



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

Financial Statements  
and  
Independent Auditors' Report

December 31, 2016 and 2015

# 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 the Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST") (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 19, 2017, on our consideration of 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 WESST's internal control over financial reporting and compliance.

Loftis Group <sup>LLC</sup>

Albuquerque, New Mexico  
April 19, 2017

## Financial Statements

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

## Consolidated Statements of Financial Position December 31,

	2016	2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 987,366	\$ 1,094,347
Cash held for others	32,947	18,458
Contributions receivable - current portion	263,441	144,141
Grants and accounts receivable, net	310,113	107,231
Loans receivable - current portion	346,032	447,480
Prepaid expenses	24,057	21,921
Total current assets	1,963,956	1,833,578
Restricted cash	954,161	1,019,799
Contributions receivable - noncurrent	331,789	99,800
Loans receivable - less current portion, net	301,873	431,951
Property and equipment, net	7,630,405	7,841,289
Investment	15,000	-
Beneficial interest in assets held by others	11,293	10,615
Deposits	7,721	7,696
Total assets	\$ 11,216,198	\$ 11,244,728
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 29,850	\$ 16,052
Accrued liabilities	58,821	61,723
Deferred revenue	64,550	-
Funds held for others	32,947	18,458
Notes payable - current portion	118,775	182,822
Total current liabilities	304,943	279,055
Deposits	13,946	17,995
Secured debt	73,306	101,355
Capital lease payable	397,782	389,263
Notes payable - less current portion	462,976	649,103
Total liabilities	1,252,953	1,436,771
Net assets		
Unrestricted	9,154,223	9,520,557
Temporarily restricted	799,022	277,400
Permanently restricted	10,000	10,000
Total net assets	9,963,245	9,807,957
Total liabilities and net assets	\$ 11,216,198	\$ 11,244,728

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Government grants and contracts	\$ 1,148,383	\$ -	\$ -	\$ 1,148,383
Contributions	353,403	688,094	-	1,041,497
In-kind contributions	366,486	-	-	366,486
WEC membership and services	272,125	-	-	272,125
Special events, net of expenses of \$23,989	148,411	-	-	148,411
Consulting, training and other	102,259	-	-	102,259
Interest and loan fees	58,536	-	-	58,536
Net assets released from restriction	166,472	(166,472)	-	-
Total support and revenue	2,616,075	521,622	-	3,137,697
<b>Expenses</b>				
Program services				
Business consulting and training	1,811,082	-	-	1,811,082
Financial assistance	699,046	-	-	699,046
Total program services	2,510,128	-	-	2,510,128
Supporting services				
Management and general	307,036	-	-	307,036
Fundraising	165,245	-	-	165,245
Total supporting services *	472,281	-	-	472,281
Total expenses	2,982,409	-	-	2,982,409
Change in net assets	(366,334)	521,622	-	155,288
Net assets, beginning of year	9,520,557	277,400	10,000	9,807,957
<b>Net assets, end of year</b>	<b>\$ 9,154,223</b>	<b>\$ 799,022</b>	<b>\$ 10,000</b>	<b>\$ 9,963,245</b>

\* - Total expenses includes non-cash depreciation expense of \$227,218

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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Government grants and contracts	\$ 1,545,359	\$ -	\$ -	\$ 1,545,359
Contributions	288,062	257,400	-	545,462
In-kind contributions	378,432	-	-	378,432
WEC membership and services	249,051	-	-	249,051
Special events, net of expenses of \$21,161	104,189	-	-	104,189
Consulting, training and other	60,703	-	-	60,703
Interest and loan fees	65,498	-	-	65,498
Net assets released from restriction	<u>109,738</u>	<u>(109,738)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,801,032</u>	<u>147,662</u>	<u>-</u>	<u>2,948,694</u>
<b>Expenses</b>				
Program services				
Business consulting and training	1,794,912	-	-	1,794,912
Financial assistance	<u>874,857</u>	<u>-</u>	<u>-</u>	<u>874,857</u>
Total program services	<u>2,669,769</u>	<u>-</u>	<u>-</u>	<u>2,669,769</u>
Supporting services				
Management and general	325,202	-	-	325,202
Fundraising	<u>173,605</u>	<u>-</u>	<u>-</u>	<u>173,605</u>
Total supporting services *	<u>498,807</u>	<u>-</u>	<u>-</u>	<u>498,807</u>
Total expenses	<u>3,168,576</u>	<u>-</u>	<u>-</u>	<u>3,168,576</u>
Change in net assets	(367,544)	147,662	-	(219,882)
Net assets, beginning of year	<u>9,888,101</u>	<u>129,738</u>	<u>10,000</u>	<u>10,027,839</u>
<b>Net assets, end of year</b>	<u>\$ 9,520,557</u>	<u>\$ 277,400</u>	<u>\$ 10,000</u>	<u>\$ 9,807,957</u>

\* - Total expenses includes non-cash depreciation expense of \$232,542.

