

**YOUNG WOMEN'S CHRISTIAN
ASSOCIATION OF HOUSTON**

Annual Financial and
Compliance Audit Reports

Years Ended December 31, 2017 and 2016

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Organization)

DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses – 2017	6
Statement of Functional Expenses – 2016	7
Statements of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	23
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	25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)	27
FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings and Current Status	31



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Young Women's Christian Association of Houston

Report on the Financial Statements

We have audited the accompanying financial statements of Young Women's Christian Association of Houston (the "Association"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards listed in the table of contents, 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 financial statements or to the 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 September 27, 2018, on our consideration of the Association’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association’s internal control over financial reporting and compliance.

Houston, Texas
September 27, 2018

FINANCIAL STATEMENTS

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 883,763	\$ 746,276
Certificate of deposit	-	151,552
Grants receivable	158,570	153,098
Pledges receivable	2,063,325	35,000
Prepaid and others	35,888	15,593
Total current assets	3,141,546	1,101,519
NONCURRENT ASSETS		
Property and equipment, net	286,073	419,423
Total noncurrent assets	286,073	419,423
TOTAL ASSETS	\$ 3,427,619	\$ 1,520,942
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 359,094	\$ 283,019
Accrued payroll and related expenses	37,820	22,293
Line of credit	-	146,513
Total current liabilities	396,914	451,825
TOTAL LIABILITIES	396,914	451,825
NET ASSETS:		
Unrestricted	589,284	1,034,117
Restricted	2,441,421	35,000
TOTAL NET ASSETS	3,030,705	1,069,117
TOTAL LIABILITIES AND NET ASSETS	\$ 3,427,619	\$ 1,520,942

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Federal grants	\$ 2,205,086	\$ -	\$ 2,205,086
State grants	38,042	-	38,042
Other grants and contributions	300,972	2,570,412	2,871,384
Program fees	3,822	-	3,822
Other income	5,484	-	5,484
Special events revenue (net of direct donor benefits of \$25,194)	70,798	-	70,798
Net assets released from restrictions	163,991	(163,991)	-
TOTAL REVENUES AND SUPPORT	2,788,195	2,406,421	5,194,616
 EXPENDITURES			
Program services:			
Seniors	1,986,316	-	1,986,316
Signature	10,109	-	10,109
Adults and Youth	603,185	-	603,185
Hurricane Harvey	173,991	-	173,991
Total program services	2,773,601	-	2,773,601
Management and Support services:			
Administration	392,194	-	392,194
Fundraising	67,233	-	67,233
Total management and support services	459,427	-	459,427
 TOTAL EXPENDITURES	3,233,028	-	3,233,028
 CHANGE IN NET ASSETS	(444,833)	2,406,421	1,961,588
NET ASSETS, BEGINNING OF YEAR	1,034,117	35,000	1,069,117
 NET ASSETS, END OF YEAR	\$ 589,284	\$ 2,441,421	\$ 3,030,705

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Federal grants	\$ 1,800,159	\$ -	\$ 1,800,159
State grants	32,732	-	32,732
Other grants and contributions	328,129	35,000	363,129
Program fees	1,552	-	1,552
Other income	8,196	-	8,196
Special events revenue (net of direct donor benefits of \$20,000)	60,564	-	60,564
TOTAL REVENUES AND SUPPORT	2,231,332	35,000	2,266,332
EXPENDITURES			
Program services			
Seniors	1,959,704	-	1,959,704
Signature	43,498	-	43,498
Adults and Youth	98,189	-	98,189
Total program services	2,101,391	-	2,101,391
Management and Support services			
Administration	405,429	-	405,429
Fundraising	39,772	-	39,772
Total management and support services	445,201	-	445,201
TOTAL EXPENDITURES	2,546,592	-	2,546,592
CHANGE IN NET ASSETS	(315,260)	35,000	(280,260)
NET ASSETS, BEGINNING OF YEAR	1,349,377	-	1,349,377
NET ASSETS, END OF YEAR	\$ 1,034,117	\$ 35,000	\$ 1,069,117

