenses	<u>\$ 1,636,135</u>	<u>\$ 799,485</u>	<u>\$ 2,435,620</u>	<u>\$ 322,473</u>	<u>\$ 133,223</u>	<u>\$ 2,891,316</u>

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

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014**

Cash flows from operating activities

Cash received from grants and contracts	\$ 1,279,849
Cash received from contributions	497,124
Cash received from WEC membership and services	302,101
Cash received from special events	163,554
Interest and loan fees received	65,761
Cash paid to employees and suppliers	(2,338,424)
Interest paid	<u>(27,873)</u>
Net cash used by operating activities	<u>(57,908)</u>

Cash flows from investing activities

Purchase of equipment	(16,154)
Loan repayments	590,100
Loans issued	<u>(635,055)</u>
Net cash used by investing activities	<u>(61,109)</u>

Cash flows from financing activities

Proceeds from secured borrowings	39,901
Principal payments on secured borrowings	(53,278)
Proceeds from acquisition of notes payable	3,122
Principal payments on notes payable	<u>(217,546)</u>
Net cash used by financing activities	<u>(227,801)</u>

Net decrease in cash and cash equivalents	(346,818)
Cash and cash equivalents, beginning of year	<u>1,794,080</u>
Cash and cash equivalents, end of year	<u>\$ 1,447,262</u>

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

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Consolidated Statement of Cash Flows - continued
For the Year Ended December 31, 2014**

**Reconciliation of change in net assets to
net cash used by operating activities**

Change in net assets	<u>\$ (291,006)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	233,346
Provision for loan losses	8,039
Interest amortization	8,519
Changes in assets and liabilities	
Contributions receivable	(24,193)
Grants and accounts receivable	(1,201)
Prepaid expenses	(7,753)
Restricted cash	51,290
Beneficial interest in assets held by others	(862)
Deposits	(200)
Accounts payable	2,781
Accrued liabilities	(9,710)
Deferred revenue	(24,510)
WEC deposits	(2,448)
Total adjustments	<u>233,098</u>
Net cash used by operating activities	<u>\$ (57,908)</u>

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

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements
December 31, 2014

1) The Organization

The Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate (WESST), is a nonprofit corporation organized to assist individuals to start and grow businesses in New Mexico.

WESST Real Estate Holdings, LLC (the "Affiliate") was formed in 2009 under the New Mexico Limited Liability Company Act to engage in real estate investment and management activities. The Affiliate is intended to be a disregarded entity for federal income tax purposes. The composition of the Board of Directors for each entity is identical, and WESST is the sole member of the Affiliate. The Affiliate, may not engage in any activity that would adversely affect WESST's status as a tax-exempt organization under Section 501(c) of the Internal Revenue Code.

WESST's accomplishes its mission through the following programs:

Business Consulting and Training – Through individual and small group consultations, clients are coached in areas such as sales and marketing, production, management and finance. Group workshops are also presented on basic business topics.

Financial Assistance – A revolving loan fund for small businesses which are unable to obtain financing from banks or other traditional sources, and assistance in accessing other financial resources is available.

To accomplish the program services, WESST uses the WESST Enterprise Center (WEC) which is a 37,000 square-foot mixed-use business incubation facility accommodating up to 20 light manufacturing, service, professional and technology businesses.

WESST's major sources of revenue are federal grants, contributions and membership services.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2014

2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of WESST have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying consolidated financial statements referred to as "WESST" present the consolidated financial position, changes in net assets, cash flows and functional expenses of WESST and its Affiliate. All significant intercompany accounts and transactions have been eliminated. WESST has board control and an economic interest in the Affiliate. Accordingly, the Affiliates financial statements have been consolidated with WESST's financial statements.

WESST 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.

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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The allowance for loan losses is a significant estimate in these financial statements. It is reasonably possible that actual loan losses could differ from management's estimates of loan losses.

Financial Instruments

WESST's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable, accrued liabilities, secured debt and notes payable. WESST estimates that the fair value of all financial instruments at December 31, 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2014

2) Summary of Significant Accounting Policies — continued

Donated Services and Materials

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-20, WESST recognizes contributed services if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services are recorded at the fair value of the services on the date of donation. Donated materials are recorded at fair value on the date of donation.