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, 2016

	Business Consulting And Training	Financial Assistance	Total Program	Management and General	Fundraising	Total
Salaries	\$ 772,940	\$ 345,062	1,118,002	\$ 131,123	\$ 131,123	\$ 1,380,248
WEC In-kind facility	219,603	68,401	288,004	72,001	-	360,005
Professional services	225,477	81,992	307,469	-	7,884	315,353
Depreciation	159,052	34,083	193,135	34,083	-	227,218
Employee benefits	78,075	37,692	115,767	9,423	9,423	134,613
Payroll taxes	73,151	33,011	106,162	12,940	12,940	132,042
Occupancy	55,663	18,554	74,217	18,554	-	92,771
Telephone	69,487	17,372	86,859	4,572	-	91,431
Supplies	30,032	10,657	40,689	3,875	3,875	48,439
Travel	30,356	8,204	38,560	2,461	-	41,021
Repairs and maintenance	24,701	3,088	27,789	3,088	-	30,877
Insurance	16,521	5,084	21,605	3,813	-	25,418
Training	16,051	7,554	23,605	-	-	23,605
Accounting and legal fees	9,197	4,598	13,795	9,197	-	22,992
Dues and fees	12,682	5,435	18,117	-	-	18,117
Interest	-	9,646	9,646	-	-	9,646
Equipment lease	4,624	1,708	6,332	783	-	7,115
Paid to subrecipients	6,667	-	6,667	-	-	6,667
Advertising	4,318	1,314	5,632	626	-	6,258
IDA match contribution	-	4,750	4,750	-	-	4,750
Printing and postage	2,485	841	3,326	497	-	3,823
Total expenses	<u>\$ 1,811,082</u>	<u>\$ 699,046</u>	<u>\$ 2,510,128</u>	<u>\$ 307,036</u>	<u>\$ 165,245</u>	<u>\$ 2,982,409</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 Functional Expenses For the Year Ended December 31, 2015

	Business Consulting And Training	Financial Assistance	Total Program	Management and General	Fundraising	Total
Salaries	\$ 734,632	\$ 333,924	\$ 1,068,556	\$ 133,569	\$ 133,569	\$ 1,335,694
WEC In-kind facility	236,040	73,521	309,561	77,390	-	386,951
Professional services	208,354	78,510	286,864	-	15,098	301,962
Depreciation	162,779	34,881	197,660	34,882	-	232,542
Employee benefits	70,539	34,053	104,592	12,162	4,865	121,619
Payroll taxes	70,742	32,156	102,898	12,862	12,862	128,622
Occupancy	57,856	19,285	77,141	19,285	-	96,426
Telephone	71,238	17,097	88,335	4,750	1,900	94,985
Supplies	53,287	20,627	73,914	8,595	3,438	85,947
Travel	24,290	6,565	30,855	1,969	-	32,824
Repairs and maintenance	28,818	3,602	32,420	3,602	-	36,022
Insurance	16,378	5,039	21,417	3,780	-	25,197
Training	15,690	7,383	23,073	-	-	23,073
Accounting and legal fees	9,181	4,591	13,772	9,181	-	22,953
Dues and fees	14,609	6,261	20,870	-	-	20,870
Interest	-	18,461	18,461	-	-	18,461
Equipment lease	5,807	1,996	7,803	907	363	9,073
Advertising	6,534	2,250	8,784	1,071	857	10,712
IDA match contribution	-	170,425	170,425	-	-	170,425
Printing and postage	4,268	1,377	5,645	688	551	6,884
Miscellaneous	3,870	611	4,481	509	102	5,092
Provision for loan loss	-	2,242	2,242	-	-	2,242
Total expenses	<u>\$ 1,794,912</u>	<u>\$ 874,857</u>	<u>\$ 2,669,769</u>	<u>\$ 325,202</u>	<u>\$ 173,605</u>	<u>\$ 3,168,576</u>