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Programs					Management and Support			Total Expenditures
	Seniors' Program	Signature Programs	Adults and Youth Programs	Hurricane Harvey	Total Program	Administration	Fundraising	Total Management and Support	
Salaries, benefits, taxes and other	\$ 521,275	\$ 9,607	\$ 274,652	\$ 8,905	\$ 814,439	\$ 59,296	\$ 11,684	\$ 70,980	\$ 885,419
Transportation	148,683	-	-	-	148,683	5	-	5	148,688
Food service	1,088,583	-	3,763	3,308	1,095,654	-	-	-	1,095,654
Special events	-	-	-	463	463	4,574	32,338	36,912	37,375
Professional services	23,930	-	22,234	15,230	61,394	150,350	12,040	162,390	223,784
Supplies	18,799	566	124,361	144,360	288,086	16,581	75	16,656	304,742
Occupancy	24,324	-	84,700	-	109,024	31,908	1,740	33,648	142,672
Telephone	10,033	-	12,858	537	23,428	10,730	-	10,730	34,158
Equipment rental & maintenance	27,769	(155)	33,127	-	60,741	24,530	-	24,530	85,271
Travel, tips and auto	20,476	-	5,154	1,188	26,818	18,656	1,624	20,280	47,098
Insurance	11,961	-	5,007	-	16,968	20,603	-	20,603	37,571
Depreciation	85,041	-	33,216	-	118,257	32,073	-	32,073	150,330
Bank service charges	231	91	14	-	336	4,666	1,820	6,486	6,822
Other expenses	5,211	-	4,099	-	9,310	18,222	5,912	24,134	33,444
Total Expenditures	\$ 1,986,316	\$ 10,109	\$ 603,185	\$ 173,991	\$ 2,773,601	\$ 392,194	\$ 67,233	\$ 459,427	\$ 3,233,028

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Programs				Management and Support			Total Expenditures
	Seniors' Program	Signature Programs	Adults and Youth Programs	Total Program	Administration	Fundraising	Total Management and Support	
Salaries, benefits, taxes and other	\$ 498,803	\$ 40,101	\$ 62,302	\$ 601,206	\$ 42,482	\$ -	\$ 42,482	\$ 643,688
Transportation	165,525	-	-	165,525	19	-	19	165,544
Food service	1,066,574	158	-	1,066,732	-	-	-	1,066,732
Special events	-	114	-	114	222	28,925	29,147	29,261
Professional services	23,968	425	6,789	31,182	152,311	7,025	159,336	190,518
Supplies	28,943	1,699	2,485	33,127	4,505	-	4,505	37,632
Occupancy	30,493	-	4,405	34,898	40,923	1,849	42,772	77,670
Telephone	10,132	-	4,027	14,159	9,969	-	9,969	24,128
Equipment rental & maintenance	29,811	-	1,348	31,159	36,936	-	36,936	68,095
Travel, tips and auto	17,463	985	1,101	19,549	15,480	75	15,555	35,104
Insurance	7,219	-	-	7,219	28,085	-	28,085	35,304
Depreciation	80,709	-	15,732	96,441	48,904	-	48,904	145,345
Bank service charges	-	16	-	16	-	-	-	16
Other expenses	64	-	-	64	25,593	1,898	27,491	27,555
Total Expenditures	\$ 1,959,704	\$ 43,498	\$ 98,189	\$ 2,101,391	\$ 405,429	\$ 39,772	\$ 445,201	\$ 2,546,592

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,961,588	\$ (280,260)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation and amortization	150,330	145,345
Equipment written-off	837	-
Changes in operating assets and liabilities:		
(Increase)/decrease in grants receivable	(5,472)	151,797
Increase in pledges receivable	(2,028,325)	(35,000)
(Increase)/decrease in prepaid expenses and others	(20,295)	4,021
Increase/(decrease) in accounts payable and accrued expenses	76,075	(71,188)
Increase/(decrease) in accrued payroll and related expenses	15,527	(2,040)
Net cash provided by/(used in) operating activities	150,265	(87,325)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from matured certificate of deposit	151,552	-
Reinvestment of earnings of certificate of deposit	-	(379)
Purchase of equipment	(17,817)	(63,510)
Net cash provided by/(used in) investing activities	133,735	(63,889)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made to pay off line of credit	(146,513)	(596)
Net cash used in financing activities	(146,513)	(596)
NET INCREASE/(DECREASE) IN CASH	137,487	(151,810)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	746,276	898,086
CASH AND CASH EQUIVALENT, END OF YEAR	\$ 883,763	\$ 746,276
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION:		
Interest paid on line of credit	\$ 2,148	\$ 4,681