Support

WESST reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or specify the time period for which the assets may be expended. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits at banks, money market funds and savings accounts at financial institutions. For purposes of the statement of cash flows, WESST considers all unrestricted highly liquid investments to be cash equivalents and excludes restricted cash.

In accordance with certain agreements, WESST maintains separate cash and cash equivalent accounts for Individual Development Accounts (IDA) custodial accounts and the fiscal agent relationship and various loan loss reserve accounts related to the loan program.

Restricted Cash and Cash Held For Others

Restricted cash is cash that WESST has received from the Small Business Investment Corporation (SBIC) and various federal agencies which require the cash to be held for the loan program and related loan loss reserve accounts. This amount was approximately \$960,000 at December 31, 2014.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2014

2) Summary of Significant Accounting Policies — continued

Restricted Cash and Cash Held For Others - continued

WESST is also the fiscal agent for another entity and is the custodian of a number of IDA participant accounts. This cash held for others was approximately \$141,000 at December 31, 2014. The amount held as a fiscal agent was approximately \$19,000 and the amount held as a custodian was approximately \$122,000.

Loans Receivable

Loans receivable are carried at face value, adjusted by an allowance for loan losses. WESST classifies loans receivable as current if maturity is one year or less. Interest income on loans receivable is recorded monthly. Related loan fees required at closing are minimal, and as such, are recorded as income when the loan is disbursed.

Loans are collateralized by any combination of the following: deposit accounts, real estate, inventory, accounts receivable, furniture, equipment, vehicles, and assignment of contracts and life insurance policies. WESST's access to collateral is determined by legal collection proceedings.

Loans are recorded when funds are disbursed. Collectability of loans receivable is evaluated weekly and the loan loss reserve is adjusted accordingly.

The accrual of interest is discontinued on loans evaluated to be potentially uncollectible. Interest accrual resumes when certainty of repayment is determined. Loans are written off as uncollectible only after collateral has been satisfied and all legal action for recovery is exhausted. Loans are determined to be delinquent based on the number of days required payments are past due.

Allowance for Loan Losses

WESST provides a valuation allowance for estimated losses on loans when a significant and permanent decline in value occurs or is anticipated. The allowance for loan losses is based on established guidelines for loan grades, which specify reserve requirements. The factors that influence reserve requirements include available borrower financial information, period of payment delinquency, and borrower responsiveness. WESST management calculates an estimate for loan losses based on these factors.

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Notes to Consolidated Financial Statements
December 31, 2014

2) Summary of Significant Accounting Policies — continued

Receivables

Grants and accounts receivable are primarily for cost-reimbursement governmental grants. Contributions receivable consist of amounts due from foundations and similar organizations. An allowance for doubtful accounts is based on an analysis of expected collections as determined from past history and management experience. No allowance was considered necessary as of December 31, 2014.

Property and Equipment

Purchased property and equipment is stated at cost. Property and equipment received by donation is recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, WESST reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. WESST reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated property in excess of \$5,000 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from five to forty years.

Income Taxes

WESST is a nonprofit organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. WESST regularly evaluates activities as it relates to its tax exempt status. If WESST activities are determined to be outside of its tax exempt status the potential exists for tax liabilities on those unrelated activities. Currently, WESST engages in no activities that resulted in unrelated business income. Accordingly, no provision for income taxes has been reflected in WESST's financial statements. WESST's income tax filings are subject to audit by various taxing authorities. WESST's open audit periods are for the years ended December 31, 2011 and thereafter.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2014

2) Summary of Significant Accounting Policies — continued

Advertising Costs

Marketing and public relations costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated amount the programs and support services benefited. Expenses are charged directly to program and supporting services based on specific identification. Costs benefiting more than one service are allocated based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

Subsequent Events

Subsequent events were evaluated through April 15, 2015, which is the date the financial statements were available to be issued.

3) **Loans Receivable**

WESST had loans receivable of approximately \$868,000, net of allowance for loan losses, at December 31, 2014.

Changes in the allowance for loan losses for the year ended December 31, 2014, is as follows:

Balance at beginning of year	\$	72,271
Loans charged-off		(4,829)
Provision for loan losses		8,039
Total	\$	<u>75,481</u>

Loan balances of approximately \$6,900 had loan payments past due more than thirty-one days as of December 31, 2014. Additionally, loans of approximately \$342,000 had original principal repayment terms modified during 2014.