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

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

### Consolidated Statements of Cash Flows For the Years Ended December 31,

	2016	2015
<b>Cash flows from operating activities</b>		
Cash received from grants and contracts	\$ 1,075,689	\$ 1,238,295
Cash received from contributions	675,208	481,880
Cash received from WEC membership and services	370,335	311,704
Cash received from special events	172,400	125,680
Interest and loan fees received	57,858	65,995
Cash paid to employees and suppliers	(2,399,371)	(2,537,332)
Interest paid	(9,646)	(25,197)
Net cash used by operating activities	(57,527)	(338,975)
<b>Cash flows from investing activities</b>		
Purchase of equipment	(16,334)	(30,000)
Loan repayments	539,719	554,337
Loans issued	(294,616)	(567,980)
Net cash provided (used) by investing activities	228,769	(43,643)
<b>Cash flows from financing activities</b>		
Proceeds from secured borrowings	-	102,879
Principal payments on secured borrowings	(28,049)	(46,685)
Proceeds from acquisition of notes payable	-	250,000
Principal payments on notes payable	(250,174)	(276,491)
Net cash provided (used) by financing activities	(278,223)	29,703
Net decrease in cash and cash equivalents	(106,981)	(352,915)
Cash and cash equivalents, beginning of year	1,094,347	1,447,262
<b>Cash and cash equivalents, end of year</b>	<b>\$ 987,366</b>	<b>\$ 1,094,347</b>

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

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

**Consolidated Statements of Cash Flows - continued  
For the Years Ended December 31,**

	2016	2015
<b>Reconciliation of change in net assets to net cash used by operating activities</b>		
Change in net assets	<u>\$ 155,288</u>	<u>\$ (219,882)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	227,218	232,542
Provision for loan losses	(13,577)	2,242
Interest amortization	8,519	8,519
Donated investments	(15,000)	-
Changes in assets and liabilities		
Contributions receivable	(351,289)	(63,582)
Grants and accounts receivable	(202,882)	(27,506)
Prepaid expenses	(2,136)	(31)
Restricted cash	65,638	(60,144)
Beneficial interest in assets held by others	(678)	497
Deposits	(25)	481
Accounts payable	13,798	(18,845)
Accrued liabilities	(2,902)	24,198
Deferred revenue	64,550	(219,414)
WEC deposits	(4,049)	1,950
Total adjustments	<u>(212,815)</u>	<u>(119,093)</u>
Net cash used by operating activities	<u>\$ (57,527)</u>	<u>\$ (338,975)</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, 2016 and 2015

### 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 twenty 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, 2016 and 2015**

### **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 Affiliate's 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, temporarily restricted 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, 2016 and 2015 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, 2016 and 2015

### 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 estimated 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 restriction. 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 Account (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 \$954,000 and \$1,020,000 at December 31, 2016 and 2015, respectively.



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

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

### 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 \$33,000 and \$18,000 at December 31, 2016 and 2015, respectively. For the year ended December 31, 2016, the amount held as a fiscal agent was approximately \$18,000 and the amount held as a custodian was approximately \$15,000. For the year ended December 31, 2015, the amount held as a fiscal agent was approximately \$18,000.

#### Loans Receivable

Loans receivable are carried at face value and 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 monthly 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, 2016 and 2015**

### 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, 2016 and 2015.

#### 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 result in unrelated business net 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, 2014 and thereafter.

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

### Notes to Consolidated Financial Statements December 31, 2016 and 2015

#### 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 consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated to 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 measures such as management’s estimates of time spent, square footage, etc.

##### Subsequent Events

Subsequent events were evaluated through April 19, 2017, which is the date the financial statements were available to be issued.

#### 3) **Loans Receivable**

WESST had loans receivable of approximately \$648,000 and \$879,000, net of allowance for loan losses, at December 31, 2016 and 2015, respectively.