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

YOUNG WOMEN’S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Young Women’s Christian Association of Houston (the “Association”) is a Texas nonprofit Association established and incorporated on February 25, 1916. The Association provides services to the community in the areas of youth development, health initiatives, and supporting services for seniors in Houston. In addition, the Association strives to create opportunities for growth, leadership and power for its members and the community in order to attain a common vision of eliminating racism, empowering women and promoting peace, justice, freedom and dignity for all people.

Funding for the Association’s various programs is provided by governmental agencies, foundations, fee for service and public contributions.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (the “U.S. GAAP”).

Financial Statement Presentation

The Association’s financial statements are presented in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities-Presentation of Financial Statements*. Under FASB ASC Topic 958-205, the Organization is to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as defined below:

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

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

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Association.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

Additionally, the Association is also required under FASB ASC 958-205 to present statements of activities, functional expenses and cash flows.

Revenue Recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement.

Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on the passage of time. Program income and other income are recognized when received.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions. Contributions including unconditional promise to give are recognized as revenues in the period received.

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

Donated Services

Contributed services are recognized as revenue if the services received create or enhance non-financial assets, require specialized skills, provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair market value of the services provided. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements.

Volunteer services were provided without charge under the Senior Nutrition program. The estimated value of such services of \$142,147 and \$150,790 for the years ended December 31, 2017 and 2016, respectively, was not recognized in the accompanying financial statements, since the criteria for recognition under U.S. GAAP were not met.

Cash and Cash Equivalents

The Association considers all demand deposits and highly liquid investments with maturity of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Certificates of Deposit

The Association maintained a certificate of deposit in 2016 in conjunction with a line of credit secured at a local financial institution. Certificates of deposit with original maturities longer than three months are excluded from cash equivalents in accordance with the Association's accounting policy for cash and cash equivalents. The carrying amount of the certificate of deposit reported in the 2016 statement of financial position approximates fair value because of the short maturity of the instrument.

Grants and other Accounts Receivable

Grants receivable from governmental agencies and receivable from other sources are stated at unpaid balances, less any allowance for doubtful accounts. The Association provides for losses on accounts receivable using allowance method. The allowance is based on management's judgment including such factors as prior collection history, type of contribution and nature of fundraiser activity. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

There were no allowances carried for accounts receivable as of December 31, 2017 and 2016. Most receivables were collected in subsequent fiscal year.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Donated assets are recorded as unrestricted support unless the donor has restricted them to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are recorded as restricted contributions. Presently, the Association does not have any assets that have donor-imposed restrictions. Substantially all fixed assets presented in the accompanying statement of financial position were purchased with non-federal funds.

The Association's policy is to capitalize all expenditures for property and equipment in excess of \$500. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

The Association charges ordinary repairs and maintenance against income when incurred. Renewals and betterments which extend the useful life of the assets are capitalized.

Compensable Absences

Annual vacation and sick leave are granted to the Association's employees. Under the Association's policy, vacation and sick leave are earned based on the employee's length of service and time worked in the preceding year. Any unused vacation time lapses at the end of each vacation year. The established vacation year is the anniversary date of hire. With management approval, sick leave may be accumulated from one year to another up to a maximum of eighty hours. Employees are paid for unused but earned vacation time upon termination of employment and their unused vacation balances are accrued in the financial statements. Employees are not paid for unused sick days. Therefore, no accrual for unused sick days is recorded in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis according to the purpose for which the expenses were paid. Certain expenses which pertain to more than one purpose were allocated among the various functions based upon their estimated usage.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are payroll and related expenses, which are allocated on the basis of estimates of time and effort of the employees working on these functions. Depreciation is allocated on a square footage used by the function.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

Management and supporting services consist of management and general functions that are necessary to coordinate the Association's program services as well as to provide services to the members of the Association.

Income Taxes

The Association is classified as a tax-exempt Association under Section 501(c)(3) of the Internal Revenue Code. Accordingly, Federal and State income taxes are not provided for in the accompanying financial statements.