There were no loan balances on nonaccrual status as of December 31, 2014. Loan balances past due more than ninety days and still accruing interest were approximately \$4,000 at December 31, 2014.

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Notes to Consolidated Financial Statements
December 31, 2014**

3) Loans Receivable — continued

Because of the inherent uncertainties in estimating the allowance for doubtful loans and accounts, it is at least reasonably possible that the estimates used will change within the near term.

4) **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following as of December 31, 2014:

Parking lot naming rights	\$ 45,893
Veterans suite	38,845
Microbusiness solutions	25,000
Women's self-sufficiency	10,000
Other	10,000
Total	<u>\$ 129,738</u>

5) **Net Assets Released from Restriction**

Net assets released from restriction consist of the following for the years ended December 31, 2014:

Parking lot naming rights	\$ 10,357
Veterans suite	16,155
Women's self-sufficiency	10,000
Total	<u>\$ 36,512</u>

6) **Donated Assets, Materials and Services**

As of December 31 2014, WESST recorded the following in donated assets, materials and services:

Facilities	\$ 154,870
Professional and consulting services	133,246
Equipment, supplies and materials	23,372
	<u>\$ 311,488</u>

Donated materials and services were primarily used in WEC operations.

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Notes to Consolidated Financial Statements
December 31, 2014**

7) Property and Equipment

Property and equipment consists of the following at December 31, 2014:

WEC capital lease	\$ 6,174,940
Building	2,337,922
Land improvements	17,138
Furnishing, fixtures and equipment	325,374
Leashold improvements	115,849
	<hr/>
	8,971,223
Less accumulated depreciation	1,153,105
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	7,818,118
Land	225,713
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Property and equipment, net	<u>\$ 8,043,831</u>

8) Retirement Plan

WESST has a retirement savings plan for its employees. This plan allows participants to make contributions by salary reduction pursuant to Section 408(a) SIMPLE-IRA, of the Internal Revenue Code. Employer contributions are required. Under the terms of the Plan, WESST will match employee contributions up to 3% of compensation. The amount elected to be deferred by the employee cannot exceed the limitations prescribed by law. Employees vest immediately in all employer contributions. WESST's matching expense for 2014 was approximately \$21,000.

9) Secured Debt

WESST has a memorandum of agreement with the New Mexico Small Business Investment Corporation (NMSBIC) to cooperatively fund business loans to New Mexico's artisan community. WESST has complete discretion over the loan portfolio and WESST is responsible for the administration of the program. The NMSBIC agrees to purchase up to 75% of the loan principal disbursed by WESST, up to maximum of \$375,000. WESST pays interest to the NMSBIC at an annual rate of 3% of the outstanding principal balance of funds provided by the NMSBIC. Loan losses within the portfolio are shared 75% by the NMSBIC and 25% by WESST. As WESST collects payments on the loans, it repays 75% of the principal to the NMSBIC. As of December 31, 2014 the outstanding principal balance of funds provided by the NMSBIC to this program was approximately \$45,000.

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Notes to Consolidated Financial Statements
December 31, 2014

10) Notes Payable

The following is a summary of notes payable related to loan programs as of December 31, 2014:

Note payable to Dakota Foundation, unsecured with Interest installments due quarterly at 2.5% and maturing December 18, 2015.	\$ 50,000
Loan agreement with the U.S. Department of Agriculture, for twenty years payable in 216 installments beginning May 30, 2014, including interest at 2.00%, with final payments due May 30, 2034. Secured by related loans receivable, property and loss reserve funds.	99,926
Note payable to U.S. Small Business Administration, due in monthly installments of \$5,502, including interest ranging from 2.375% to 4.375%, with final payments due March 1, 2016. Secured by loans receivable and loss reserve funds.	80,382
Note payable to U.S. Small Business Administration, due in monthly installments of \$6,132, including interest ranging from 2.375% to 4.375%, with final payments due December 19, 2017. Secured by loans receivable and loss reserve funds.	196,473
Note payable to U.S. Small Business Administration, due in monthly installments of \$7,893, including interest ranging from 1.25% to 2.5%, with final payments due October 14, 2019. Secured by loans receivable and loss reserve funds.	<u>431,635</u>
Notes payable	858,416
Less current portion	<u>269,405</u>
Notes payable - less current portion	<u><u>\$ 589,011</u></u>

