



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

Financial Statements
and
Independent Auditor's Report

December 31, 2018 and 2017

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

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Independent Auditor's 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, 2018 and 2017, 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.

Auditor's 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, 2018 and 2017, 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated 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 10, 2019, 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 LLC

Albuquerque, New Mexico
April 10, 2019

Financial Statements

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

Consolidated Statements of Financial Position December 31,

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1,188,577	\$ 1,270,025
Cash held for others	99,019	76,242
Contributions receivable - current portion	267,817	517,304
Grants and accounts receivable, net	524,292	313,671
Loans receivable - current portion	381,024	478,728
Prepaid expenses	13,071	14,764
Total current assets	2,473,800	2,670,734
Restricted cash	782,932	762,349
Contributions receivable - less current portion	152,733	130,351
Loans receivable - less current portion, net	548,310	667,550
Property and equipment, net	7,209,010	7,405,841
Investment	15,000	15,000
Beneficial interest in assets held by others	13,365	12,667
Deposits	8,890	15,898
Total assets	\$ 11,204,040	\$ 11,680,390
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ -	\$ 4,025
Accrued liabilities	74,921	62,408
Deferred revenue	289,306	249,457
Funds held for others	99,019	76,242
Notes payable - current portion	79,744	174,243
Total current liabilities	542,990	566,375
Deposits	17,041	13,895
Secured debt	29,412	93,947
Capital lease payable	414,820	406,301
Notes payable - less current portion	509,482	747,247
Total liabilities	1,513,745	1,827,765
Net assets		
Without donor restrictions	8,422,642	8,687,432
With donor restrictions	1,267,653	1,165,193
Total net assets	9,690,295	9,852,625
Total liabilities and net assets	\$ 11,204,040	\$ 11,680,390

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, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Grants and contracts	\$ 1,208,179	\$ -	\$ 1,208,179
Contributions	347,521	671,125	1,018,646
In-kind contributions	331,209	-	331,209
WEC membership and services	298,738	-	298,738
Special events, net of expenses of \$25,911	151,029	-	151,029
Provision for loan loss adjustment	58,090	-	58,090
Consulting, training and other	31,264	-	31,264
Interest and loan fees	46,044	-	46,044
Net assets released from restriction	<u>568,665</u>	<u>(568,665)</u>	<u>-</u>
Total support and revenue	<u>3,040,739</u>	<u>102,460</u>	<u>3,143,199</u>
Expenses			
Program services			
Business consulting and training	1,885,243	-	1,885,243
Financial assistance	<u>902,747</u>	<u>-</u>	<u>902,747</u>
Total program services	<u>2,787,990</u>	<u>-</u>	<u>2,787,990</u>
Supporting services			
Management and general	330,639	-	330,639
Fundraising	<u>186,900</u>	<u>-</u>	<u>186,900</u>
Total supporting services	<u>517,539</u>	<u>-</u>	<u>517,539</u>
Total expenses *	<u>3,305,529</u>	<u>-</u>	<u>3,305,529</u>
Change in net assets	(264,790)	102,460	(162,330)
Net assets, beginning of year	<u>8,687,432</u>	<u>1,165,193</u>	<u>9,852,625</u>
Net assets, end of year	<u><u>\$ 8,422,642</u></u>	<u><u>\$ 1,267,653</u></u>	<u><u>\$ 9,690,295</u></u>

* - Total expenses includes non-cash depreciation expense of \$227,756.

