

**YOUNG WOMEN'S CHRISTIAN  
ASSOCIATION OF HOUSTON**  
Annual Financial and Compliance Audit Reports

Years Ended December 31, 2015 and 2014

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

**DECEMBER 31, 2015 AND 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Young Women's Christian Association of Houston, Texas (the "Association"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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, 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 8, 2016, 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.

*McCord & Jones LLP*  
Houston, Texas  
September 8, 2016

## **FINANCIAL STATEMENTS**

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

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash	\$ 898,086	\$ 265,381
Certificates of deposit	151,173	402,510
Grants receivable	304,895	168,356
Property held for sale	-	34,349
Prepaid expenses and other receivables	19,614	17,007
Total current assets	1,373,768	887,603
NONCURRENT ASSETS		
Property and equipment, net	501,258	803,615
Total noncurrent assets	501,258	803,615
TOTAL ASSETS	\$ 1,875,026	\$ 1,691,218
<b><u>LIABILITIES AND NET ASSETS</u></b>		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 354,207	\$ 279,101
Accrued payroll and related expenses	24,333	28,146
Lines of credit	147,109	393,245
Total current liabilities	525,649	700,492
TOTAL LIABILITIES	525,649	700,492
NET ASSETS		
Unrestricted	1,349,377	990,726
TOTAL NET ASSETS	1,349,377	990,726
TOTAL LIABILITIES AND NET ASSETS	\$ 1,875,026	\$ 1,691,218

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

**YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON**  
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**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>REVENUES AND SUPPORT</b>		
Federal grants	\$ 1,738,917	\$ 1,800,689
State grants	37,450	35,481
Other grants and contributions	263,080	184,185
Program fees	4,249	5,688
Gain on sale of property	661,305	-
Other income	13,058	27,370
<b>TOTAL REVENUES AND SUPPORT</b>	<b>2,718,059</b>	<b>2,053,413</b>
<b>EXPENDITURES</b>		
Program services:		
Seniors	1,825,671	1,761,970
Signature	19,990	6,220
Adults	185,181	206,258
Total program services	2,030,842	1,974,448
Management and Support services:		
Administration	288,315	341,397
Fundraising	40,251	165
Total management and support services	328,566	341,562
<b>TOTAL EXPENDITURES</b>	<b>2,359,408</b>	<b>2,316,010</b>
<b>CHANGE IN NET ASSETS</b>	<b>358,651</b>	<b>(262,597)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>990,726</b>	<b>1,253,323</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,349,377</b>	<b>\$ 990,726</b>

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

**YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Programs				Management and Support			Total Expenditures
	Seniors	Signature	Adults	Total Program	Administration	Fundraising	Total Management and Support	
Salaries, benefits, taxes and other	\$ 423,389	\$ -	\$ 25,853	\$ 449,242	\$ 39,077	\$ 14,261	\$ 53,338	\$ 502,580
Transportation	157,477	-	-	157,477	-	-	-	157,477
Food service	994,654	-	-	994,654	-	-	-	994,654
Special events	-	-	-	-	-	20,639	20,639	20,639
Professional services	32,005	2,200	60,032	94,237	96,397	4,308	100,706	194,942
Supplies	24,880	17,790	5,711	48,381	4,671	-	4,671	53,052
Occupancy	26,240	-	25,813	52,053	30,318	-	30,318	82,371
Postage and delivery	466	-	63	529	1,018	-	1,018	1,547
Printing and publication	61	-	61	122	62	-	62	184
Telephone	8,750	-	11,348	20,098	6,784	-	6,785	26,882
Equipment rental & maintenance	21,050	-	22,668	43,718	34,994	-	34,994	78,712
Travel, tips and auto	20,720	-	1,057	21,777	10,880	258	11,138	32,915
Insurance	19,879	-	8,057	27,936	12,201	-	12,201	40,137
Dues and subscriptions	4,598	-	4,197	8,795	9,213	-	9,213	18,008
Depreciation	90,833	-	19,996	110,829	27,130	-	27,130	137,959
Bank service charges	324	-	325	649	9,052	785	9,837	10,486
Other expenses	345	-	-	345	6,518	-	6,518	6,863
<b>Total Expenditures</b>	<b>\$1,825,671</b>	<b>\$ 19,990</b>	<b>\$185,181</b>	<b>\$2,030,842</b>	<b>\$ 288,315</b>	<b>\$ 40,251</b>	<b>\$ 328,566</b>	<b>\$ 2,359,408</b>