**Women’s Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Notes to Consolidated Financial Statements
December 31, 2014

10) Notes Payable – continued

Future principal payments on the notes payable are as follows:

<u>Year ending December 31,</u>	
2015	\$ 269,405
2016	175,043
2017	162,171
2018	95,686
2019	81,574
Thereafter	<u>74,537</u>
	<u>\$ 858,416</u>

11) **Capital Lease**

In December 2008, the construction of the WESST Enterprise Center (WEC) was completed and WESST took occupancy of the building. The WEC is a 37,000 square foot business incubation facility and is designated to house and support local start-up businesses. The construction was a collaborative effort between WESST and the City of Albuquerque (City), with funds for construction provided by both public and private sources. All public funds related to construction and equipping the WEC were received by the city, managed by the City and disbursed by the City. The estimated cost of the building, including land, is approximately \$8,750,000.

The Local Economic Development Act Project Participation Agreement (LEDA Agreement), signed by WESST and the City in November 2010, established the arrangement regarding the use and ownership of the WEC (this agreement supercedes two prior agreements between WESST and the City, signed in 2004 and 2006, respectively). The LEDA Agreement establishes that the City is the owner of record of the building and the land (excluding a portion of the parking lot at 205 Roma, NE which was purchased directly by WESST in 2010), and the City agrees to lease the property to WESST for a minimum period of 20 years at \$1.00 per year, primarily in exchange for economic development activities, the key deliverable of which is job creation.

The LEDA Agreement provides an option for WESST to take ownership of the property at any time during the lease term by utilizing: 1) WESST’ equity interest in the WEC, b) the Local Economic Development Act process, c) cash or other means of financing, or d) any combination of the aforementioned. WESST’s

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements

December 31, 2014

11) Capital Lease – continued

equity interest in the WEC is measured based on variables outlined in the agreement, such as, the value of “direct jobs created” and “contributions made” by WESST (e.g., development costs, cash contributions, federal funding, leasehold improvements, etc.)

As of December 31, 2010, WESST had earned enough equity interest to take ownership of the WEC. If and when WESST decides to take ownership of the WEC, the LEDA agreement also states that WESST will repay to the City a \$1,364,000 Urban Development Action Grant (UDAG) loan which was used to purchase the land for the WEC. Per the LEDA Agreement, WESST may “repay” a portion of the UDAG loan with the value of direct new jobs created. At a minimum, if WESST assumes ownership of the WEC, WESST will repay \$500,000 of the original UDAG loan in cash to the City. The \$500,000 repayment is structured at zero percent interest in 25 equal annual installments beginning one year from the day WESST assumes ownership of the WEC. Pursuant to the LEDA Agreement, if WESST does not take ownership of the WEC, the UDAG loan will not be repaid by WESST pursuant to LEDA Ordinance F/S-0-04-10.

Because the LEDA Agreement and prior agreements between the City and WESST have included opportunities for WESST to acquire ownership of the WEC for a purchase price that is significantly less than fair market value, management considered the lease agreements to contain a bargain purchase option, and the lease was recorded as a capital lease. As of December 31, 2014, the capital lease payable is recorded at the present value of future minimum lease payments for the amount owed to the City of approximately \$381,000, assuming an interest rate of 3.5% over a period of twenty-one years.

In the event that the City or WESST invests capital into the WEC in the future, the equity in the WEC will adjust accordingly.

For the purposes of recording the in-kind interest on the capital lease, management assumes a 3.5% interest rate, which resulted in in-kind interest of approximately \$8,500 for the year ended December 31, 2014. Management records the in-kind value of the WEC donated space at \$18 per square foot, resulting in \$129,292 of in-kind revenue and expense for the year ended December 31, 2014.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2014

12) Concentrations

WESST maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these cash balances may exceed the insured limits of the FDIC. WESST has not experienced any losses in these cash accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

WESST receives a significant portion of its revenues from one federal grant. For the year ended December 31, 2014, approximately 28% of total revenue was from this federal grant.

13) Related Parties

Three members of the WESST Board of Directors are employed at local banking institutions where WESST maintains accounts.