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, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	\$ 1,235,741	\$ -	\$ 1,235,741
Contributions	365,846	673,607	1,039,453
In-kind contributions	281,520	-	281,520
WEC membership and services	267,557	-	267,557
Special events, net of expenses of \$18,357	122,192	-	122,192
Consulting, training and other	78,694	-	78,694
Interest and loan fees	56,084	-	56,084
Net assets released from restriction	317,436	(317,436)	-
Total support and revenue	2,725,070	356,171	3,081,241
Expenses			
Program services			
Business consulting and training	1,784,980	-	1,784,980
Financial assistance	908,871	-	908,871
Total program services	2,693,851	-	2,693,851
Supporting services			
Management and general	314,830	-	314,830
Fundraising	183,180	-	183,180
Total supporting services	498,010	-	498,010
Total expenses *	3,191,861	-	3,191,861
Change in net assets	(466,791)	356,171	(110,620)
Net assets, beginning of year	9,154,223	809,022	9,963,245
Net assets, end of year	\$ 8,687,432	\$ 1,165,193	\$ 9,852,625

* - Total expenses includes non-cash depreciation expense of \$224,564.

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, 2018

	Business Consulting And Training	Financial Assistance	Total Program	Management and General	Fundraising	Total
Salaries	\$ 835,376	\$ 379,716	1,215,092	\$ 151,887	\$ 151,886	\$ 1,518,865
WEC In-kind facility	203,837	67,946	271,783	67,945	-	339,728
Professional services	215,067	78,757	293,824	3,030	6,058	302,912
Depreciation	159,428	34,163	193,591	34,165	-	227,756
Employee benefits	102,470	51,235	153,705	14,639	14,639	182,983
IDA match contribution	-	178,500	178,500	-	-	178,500
Payroll taxes	63,076	28,671	91,747	11,468	11,468	114,683
Occupancy	55,678	18,559	74,237	18,560	-	92,797
Paid to subrecipients	64,265	-	64,265	-	-	64,265
Telephone	37,130	9,902	47,032	2,477	-	49,509
Supplies	22,081	7,836	29,917	2,849	2,849	35,615
Insurance	20,895	6,430	27,325	4,823	-	32,148
Dues and fees	21,363	9,155	30,518	-	-	30,518
Travel	21,909	5,921	27,830	1,777	-	29,607
Accounting and legal fees	11,480	5,740	17,220	11,480	-	28,700
Training	16,461	7,747	24,208	-	-	24,208
Repairs and maintenance	16,396	2,050	18,446	2,050	-	20,496
Equipment lease	8,853	3,320	12,173	1,662	-	13,835
Printing and postage	8,230	2,786	11,016	1,646	-	12,662
Interest	-	3,933	3,933	-	-	3,933
Advertising	1,248	380	1,628	181	-	1,809
Total expenses	<u>\$ 1,885,243</u>	<u>\$ 902,747</u>	<u>\$ 2,787,990</u>	<u>\$ 330,639</u>	<u>\$ 186,900</u>	<u>\$ 3,305,529</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, 2017

	Business Consulting And Training	Financial Assistance	Total Program	Management and General	Fundraising	Total
Salaries	\$ 833,219	\$ 378,736	1,211,955	\$ 151,494	\$ 151,494	\$ 1,514,943
WEC In-kind facility	174,023	58,008	232,031	58,008	-	290,039
Professional services	227,906	83,459	311,365	3,210	6,420	320,995
Depreciation	157,194	33,685	190,879	33,685	-	224,564
Employee benefits	77,536	38,769	116,305	11,077	11,077	138,459
IDA match contribution	-	161,000	161,000	-	-	161,000
Payroll taxes	61,859	28,118	89,977	11,247	11,247	112,471
Occupancy	55,921	18,641	74,562	18,641	-	93,203
Paid to subrecipients	6,757	-	6,757	-	-	6,757
Telephone	53,988	14,398	68,386	3,599	-	71,985
Supplies	22,803	8,091	30,894	2,942	2,942	36,778
Insurance	17,041	5,244	22,285	3,933	-	26,218
Dues and fees	11,126	4,768	15,894	-	-	15,894
Travel	19,830	5,359	25,189	1,608	-	26,797
Accounting and legal fees	9,925	4,962	14,887	9,925	-	24,812
Training	17,049	8,023	25,072	-	-	25,072
Repairs and maintenance	27,631	3,454	31,085	3,454	-	34,539
Equipment lease	5,075	1,903	6,978	952	-	7,930
Printing and postage	3,097	1,048	4,145	620	-	4,765
Interest	-	6,956	6,956	-	-	6,956
Provision for loan loss	-	43,336	43,336	-	-	43,336
Total expenses	<u>\$ 1,784,980</u>	<u>\$ 908,871</u>	<u>\$ 2,693,851</u>	<u>\$ 314,830</u>	<u>\$ 183,180</u>	<u>\$ 3,191,861</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,