The Association applies the provisions of FASB ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Currently, there are no IRS audits in progress.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements relate primarily to the useful lives applied in asset depreciation, and functional allocation of expenses.

New Accounting Pronouncement

Not-for-Profit Entities (Topic 958) – In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, to make several improvements to the current reporting requirements for not-for-profit entities that address, among others, complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions, deficiencies in the transparency and utility of information useful in assessing an entity's liquidity; inconsistencies in the type of information provided for expenses; and impediment of preparing the indirect method reconciliation if an entity chooses to use direct method of preparing operating cash flows. This FASB update will be effective for the Association's 2018 annual financial statements. Management is currently evaluating the impact of this accounting update on the Association's financial statements.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify, improve and provide a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. It also provides additional guidance about how to determine whether a contribution is conditional. This FASB update will be effective for the Association depending on whether the Association is a resource recipient or a resource provider. For transactions in which the Association will be a resource recipient, it will be effective for its 2019 annual financial statements. For transactions in which the Association will be a resource provider, it will be effective for its 2020 annual financial statements. Management has not determined the impact of this accounting update on the Association's financial statements.

Statement of Cash Flows (Topic 230) – In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, to provide guidance on the presentation of restricted cash or cash equivalents in the statement of cash flows and require that such a statement explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents and, those be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This FASB update will be effective for the Association's 2019 annual financial statements. Management has not determined the impact of this accounting update on the Association's financial statements.

2. PROGRAM AND SUPPORTING SERVICES

The costs of providing the various programs and other activities are shown in the accompanying statement of functional expenses. The following programs and supporting services are included in the accompanying financial statements:

Senior Services

- Meals on Wheels Program provides hot, nutritious meals to homebound seniors who otherwise would not receive a meal for the day.
- Congregate Meal Program offers active seniors a hot nutritious meal and the opportunity to participate in daily educational & recreational activities at one of six (6) Senior Centers throughout Greater Houston. This service also includes transportation to and from congregate site for those participants that live within a five (5) mile radius.
- Interactive Health & Fitness Education offers seniors access to quality fitness training and education in order to achieve and maintain healthy habits for healthy living.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

Signature Programs

- Empowerment Zone Camp for Teen Girls (ages 12-18) engages teen girls in leadership skill-building, higher education/career exploration, prevention education that promotes healthy choices, financial literacy, and activities that foster positive peer to peer relationships.
- Racial Justice Initiatives are annual events facilitated in collaboration with local colleges/universities, businesses, and museums throughout Greater Houston to promote awareness of racial inequality and equality for women and girls.

Adults and Youth Programs

The Association operates the following sub-programs under this category:

a) Youth Programs

- Y She Can Series in collaboration with various local, state and federal organizations provide workshops and seminars for young girls and women. The purpose of the workshops are to provide speakers who focus on career opportunities and exploration, self-esteem workshops, mentorship, increasing awareness of STEM and other positive influences in their lives.

Drop in Child Care Center in partnership with the Houston Community College Southeast provides a safe and nurturing environment for children while their parents attend classes on campus to achieve their educational goals.

b) Housing Programs

- The YWCA of Houston Emergency Shelter operates 7 days a week, 365 days a year, from 3pm until 6am. The program accepts up to 6 women, ages 18-24, nightly. Beds are first come, first served.
- The Association offers one-bedroom affordable dormitory-style permanent housing for low-income single women ages 18-24 pursuing a life of stability and independence.
- The Association works in partnership with the community to create a healthy and sustainable environment for individuals and families. A single person with or without children, or a two-parent family, is eligible for the YWCA's income-based permanent housing which offers one, two-and three-bedroom apartments. The Association provides furnishings, rental assistance, utility deposits, and the necessary security deposits to rebuild a home. Priority is given to young adults ages 18-24 years.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

c) **Basic Needs Programs**

The Food Pantry Program partners with the Houston Food Bank to distribute over 20,000 pounds of food for 2017, which saves our residents and community over \$250 per resident a year in grocery costs. Because fresh, healthy produce and quality food are an important part of health and wellness, this program operates 1st and 3rd Tuesday and Thursday and the 3rd Saturday by appointments only, where residents and community members can supplement their food supply free of charge in a safe, welcoming and culturally competent environment.