14) Prior Period Adjustments

Certain errors resulting in a misstatement of unrestricted, temporarily restricted and permanently restricted net assets as well as a misstatement of federal grant revenue and the amount recorded as the capital lease payable were discovered during the current year:

A reduction of temporarily restricted net assets and permanently restricted net assets of approximately \$7,799,000 was made and unrestricted net assets were increased. This adjustment was the result of balances inappropriately restricted for property and programs, for which the initial receipt of funds was not a contribution or for which the contribution restriction was met prior to December 31, 2012.

An adjustment for federal grant revenue recorded in a previous year of approximately \$236,000 was recorded as deferred revenue and a corresponding adjustment was made to reduce previously reported net assets. This adjustment was the result of federal grant revenue that had not been used for its intended purpose by WESST, however the grant revenue had inappropriately been recognized as income prior to December 31, 2013.

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Notes to Consolidated Financial Statements
December 31, 2014

14) Prior Period Adjustment – continued

A decrease of the capital lease payable of approximately \$703,000 was recorded and a corresponding adjustment was made to increase previously reported net assets. This adjustment was the result of recognizing that the capital lease payable was not required to be made, due to the fact stipulations in the lease were met prior to December 31, 2012.

Schedule of Expenditures of Federal Awards

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

<u>Grantor Agency/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Small Business Administration		
Women's Business Ownership Assistance	59.043	716,534
U.S. Small Business Administration Microloan Program	59.046	168,160
Microloan Program - Intermediary Lender (Loan Capital)	59.000	708,490
Prime	59.049	4,982
U.S. Department of Health and Human Services		
Refugee and Entrant Assistance	93.576	194,385
Department of the Treasury		
CDFI Fund	21.020	3,224
U.S. Department of Agriculture		
Rural Microentrepreneur Assistance Program	10.870	129,623
Rural Community Development Initiative	10.446	13,658
Rural Business Enterprise Grant	10.769	5,255
Total federal expenditures		<u>\$ 1,944,311</u>

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal programs of Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST") reporting entity as described in Note 1 to the consolidated financial statements. All federal awards received from federal agencies are included on the schedule.

2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 2 to WESST's consolidated financial statements.

3) Federal Loan Programs

The federal loan programs listed below are administered directly by WESST and balances and transactions relating to these programs are included in WESST's consolidated financial statements. Loans made during the year and beginning of year loan balances which require continued compliance monitoring are included in the federal expenditures presented in the schedule of expenditures of federal awards. The federal expenditures and loan balances at December 31, 2014 consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>SEFA Federal Expenditures</u>	<u>Outstanding Loan Balance at December 31, 2014</u>
59.000	Microloan Program - Intermediary Lender (Loan Capital)	708,490	708,490
10.870	Rural Microentrepreneur Assistance Program	129,623	99,926

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*

Board of Directors
Women's Economic Self-Sufficiency Team, Corp
and Controlled Affiliate

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 consolidated financial statements of the Women's Economic Self-Sufficiency Team, Corp (WESST) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WESST'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 WESST's internal control. Accordingly, we do not express an opinion on the effectiveness of WESST'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of WESST'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WESST's consolidated 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 WESST's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WESST's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loftis Group LLC

Albuquerque, New Mexico
April 15, 2015

Independent Auditors' Report on Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133

Board of Directors
Women's Economic Self-Sufficiency Team, Corp
and Controlled Affiliate

Report on Compliance for the Major Federal Program

We have audited Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate (WESST) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of WESST's major federal programs for the year ended December 31, 2014. WESST's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for WESST's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 WESST's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of WESST's compliance.

Unmodified Opinion on Compliance for the Major Federal Program

In our opinion, WESST complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of WESST is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WESST's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 OMB Circular A-133, 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 WESST's 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Loftis Group ^{uc}

Albuquerque, New Mexico
April 15, 2015

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Schedule of Findings and Questioned Costs
December 31, 2014

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	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 section 510(a) of Circular A-133?	No
Instances when the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit findings?	No

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Schedule of Findings and Questioned Costs - continued
December 31, 2014

Section I — Summary of Auditors' Results — continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
59.043	Women's Business Ownership Assistance (OWBO)

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Schedule of Findings and Questioned Costs - continued
For the Year Ended December 31, 2014**

Section II — Financial Statement Findings

None

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014**

Section III — Federal Award Findings and Questioned Costs

None

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2014**

Summary Schedule of Prior Year Audit Findings

None