	2018	2017
Cash flows from operating activities		
Cash received from grants and contracts	\$ 1,016,824	\$ 1,608,902
Cash received from contributions	1,245,751	987,028
Cash received from WEC membership and services	333,148	346,200
Cash received from special events	176,940	140,549
Interest and loan fees received	45,346	54,710
Cash paid to employees and suppliers	(2,734,105)	(2,666,445)
Interest paid	(12,662)	(6,956)
Net cash provided by operating activities	71,242	463,988
Cash flows from investing activities		
Purchases of equipment and improvements	(30,925)	-
Loan repayments	538,450	415,078
Loans issued	(263,416)	(956,787)
Net cash provided (used) by investing activities	244,109	(541,709)
Cash flows from financing activities		
Proceeds from secured borrowings	1,842	51,837
Principal payments on secured borrowings	(66,377)	(31,196)
Proceeds from acquisition of notes payable	-	500,000
Principal payments on notes payable	(332,264)	(160,261)
Net cash provided (used) by financing activities	(396,799)	360,380
Net increase (decrease) in cash and cash equivalents	(81,448)	282,659
Cash and cash equivalents, beginning of year	1,270,025	987,366
Cash and cash equivalents, end of year	\$ 1,188,577	\$ 1,270,025

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,**

	2018	2017
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ (162,330)</u>	<u>\$ (110,620)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	227,756	224,564
Provision for loan losses	(58,090)	43,336
Interest amortization	8,519	8,519
Changes in assets and liabilities		
Contributions receivable	227,105	(52,425)
Grants and accounts receivable	(210,621)	(3,558)
Prepaid expenses	1,693	9,293
Restricted cash	(20,583)	191,812
Beneficial interest in assets held by others	(698)	(1,374)
Deposits	7,008	(8,177)
Accounts payable	(4,025)	(25,825)
Accrued liabilities	12,513	3,587
Deferred revenue	39,849	184,907
WEC Deposits	3,146	(51)
Total adjustments	<u>233,572</u>	<u>574,608</u>
Net cash provided by operating activities	<u>\$ 71,242</u>	<u>\$ 463,988</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, 2018 and 2017

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 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 and advanced 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 deliver some of its 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 earned income.

Basis of Accounting

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

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

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements 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.

The financial statements of WESST have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require WESST to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of WESST's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of WESST or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

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.

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

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, 2018 and 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

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 support without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits at banks and savings accounts at financial institutions. For purposes of the statement of cash flows, WESST considers all unrestricted highly liquid investments with an original maturity of three months or less 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.

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

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 \$783,000 and \$762,000 at December 31, 2018 and 2017, respectively.

WESST was 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 \$99,000 and \$76,000 at December 31, 2018 and 2017, respectively.

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.

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

2) Summary of Significant Accounting Policies — continued

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.

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, 2018 and 2017.

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 support without donor restriction 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 support with donor restrictions. 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, 2015 and thereafter.

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

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 programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated to the programs and support services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time spent
Professional services	Specific identification
WEC In-kind facility	Specific identification
Depreciation	Square footage
IDA match contribution	Specific identification
Employee benefits	Time spent

Subsequent Events

Subsequent events were evaluated through April 10, 2019, which is the date the financial statements were available to be issued.