Changes in the allowance for loan losses for the years ended December 31,:

	<b>2016</b>	2015
Balance at beginning of year	<b>\$ 76,472</b>	\$ 75,481
Loans charged-off	<b>(6,555)</b>	(1,251)
Provision for loan losses	<b>(13,577)</b>	2,242
Total	<b>\$ 56,340</b>	\$ 76,472

Loan balances of approximately \$15,000 and \$14,200 had loan payments past due more than thirty-one days as of December 31, 2016 and 2015, respectively. Additionally, loans of approximately \$137,000 and \$174,600 had original principal repayment terms modified during 2016 and 2015, respectively.

There were no loan balances on nonaccrual status as of December 31, 2016 and 2015. Loan balances past due more than ninety days and still accruing interest were approximately \$6,200 and \$4,100 at December 31, 2016 and 2015, respectively.

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

### Notes to Consolidated Financial Statements December 31, 2016 and 2015

#### 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) Contributions Receivable

Contributions receivable represent contribution amounts committed from individuals, entities and foundations. Specifically, the Visionary Pledge Campaign and foundation grants have resulted in contributions receivable to be collected over a number of years. The amounts of approximately \$308,000, \$218,000 and \$40,000 are to be collected annually from 2017 through 2019, respectively. The amount of approximately \$29,000 is to be collected in 2020. 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.

#### 5) Temporarily Restricted Net Assets

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

	2016	2015
Kellogg - timing restriction	\$ 487,209	\$ -
Visionary pledge	145,710	127,400
Practice, innovation, enterprise	41,000	85,000
Simon - timing restriction	60,000	-
Encore	37,760	-
Veterans suite	18,718	20,000
Women's self-sufficiency	8,625	17,500
Microbusiness solutions	-	12,500
Other	-	15,000
Total	\$ 799,022	\$ 277,400

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

### Notes to Consolidated Financial Statements December 31, 2016 and 2015

#### 6) Net Assets Released from Restriction

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

	2016	2015
Practice, innovation, enterprise	\$ 85,000	\$ -
Visionary pledge	35,190	-
Women's self-sufficiency	17,500	10,000
Other	15,000	10,000
Microbusiness solutions	12,500	25,000
Veterans suite	1,282	18,845
Parking lot naming rights	-	45,893
	\$ 166,472	\$ 109,738

#### 7) Donated Assets, Materials and Services

WESST recorded the following in donated assets, materials and services for the years ended December,:

	2016	2015
Professional and consulting services	\$ 189,109	\$ 129,251
Facilities	142,340	154,495
Equipment, supplies and materials	20,037	94,686
Investment	15,000	-
	\$ 366,486	\$ 378,432

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, 2016 and 2015**

**8) Property and Equipment**

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

	<u>2016</u>	<u>2015</u>
WEC capital lease	\$ 6,174,940	\$ 6,174,940
Building	2,337,922	2,337,922
Land improvements	17,138	17,138
Furnishing, fixtures and equipment	371,708	355,374
Leasehold improvements	<u>115,849</u>	<u>115,849</u>
	9,017,557	9,001,223
Less accumulated depreciation	<u>1,612,865</u>	<u>1,385,647</u>
	7,404,692	7,615,576
Land	<u>225,713</u>	<u>225,713</u>
Property and equipment, net	<u>\$ 7,630,405</u>	<u>\$ 7,841,289</u>

**9) 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. 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 2016 and 2015 was approximately \$30,000 and \$22,000, respectively.

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

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

### 10) 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, 2016 and 2015 the outstanding principal balance of funds provided by the NMSBIC to this program was approximately \$73,000 and \$101,000, respectively.

### 11) Notes Payable

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

	<u>2016</u>	<u>2015</u>
Loan agreement with the U.S. Department of Agriculture, for twenty years payable in 216 installments of \$569, including interest at 2.00%, with final payments due May 30, 2034. Secured by related loans receivable, property and loss reserve funds.	\$ 90,083	\$ 95,054

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

### Notes to Consolidated Financial Statements December 31, 2016 and 2015

#### 11) Notes Payable – continued

	<b>2016</b>	<b>2015</b>
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.	-	16,363
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.	-	128,675
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.	<b>250,927</b>	341,833
Note payable to U.S. Small Business Administration, due in monthly installments of \$2,245, including interest ranging from .25% to 1.5%, with final payments due August 19, 2026. Secured by loans receivable and loss reserve funds.	<b>240,741</b>	250,000
Notes payable	<b>581,751</b>	831,925
Less current portion	<b>118,775</b>	182,822
Notes payable - less current portion	<b>\$ 462,976</b>	<b>\$ 649,103</b>