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

**YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2014**

	Programs				Management and Support			Total Expenditures
	Seniors	Signature	Adults	Total Program	Administration	Fundraising	Total Management and Support	
Salaries, benefits, taxes and other	\$ 370,000	\$ 2,070	\$ 53,841	\$ 425,911	\$ 60,175	\$ -	\$ 60,175	\$ 486,086
Transportation	157,810	-	-	157,810	-	-	-	157,810
Food service	1,004,980	438	187	1,005,605	-	-	-	1,005,605
Special events	79	389	79	547	2,205	49	2,254	2,801
Professional services	16,790	1,707	43,750	62,247	77,812	-	77,812	140,059
Supplies	15,039	1,461	1,513	18,013	2,245	-	2,245	20,258
Occupancy	28,824	9	28,304	57,137	31,340	-	31,340	88,477
Postage and delivery	1,031	-	711	1,742	1,744	-	1,744	3,486
Printing and publication	2,698	-	2,698	5,396	3,366	-	3,366	8,762
Telephone	12,230	-	15,102	27,332	12,440	-	12,440	39,772
Equipment rental & maintenance	22,200	-	21,985	44,185	23,160	-	23,160	67,345
Travel, tips and auto	8,446	146	2,278	10,870	9,018	75	9,093	19,963
Insurance	15,541	-	2,905	18,446	39,428	-	39,428	57,874
Dues and subscriptions	7,602	-	7,207	14,809	7,257	-	7,257	22,066
Depreciation	93,105	-	20,482	113,587	27,443	-	27,443	141,030
Bank service charges	25	-	24	49	14,440	-	14,440	14,489
Other expenses	5,570	-	5,192	10,762	29,324	41	29,365	40,127
<b>Total Expenditures</b>	<b>\$1,761,970</b>	<b>\$ 6,220</b>	<b>\$206,258</b>	<b>\$1,974,448</b>	<b>\$ 341,397</b>	<b>\$ 165</b>	<b>\$ 341,562</b>	<b>\$ 2,316,010</b>

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

**YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 358,651	\$ (262,597)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	137,959	141,030
(Gain)/loss on disposals of property	(661,305)	25,569
Changes in operating assets and liabilities:		
Grants receivable	(136,539)	4,372
Prepaid expenses and other receivables	(2,607)	(19,183)
Accounts payable	75,106	(90,686)
Accrued payroll and related expenses	(3,813)	(35,418)
Total adjustments	(591,199)	25,684
Net cash used in operating activities	(232,548)	(236,913)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from matured certificate of deposit	251,337	250,874
Purchase of certificate of deposit	-	(402,510)
Purchase of equipment	(14,428)	-
Proceeds from sale of property	874,480	405,466
Net cash provided by investing activities	1,111,389	253,830
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds (payoff) from line of credit	(246,136)	147,321
Net cash (used in)/provided by financing activities	(246,136)	147,321
<b>NET INCREASE IN CASH</b>	<b>632,705</b>	<b>164,238</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>265,381</b>	<b>101,143</b>
<b>CASH, END OF YEAR</b>	<b>\$ 898,086</b>	<b>\$ 265,381</b>
<b>SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION:</b>		
Interest paid on borrowed funds during the year	\$ 4,726	\$ 10,374

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

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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.

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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. 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. 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.

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.

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 \$126,875 and

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

\$120,191 for the years ended December 31, 2015 and 2014, 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 is required to maintain certificates of deposit in conjunction with lines of credit secured at local financial institutions. 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 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, 2015 and 2014.

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.

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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.

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. The Association's Federal income tax returns for years 2012 through 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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.

**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 our ten (10) 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.

*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.

*Adult Programs*

- Women Independently Living and Developing (W.I.L.D.) Program provides housing, case management, counseling, and life skills training to young women ages 18-24 who are have aged out of foster care and or homeless who desire to pursue higher education; or vocational training.
- 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

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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.
- 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 OF 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, 2015 and 2014 was \$1,067,731 and \$689,275, respectively of which \$566,354 and \$189,360 exceeded the FDIC insured limit as of December 31, 2015 and 2014, 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 63% and 59% of the operating revenues and supports of the Association in years ended December 31, 2015 and 2014, respectively.

The receivable from Special Program for the Aging accounted for 100% and 83% of the total receivables as at December 31, 2015 and 2014, respectively.

**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.

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*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, 2015 and 2014 are as follows:

December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 151,173	\$ -	\$ -	\$ 151,173
Total	<u>\$ 151,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,173</u>

December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 402,510	\$ -	\$ -	\$ 402,510
Total	<u>\$ 402,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,510</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.

**5. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Land	\$ 112,507	\$ 291,332
Land improvements	14,409	14,409
Building and building improvements	2,546,945	2,534,148
Furniture and equipment	177,438	175,808
Software	12,769	12,769
	<u>2,864,068</u>	<u>3,028,466</u>
Less: Accumulated depreciation and amortization	(2,362,810)	(2,224,851)
Property and equipment, net	<u>\$ 501,258</u>	<u>\$ 803,615</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

Depreciation and amortization expense charged to operations was \$137,959 and \$141,030 for the years ended December 31, 2015 and 2014, respectively.