Hurricane Harvey Relief

The Y-Help Program serves the community with Hurricane Harvey relief funds provided by donors. The program also provides home repair assistance, support groups, individual counseling, and various financial services for individuals and families affected and/or displaced by Hurricane Harvey.

Management and supporting services consist of management and general functions that are necessary to coordinate these programs, and also provide services to the members of the Association, and fundraising function that is necessary to solicit donations and grants for operating programs.

3. CONCENTRATIONS AND CREDIT RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Association will not be able to recover its deposits. Although the Association does not have a formal deposit policy, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk. Balances in accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The total cash maintained by the Association in those banks as of December 31, 2017 and 2016 was \$706,882 and \$922,647, respectively of which \$335,090 and \$422,417 exceeded the FDIC insured limit as of December 31, 2017 and 2016, respectively, and was otherwise not insured. Management believes that the Association's credit risk exposure is mitigated by the financial strength of the financial institutions in which the deposits are held.

Credit risk associated with grants receivable is minimal due to the credit worthiness of the federal, state, and local funding agencies.

The Special Programs for the Aging accounted for approximately 33% and 79% of the operating revenues and supports of the Association in years ended December 31, 2017 and 2016, respectively. Hurricane Harvey contribution from a donor accounted for approximately 49% of the operating revenues and supports of the Association in year ended December 31, 2017.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

The receivable from Special Program for the Aging accounted for 83% and 86% of the total grants receivable as at December 31, 2017 and 2016, respectively. Hurricane Harvey receivable from a donor accounted for approximately 99% of the total pledges receivable as at December 31, 2017.

Most services provided by the Association related to food services and transportation to program beneficiaries are provided by two vendors.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association's financial instruments are recorded at fair value. In accordance with GAAP, "fair value" is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The three levels of inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally unobservable.

Financial instruments measured at fair value on a recurring basis at December 31, 2017 and 2016 are as follows:

December 31, 2017:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2016:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ -	\$ 151,552	\$ -	\$ 151,552
Total	<u>\$ -</u>	<u>\$ 151,552</u>	<u>\$ -</u>	<u>\$ 151,552</u>

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

5. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 112,507	\$ 112,507
Land improvements	14,409	14,409
Buildings and building improvements	2,557,361	2,548,045
Furniture and equipment	193,920	192,102
Software	18,369	18,369
Vehicles	42,146	42,146
	<u>2,938,712</u>	<u>2,927,578</u>
Less: Accumulated depreciation and amortization	<u>(2,652,639)</u>	<u>(2,508,155)</u>
Property and equipment, net	<u>\$ 286,073</u>	<u>\$ 419,423</u>

Depreciation and amortization expense was \$150,330 and \$145,345 for the years ended December 31, 2017 and 2016, respectively.

6. LINE OF CREDIT

In January 2014, the Association secured a line of credit with a local financial institution in the amount of \$150,000 to support daily operations of the Association. The line of credit carried interest rate of 2.25% and was secured by a certificate of deposit held at the same financial institution. The line of credit matured in January 2017 and was paid off by liquidating the certificate of deposit which secured the line of credit. Amount outstanding as of December 31, 2016 was \$146,513.

7. NET ASSETS

Unrestricted net assets as of December 31, 2017 and 2016 amounted to \$583,284 and \$1,034,117, respectively, and are available to support the programs and activities of the Association.

Temporarily restricted net assets are available for the following:

	<u>2017</u>	<u>2016</u>
Contributions for specific event and/or project	\$ 2,441,421	\$ -
Time restricted contribution for operations	-	35,000
Total temporarily restricted net assets	<u>\$ 2,441,421</u>	<u>\$ 35,000</u>

YOUNG WOMEN’S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

8. RETIREMENT PLAN

The Plan

YWCA contributes to the Young Women’s Christian Association Retirement Fund, Inc. (the “Fund or “Plan”), a separate, non-profit, tax-exempt organization established for the purpose of providing retirement, death, and disability benefits for eligible employees of the Plan and other participating YWCAs in the United States. The Plan is a multiple-employer, non-contributory, cash balance defined benefit pension plan. Employees of participating YWCAs and the Plan are eligible to participate (or enroll) in the Plan after meeting certain service requirements. Participants are 100% vested immediately upon enrollment into the Plan. However, benefits are based on individual employee account balances. More information about the Fund or the Plan can be obtained from the Fund’s website at www.ywcarf.org. For identification purposes, the official plan number is 001 and the plan’s sponsor employer identification number or “EIN” is 13-1624231.