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

### **Notes to Consolidated Financial Statements December 31, 2016 and 2015**

#### 11) Notes Payable – continued

Future principal payments on the notes payable are as follows:

<u>Year ending December 31,</u>	
2017	<b>\$ 118,775</b>
2018	<b>120,368</b>
2019	<b>101,373</b>
2020	<b>30,822</b>
2021	<b>31,315</b>
Thereafter	<b><u>179,098</u></b>
	<b><u><u>\$ 581,751</u></u></b>

#### 12) Capital Lease

In December 2008, the construction of the 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, managed 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.

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

### **Notes to Consolidated Financial Statements December 31, 2016 and 2015**

#### 12) Capital Lease – continued

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 equity interest in the WEC is measured based on variables outlined in the agreement, such as, 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, 2016 and 2015, the capital lease payable is recorded at the present value of future minimum lease payments for the amount owed to the City of approximately \$398,000 and \$389,000, 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.

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

## **Notes to Consolidated Financial Statements December 31, 2016 and 2015**

### **12) Capital Lease – continued**

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 each of the years ended December 31, 2016 and 2015. Management records the in-kind value of the WEC donated space at \$18 per square foot, resulting in approximately \$129,000 of in-kind revenue and expense for each of the years ended December 31, 2016 and 2015.

### **13) 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 years ended December 31, 2016 and 2015, approximately 26% of total revenue was from this federal grant.

### **14) Related Parties**

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

## 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, 2016**

<u>Grantor Agency/Pass-through Grantor/Program Title</u>	<u>Pass-through Grant or Other Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>Small Business Administration</b>			
Microloan Program - Intermediary Lender (Loan Capital)		59.000	\$ 491,668
Women's Business Ownership Assistance		59.043	815,625
Microloan Program		59.046	<u>149,216</u>
Total Small Business Administration			<u>1,456,509</u>
<b>U.S. Department of Health and Human Services</b>			
Refugee and Entrant Assistance - Discretionary Grant		93.576	145,789
Assets for Independence Demonstration Program		93.602	<u>13,000</u>
Total U.S. Department of Health and Human Services			<u>158,789</u>
<b>Department of Housing and Urban Development</b>			
<u>Pass-through City of Albuquerque</u>			
Community Development Block Grant/Entitlement Grants	N/A	14.218	<u>12,461</u>
<b>U.S. Department of Agriculture</b>			
Rural Microentrepreneur Assistance Program		10.870	90,083
Rural Business Enterprise Grants		10.769	<u>12,293</u>
Total U.S. Department of Agriculture			<u>102,376</u>
Total federal expenditures			<u>\$ 1,730,135</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, 2016

**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) Indirect Cost Rate**

WESST has elected to use the 10% de minimis indirect cost rate.

**4) 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, 2016 consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>SEFA Federal Expenditures</u>	<u>Outstanding Loan Balance at December 31, 2016</u>
59.000	Microloan Program - Intermediary Lender (Loan Capital)	491,668	491,668
10.870	Rural Microentrepreneur Assistance Program	90,083	90,083

## 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 and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 19, 2017.

### **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 consolidated 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 consolidated 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 consolidated 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 19, 2017



## Independent Auditors' Report on Compliance For the Major Program And On Internal Control Over Compliance Required By The Uniform Guidance

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

### **Report on Compliance for the Major Federal Program**

We have audited the Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on WESST's major federal program for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

## **Opinion on 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, 2016.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on the major federal program is not modified with respect to these matters.

WESST's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. WESST's response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WESST's internal control over compliance.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002.

WESST's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. WESST's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Loftis Group LLC

Albuquerque, New Mexico  
April 19, 2017

**Women's Economic Self-Sufficiency Team, Corp and  
Controlled Affiliate**  
Schedule of Findings and Questioned Costs  
December 31, 2016

**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?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)	Yes
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, 2016**

Section I — Summary of Auditors' Results — continued

Identification of major program:

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

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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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, 2016**

**Section II — Financial Statement Findings**

None

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

## Schedule of Findings and Questioned Costs - continued For the Year Ended December 31, 2016

### Section III — Federal Award Findings and Questioned Costs

#### 2016-001 – Allowable Costs – Payroll Transactions

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*Federal Program Information:*