**6. LINES OF CREDIT**

In January 2014 the Association secured a line of credit with a local financial institution in the amount of \$150,000, which matured in January 2016. Amounts borrowed under this agreement bear interest at 2.25%. The purpose of the line of credit is to support daily operations of the Association. Draw-downs of \$147,109 and \$393,245 were outstanding on the line of credit as of December 31, 2015 and 2014, respectively. The line is secured by a certificate of deposit held at the same financial institution.

**7. UNRESTRICTED NET ASSETS**

Unrestricted net assets as of December 31, 2015 and 2014 amounted to \$1,349,377 and \$990,726, respectively; and are available to support the programs and activities of the Association.

**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 benefits for employees of YWCAs in the United States. The Plan is a multi-employer, non-contributory, cash balance defined benefit pension plan. Employees 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](http://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.

The risk of participating in a multiemployer plan are different from a single-employer plan in that the assets contributed to a multiemployer plan may be used to provide benefits to employees of other participating employers, and if a participating employer stops contributing to the plan, unfunded obligations, if any, of the plan may be borne by the remaining participating employers.

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](http://www.efast.dol.gov) and using the search tool. Copies of the Plan's annual report are also available from the US

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 present information about YWCA's multiemployer pension plan as of and for the years ended December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Total plan assets	\$ 404,499,498	\$ 446,020,611
Total plan liabilities (benefit obligations)	\$ 304,033,601	\$ 282,637,544
Percentage (%) funded	147.04%	157.62%

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 the Fund contributed 3% and 1.2% in the years ended December 31, 2015 and 2014, respectively of the eligible employee's annual salary. Contributions by YWCA to the Plan for years ended December 31, 2015 and 2014 amounted to \$11,804 and \$8,109, respectively, and did not exceed 5% of the contribution made to the Plan.

**9. COMMITMENTS AND CONTINGENCIES**

Operating Leases

The Association leases equipment under operating leases expiring in various years through 2019. Future minimum lease payments for non-cancellable leases are as follows:

<b>Year ending December 31,</b>	<b>Amount</b>
2016	\$ 44,676
2017	41,592
2018	26,172
2019	15,264
<b>Total</b>	<b>\$ 127,704</b>

Lease expense for the fiscal years ended December 31, 2015 and 2014 was \$76,480 and \$44,270, respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 2016, 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.

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 amounts receivable from governmental agencies at December 31, 2015 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 contractual services fees for \$0 and \$1,900 to a relative of a member of management during the years ended December 31, 2015 and 2014, respectively. These contractual fees were approved by the Board of Directors of the Association.

The Association paid monthly support fees amounting to \$16,678 and \$19,632 to YWCA USA National Office for the year ended December 31, 2015 and 2014, respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**11. SUBSEQUENT EVENTS**

Subsequent to fiscal year 2015, 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 HUD. 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. As of the end of August 2016, all building renovations were completed and the Association expects an award in September 2016.

The line of credit matured in January 2016 but was extended to mature in January 2017.

Management has evaluated subsequent events through September 8, 2016, 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 Organization)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor/Pass-Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services:</b>			
Aging Cluster:			
Pass-Through Programs from the City of Houston, Texas:			
Special Programs for the Aging – Title III, Part B:			
Transportation	93.044	FC55471	\$ 122,595
Special Programs for the Aging – Title III, Part C:			
Nutrition Services – Congregate Meals	93.045	FC55471	605,980
Nutrition Services – Home Delivered Meals	93.045	FC55471	987,576
Total Special Programs for the Aging – Title III Part C			<u>1,593,556</u>
Total Aging Cluster			<u>1,716,151</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>1,716,151</u>
<b>U.S. Department of Housing and Urban Development</b>			
Emergency Shelter Grant Program	14.231	460-001-0677	<u>23,191</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>23,191</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,739,342</u>

*The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.*

**YOUNG WOMEN’S CHRISTIAN ASSOCIATION OF HOUSTON**  
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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, 2015.

Total expenditures per the statement of activities	\$ 2,359,408
Less: Non-federal expenditures	(482,107)
Depreciation and amortization	(137,959)
Total expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,739,342</u>

**YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF HOUSTON**  
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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

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, Texas

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, 2015 and 2014, 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 8, 2016.

**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.

*McConell & Jones LLP*

Houston, Texas  
September 8, 2016



**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, Texas

**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, 2015. 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, 2015.

**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.

*McConell & Jones LLP*  
Houston, Texas  
September 8, 2016

## **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, 2015**

**PART 1 – 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:

<u>Federal CFDA Number</u>	<u>Name of Federal Program</u>
Aging Cluster:	
93.044	Special Programs for the Aging – Title III Part B
93.045	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**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

**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**  
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**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND CURRENT STATUS**  
**YEAR ENDED DECEMBER 31, 2015**

There were no prior year audit findings to report.