3) **Loans Receivable**

WESST had loans receivable of approximately \$929,000 and \$1,146,000, net of allowance for loan losses, at December 31, 2018 and 2017, respectively.

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

	2018	2017
Balance at beginning of year	\$ 99,676	\$ 56,340
Loans charged-off	5,636	-
Provision for loan losses	(66,978)	43,336
Total	<u>\$ 38,334</u>	<u>\$ 99,676</u>

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

3) Loans Receivable — continued

Loan balances of approximately \$447 and \$22,000 had loan payments past due more than thirty days as of December 31, 2018 and 2017, respectively. Additionally, loans of approximately \$45,000 and \$131,000 had original principal repayment terms modified during 2018 and 2017, respectively.

There were no loan balances on nonaccrual status as of December 31, 2018 and 2017. Loan balances past due more than ninety days and still accruing interest were approximately \$447 and \$12,000 at December 31, 2018 and 2017, respectively.

Because of the inherent uncertainties in estimating the allowance for loan losses, 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 \$110,000, \$83,000, \$39,000, and \$30,000 are to be collected annually from 2019 through 2022, respectively. 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.

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

**Notes to Consolidated Financial Statements
December 31, 2018 and 2017**

5) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31,:

	<u>2018</u>	<u>2017</u>
Kauffman	\$ 240,064	\$ 428,811
Visionary pledges	199,067	144,442
Kellogg	151,601	303,654
Hearst Foundation	150,000	-
Fidelity Foundation	137,375	-
PNM - scale up to success	100,000	-
ART loan program	102,296	87,296
Simon - IDA	42,250	-
New Mexico Gas grant	37,500	-
Simon - timing restriction	30,000	45,000
Southwest Capital - timing restriction	20,000	-
Community navigator	15,000	-
Sandia - IDA	15,000	-
Mayor's Prize (2)	12,300	75,000
Endowment Funds	10,000	10,000
Veterans suite	4,702	12,490
Mayor's Prize (3)	498	41,000
United Way - Women's self-sufficiency	-	17,500
Total	<u>\$ 1,267,653</u>	<u>\$ 1,165,193</u>

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

**Notes to Consolidated Financial Statements
December 31, 2018 and 2017**

6) Net Assets Released from Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Kauffman	\$ 188,747	\$ -
Kellogg	152,053	183,555
Visionary pledges	83,375	66,268
Mayor's Prize (2)	62,700	-
Mayor's Prize (3)	40,502	-
United Way - IDA	17,500	-
Simon	15,000	15,000
Veterans suite	8,788	6,228
Encore	-	37,760
United Way - Women's self-sufficiency	-	8,625
Total	<u>\$ 568,665</u>	<u>\$ 317,436</u>

7) Donated Assets, Materials and Services

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

	<u>2018</u>	<u>2017</u>
Facilities	\$ 136,590	\$ 151,846
Professional and consulting services	137,673	111,043
Equipment, supplies and materials	56,946	18,631
	<u>\$ 331,209</u>	<u>\$ 281,520</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, 2018 and 2017**

8) Property and Equipment

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

	<u>2018</u>	<u>2017</u>
WEC capital lease	\$ 6,174,940	\$ 6,174,940
Building	2,349,970	2,350,000
Land improvements	33,492	17,138
Furnishing, fixtures and equipment	374,203	359,602
Leasehold improvements	<u>115,849</u>	<u>115,849</u>
	9,048,454	9,017,529
Less accumulated depreciation	<u>2,065,157</u>	<u>1,837,401</u>
	6,983,297	7,180,128
Land	<u>225,713</u>	<u>225,713</u>
Property and equipment, net	<u>\$ 7,209,010</u>	<u>\$ 7,405,841</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 2018 and 2017 was approximately \$35,000 and \$31,000, respectively.

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

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, 2018 and 2017 the outstanding principal balance of funds provided by the NMSBIC to this program was approximately \$29,000 and \$94,000, respectively.