A pension plan is required to file with the US Department of Labor an annual report (i.e. Form 5500) containing financial and other information about the plan. Hence, an electronic copy of the Plan’s annual report can be obtained by going to www.efast.dol.gov and using the search tool. Copies of the Plan’s annual report are also available from the US Department of Labor, Employee Benefits Security Administration’s Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, D.C. 20210, or by calling (202) 693-8673. Alternatively, a copy of the Plan’s annual report can be requested by making a written request to the YWCA Retirement Fund, Inc., 52 Vanderbilt Avenue, 6th Floor, NY 10017, or call toll free at (800) 222-4738 or (212) 922-9500.

The following presents information about YWCA’s multiple-employer pension plan as of and for the years ended December 31, 2017 and 2016:

	2017	2016
Total plan assets	\$ 409,826,395	\$ 406,175,804
Actuarial present value of accumulated plan benefits	\$ 332,417,448	\$ 327,933,710
Funding target attainment percentage (%)	140.01%	146.81%

Funding Policy

The Funding Policy of the Fund requires each participating employer for an annual contribution ranging from 3% to 10%. Additionally, the Fund matches 1.2% through 4% depending upon the participating employer’s match. YWCA and the Fund contributed 3% and 1.2% in the years ended December 31, 2017 and 2016, respectively of the eligible employee’s annual salary. Contributions by YWCA to the Plan for years ended

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

December 31, 2017 and 2016 amounted to \$11,675 and \$12,386, respectively, and did not exceed 5% of the contribution made to the Plan.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Association leases certain equipment items under operating leases expiring in various years through 2022. Future minimum lease payments for non-cancellable leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 62,604
2019	62,604
2020	62,604
2021	62,604
2022	32,670
Total	\$ 283,086

Lease expense for the fiscal years ended December 31, 2017 and 2016 was \$73,356 and \$76,400, respectively.

Gateway Facility

In October 1996, the Association received Supportive Housing Funds from Harris County (the County) for a transitional housing project, the Gateway Transitional Housing Facility (Gateway Facility). The agreement required the Association to operate a transitional living facility for the statutory 20 year compliance period. Due to certain circumstances, the Association ceased operation of the Gateway Facility in June 2001 and accordingly, the County requested repayment of \$215,243 in 2004.

The Association proposed an alternative plan that created a tenant-based affordable housing assistance program to provide transitional housing assistance, job training and other related services to female single head-of-household women between the ages of 18 and 30 years - Women Independently Living and Developing Project (WILD).

In connection with WILD, the Association entered into an agreement and promissory note with the County that requires the Association to operate the program for the remainder of the compliance period which will end in September 2021, and that such payments under the note shall be deferred and forgiven as long as the Association operates the program according to the terms of the agreement. The note is secured by a first lien and deed of trust executed in favor of the County for the Gateway Facility.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED December 31, 2017 and 2016

In 2016, the Association ceased operations under its WILD program in anticipation of a new program "YWCA Center for Women" to be funded from a grant by US Department of Housing and Urban Development. Consequently, the Association relocated all residents that were previously served under the WILD program and initiated renovation of the Gateway Facility. The Association also notified the County of such relocation due to renovation. The Association re-opened the newly renovated facility in December 2016 after reorganizing and renamed the facility YWCA Center for Women which still meets Harris County's stipulation to house homeless individuals.

Grant Assistance

The Association receives grant funds, principally from federal government agencies for various programs, which are governed by various rules and regulations. Expenditures charged to these programs are reimbursed to the Association after audit and adjustments by the grantors. Any disallowed claims resulting from such audits would become a liability of the Association. The ability of the Association to collect any accounts receivable from governmental agencies at December 31, 2017 is subject to the compliance approval process on the activities related to those reimbursable expenditures. However, in the opinion of management, potential disallowed claims, if any, would not have a material effect on the financial statements.