Funding Agency: Small Business Administration  
Title: Women's Business Ownership Assistance  
CFDA: 59.043  
Award Numbers: SBAHQ-13-W-0016, SBAHQ-15-W-0011,  
SBAHQ-13-W-0030, SBAHQ-14-W-0014,  
SBAHQ-15-W-0007, SBAHQ-13-W-0017,  
SBAHQ-16-W-0015, SBAHQ-16-W-0016,  
SBAHQ-16-W-0017  
Award Year: 09/30/2015 – 09/29/2016 and 09/30/2016 – 09/29/2017

*Criteria:* Under the Uniform Guidance requirements, to be allowable under Federal awards, costs must meet the following criteria: 1) Necessary and reasonable, 2) Consistent with policies and procedures, 3) Accorded consistent treatment and 4) Adequately documented. Under the grant requirements, time and attendance records must be maintained for salaries charged to the award and must specify the project and be of sufficient detail to substantiate the claimed percentage of work performed in support of the project.

*Condition:* During our testing of payroll expenditures, we noted payroll expenses not allocated in accordance with actual hours worked on the program.

*Questioned Costs:* None

*Context:* One of two payroll transactions reviewed did not properly allocate payroll expenditures during the period.

*Cause and Effect:* Payroll expenditures are allocated to the program based on the budgeted salary allocation and available funding. Supporting documentation was available, however, it did not include all required information. WESST is not in compliance with allowable cost grant requirements.

*Auditors' Recommendation:* Establish payroll procedures to ensure transactions are allocated based on actual hours worked on the program.

*Management Response:* WESST will conduct a one-week time study on a semi-annual basis to ensure payroll transactions are allocated based on actual hours worked on a given program.

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

## Schedule of Findings and Questioned Costs - continued For the Year Ended December 31, 2016

### Section III — Federal Award Findings and Questioned Costs

#### 2016-002 – Procurement

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##### *Federal Program Information:*

Funding Agency: Small Business Administration  
Title: Women's Business Ownership Assistance  
CFDA: 59.043  
Award Numbers: SBAHQ-13-W-0016, SBAHQ-15-W-0011,  
SBAHQ-13-W-0030, SBAHQ-14-W-0014,  
SBAHQ-15-W-0007, SBAHQ-13-W-0017,  
SBAHQ-16-W-0015, SBAHQ-16-W-0016,  
SBAHQ-16-W-0017  
Award Year: 09/30/2015 – 09/29/2016 and 09/30/2016 – 09/29/2017

*Criteria:* Contracts involving \$25,000 or more in Project Funds must be submitted to the District Office Technical Representative (DOTR) for approval before executing the contract.

*Condition:* Contracts involving \$25,000 or more in project funds are not submitted to the DOTR for review and approval.

*Questioned Costs:* None

*Context:* Two of three contracts involving \$25,000 or more in project funds were not submitted to the DOTR for approval.

*Cause and Effect:* The Finance Director provides approved contracts to the grantor for review but was not aware of the requirement to obtain prior approval. WESST is not in compliance with the procurement guidelines.

*Auditors' Recommendation:* Develop procedures to ensure that all approvals are obtained from the DOTR prior to executing a contract involving \$25,000 or more in project funds.

*Management Response:* At the time of application for a new grant year, WESST routinely submits copies of all contracts that will be charged to the grant. For the 2016-2017 program year, the OWBO Notice of Award requirements were revised and raised the contract pre-approval amount to \$150,000. Therefore, when a contract totals \$150,000 WESST will submit the contract to the DOTR prior to signing the contract.



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

**Summary Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2016**

**Summary Schedule of Prior Year Audit Findings**

None

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

**Single Audit Corrective Action Plan  
For the Year Ended December 31, 2016**

**2016-001 – Allowable Costs – Payroll Transactions**

*Corrective Action:* Periodic time studies will be performed and used to allocate payroll expenses to grant agreements.

*Person Responsible:* Chief Financial Officer.

*Estimated corrective action completion date:* May 15, 2017

**2016-002 – Procurement**

*Corrective Action:* Procedures will be developed to ensure approvals are obtained from the DOTR prior to executing a contract involving \$25,000 or more.

*Person Responsible:* Chief Financial Officer.

*Estimated corrective action completion date:* February 3, 2017