11) Notes Payable

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

	<u>2018</u>	<u>2017</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.	\$ -	\$ 85,013
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.	-	158,868

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

**Notes to Consolidated Financial Statements
December 31, 2018 and 2017**

11) Notes Payable – continued

	2018	2017
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.	<u>589,226</u>	<u>677,609</u>
Notes payable	<u>589,226</u>	<u>921,490</u>
Less current portion	<u>79,744</u>	<u>174,243</u>
Notes payable - less current portion	<u><u>\$ 509,482</u></u>	<u><u>\$ 747,247</u></u>

Future principal payments on the notes payable are as follows:

Year ending December 31,		
2019	\$	79,744
2020		80,948
2021		82,170
2022		83,412
2023		84,671
Thereafter		<u>178,281</u>
	\$	<u><u>589,226</u></u>

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

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

12) Capital Lease – continued

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 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, 2018 and 2017, the capital lease payable is recorded at the present value of future minimum lease payments for the amount owed to the City of approximately \$415,000 and \$406,000, assuming an interest rate of 3.5% over a period of twenty-one years.

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

Notes to Consolidated Financial Statements December 31, 2018 and 2017

12) Capital Lease – continued

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 each of the years ended December 31, 2018 and 2017. 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, 2018 and 2017.

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, 2018 and 2017, approximately 28% and 29%, respectively, of total revenue was from this federal grant.

14) Related Parties

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

15) Endowment Funds

Annual distributions from WESST's endowment can be made pursuant to current Albuquerque Community Foundation policy. The total original balance of restricted funds related to the endowment was \$10,000 for the year ending December 31, 2018 and 2017. There were no distributions in either of the years ending December 31, 2018 or 2017.

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

**Notes to Consolidated Financial Statements
December 31, 2018 and 2017**

16) Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	2018	2017
Financial assets at year end:		
Cash and equivalents - unrestricted	\$ 1,188,577	\$ 1,270,025
Receivables - current portion	1,173,133	1,309,703
Prepaid expenses	<u>13,071</u>	<u>14,764</u>
Total financial assets	2,374,781	2,594,492
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>10,000</u>	<u>10,000</u>
Total financial assets	<u>10,000</u>	<u>10,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 2,364,781</u></u>	<u><u>\$ 2,584,492</u></u>

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, 2018**

<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>
Small Business Administration			
Microloan Program - Intermediary Lender (Loan Capital)		59.000	\$ 589,226
Women's Business Ownership Assistance		59.043	871,875
Microloan Program		59.046	144,092
Program for Investment in Microentrepreneurs-Prime		59.050	27,212
Total Small Business Administration			<u>1,632,405</u>
U.S. Department of Health and Human Services			
Assets for Independence Demonstration Program		93.602	89,250
Total U.S. Department of Health and Human Services			<u>89,250</u>
Total federal expenditures			<u>\$ 1,721,655</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, 2018

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 not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance. WESST’s administrative costs are included in the applicable grants budget.

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, 2018 consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>SEFA Federal Expenditures</u>	<u>Outstanding Loan Balance at December 31, 2018</u>
59.000	Microloan Program - Intermediary Lender (Loan Capital)	589,226	589,226

Independent Auditor's 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, 2018, 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 10, 2019.

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, 10 2019

Independent Auditor's Report on Compliance for Each 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, 2018. WESST's major federal program is identified in the summary of auditor's 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.

Auditor's 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 each 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 each of its major federal programs for the year ended December 31, 2018.

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 each 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 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.

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 preceding paragraph 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.

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 10, 2019

**Women’s Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**
Schedule of Findings and Questioned Costs
December 31, 2018

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor’s 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)	No
Instances where 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, 2018

Section I — Summary of Auditor's 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, 2018**

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, 2018**

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, 2018**

Summary Schedule of Prior Year Audit Findings

2017-001 – Allowable Costs – Payroll Transactions

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

Current Status: Resolved