10. RELATED PARTY TRANSACTIONS

The Association paid monthly support fees amounting to \$13,310 and \$14,982 to YWCA USA National Office for the year ended December 31, 2017 and 2016, respectively. Additionally, the Association paid salaries amounting to \$22,057 to certain personnel who were a related party to the Association's Executive Director.

11. SUBSEQUENT EVENTS

In March 2018, the Association was awarded an additional amount of \$2,000,000 from a donor for providing relief to Hurricane Harvey victims.

Management has evaluated subsequent events through September 27, 2018, the date the financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

SUPPLEMENTARY INFORMATION

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Agency or Pass- Through Number	Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Pass-Through Programs from the City of Houston, Texas:				
<u>Aging Cluster:</u>				
Special Programs for the Aging – Title III, Part B:				
Transportation	93.044	FC55471	\$ -	\$ 148,683
Special Programs for the Aging – Title III, Part C:				
Nutrition Services – Congregate Meals	93.045	FC55471	-	538,033
Nutrition Services – Home Delivered Meals	93.045	FC55471	-	1,013,134
Total Special Programs for the Aging – Title III Part C			-	1,551,167
Total Aging Cluster			-	1,699,850
Total U.S. Department of Health and Human Services			-	1,699,850
U.S. Department of Homeland Security				
Pass-Through Program from Coalition for the Homeless of Houston/Harris County				
Emergency Food and Shelter Program	97.024	None	\$ -	\$ 30,000
Total U.S. Department of Homeland Security			-	30,000
U.S. Department of Housing and Urban Development				
Center for Women	14.267	TX0426L6E001500	\$ -	\$ 205,382
Choices	14.267	TX0427L6E001500	-	171,525
Total Continuum Of Care Program			-	376,907
Pass-Through Programs from the City of Houston, Texas:				
Nutrition Services – Congregate Meals	14.218	None	-	98,329
Total U.S. Department of Housing and Urban Development			-	\$ 475,236
Total Expenditures of Federal Awards			\$ -	\$ 2,205,086

The accompanying notes are an integral part of this schedule of federal awards.

YOUNG WOMEN’S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activities of the Young Women’s Christian Association of Houston (“Association”) under programs of the federal government for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

2. Summary of Significant Accounting Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Association has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Relationship to Financial Report Submitted to Grantor Agencies

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals which would be included in the next report filed with the grantor agencies, matching requirements not included in the Schedule and due to different program year ends.

4. Reconciliation to Financial Statements

The following reconciles federal award expenditures as included in the Schedule to the expenditures reported in the financial statements of the Association as of December 31, 2017.

Total expenditures per the statement of activities	\$ 3,233,028
Less: Non-federal expenditures	(877,612)
Depreciation and amortization	<u>(150,330)</u>
Total expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 2,205,086</u>

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

5. Commitments and Contingencies

Federal grants received by the Association are subject to review and audit by grantor agencies. The Association's management believes that the results of such audits will not have a material effect on the Schedule.



**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**

To the Board of Directors of
Young Women’s Christian Association of Houston

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 financial statements of Young Women’s Christian Association of Houston (the “Association”), a nonprofit organization, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association’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 the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Houston, Texas
September 27, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Young Women's Christian Association of Houston

Report on Compliance for Each Major Federal Program

We have audited the compliance of Young Women's Christian Association of Houston (the "Association") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2017. The Association'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs 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 the Association'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 the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association 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, 2017.

Report on Internal Control Over Compliance

Management of the Association 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 the Association'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 the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of our 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.



Houston, Texas
September 27, 2018

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

PART I: SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| c) Noncompliance material to financial statements noted? | No |

Federal Awards Section

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 2. Type of Auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 4. Identification of major programs: | |

Federal CFDA Number

Name of Federal Program

Aging Cluster:
93.044
93.045

Special Programs for the Aging – Title III Part B
Special Programs for the Aging – Title III Part C

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee under 2 CFR section 200.520? | Yes |

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

PART II: FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS**

None noted.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON
(A Texas Nonprofit Association)

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND CURRENT STATUS
YEAR ENDED DECEMBER 31, 2017

There were no prior year audit findings to report.