

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the year ended May 31, 2010

Independent Auditors' Report

To the Board of Directors of
Main Street Ministries Houston:

We have audited the accompanying statement of financial position of Main Street Ministries Houston as of May 31, 2010 and the related statements of activities, of cash flows, and of functional expenses for the year then ended. These financial statements are the responsibility of the management of Main Street Ministries Houston. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Main Street Ministries Houston as of May 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

October 4, 2010

Main Street Ministries Houston

Statement of Financial Position as of May 31, 2010

ASSETS

Cash	\$ 63,014
Accounts receivable	7,352
Pledges receivable	<u>5,000</u>
TOTAL ASSETS	<u>\$ 75,366</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 7,607
Deferred revenue	<u>1,483</u>
Total liabilities	<u>9,090</u>
Unrestricted net assets	<u>66,276</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 75,366</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2010

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions (<i>Note 2</i>)	\$ 361,619	\$ 227,425	\$ 589,044
Client service co-payments	<u>85,897</u>	<u> </u>	<u>85,897</u>
Total revenue	447,516	227,425	674,941
Net assets released from restrictions:			
Expenditure for program purposes	<u>227,425</u>	<u>(227,425)</u>	<u> </u>
Total	<u>674,941</u>	<u>0</u>	<u>674,941</u>
EXPENSES:			
Program expenses:			
Shepherd's Center	233,487		233,487
Operation ID	228,901		228,901
Holy Ground	56,003		56,003
Nehemiah Ministries	<u>47,199</u>		<u>47,199</u>
Total program expenses	565,590		565,590
Management and general	63,707		63,707
Fundraising	<u>22,854</u>		<u>22,854</u>
Total expenses (<i>Note 2</i>)	<u>652,151</u>		<u>652,151</u>
CHANGES IN NET ASSETS	22,790	0	22,790
Net assets, beginning of year	<u>43,486</u>	<u>0</u>	<u>43,486</u>
Net assets, end of year	<u>\$ 66,276</u>	<u>\$ 0</u>	<u>\$ 66,276</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Cash Flows for the year ended May 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 22,790
Changes in operating assets and liabilities:	
Accounts receivable	527
Pledges receivable	(4,973)
Accounts payable and accrued expenses	4,490
Deferred revenue	<u>(622)</u>
Net cash provided by operating activities	<u>22,212</u>
 NET CHANGE IN CASH	 22,212
 Cash, beginning of year	 <u>40,802</u>
 Cash, end of year	 <u>\$ 63,014</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Functional Expenses for the year ended May 31, 2010

	PROGRAM SERVICES					SUPPORTING SERVICES		TOTAL EXPENSES
	SHEPHERD'S CENTER	OPERATION ID	HOLY GROUND	NEHEMIAH MINISTRIES	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related expense	\$ 50,761	\$ 5,945	\$ 44,903	\$ 29,494	\$ 131,103	\$ 26,339	\$ 17,718	\$ 175,160
Client service assistance	98,253	137,748			236,001			236,001
Occupancy	79,660	84,246	6,673	13,084	183,663	21,345	3,018	208,026
Professional fees and services	747	149	687	717	2,300	10,925	329	13,554
Postage and printing	3,009	602	2,768	2,889	9,268	1,444	1,324	12,036
Other	1,057	211	972	1,015	3,255	3,654	465	7,374
Total expenses	<u>\$ 233,487</u>	<u>\$ 228,901</u>	<u>\$ 56,003</u>	<u>\$ 47,199</u>	<u>\$ 565,590</u>	<u>\$ 63,707</u>	<u>\$ 22,854</u>	<u>\$ 652,151</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Notes to Financial Statements for the year ended May 31, 2010

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Main Street Ministries Houston (MSMH) was created in 2009 when four existing, like-minded ministries were consolidated under one organizational “umbrella.” MSMH’s Mission Statement: *MAIN STREET MINISTRIES HOUSTON is a Christ-centered, volunteer empowered organization focused on effective solutions for those of our community in crisis, providing them the opportunity to change their lives for good.* MSMH programs are as follows:

Shepherd’s Center offers referrals to over 200 other assistance ministries in the Houston area, as well as limited financial assistance for rent, utilities, transportation, and other needs. Over the last year, approximately 1,800 volunteer hours were invested in almost 1,500 clients. In each case, MSMH seeks to point our clients toward a life which is self-sustaining and productive – positioned to give back to their community.

Operation ID assists roughly 7,000 clients per year to obtain fundamental but essential identification documents. MSMH utilized over 5,000 volunteer hours this past year serving victims of family crisis and natural disasters, the homeless population and ex-offenders, those exiting drug and rehab programs, abandoned young adults, mental health patients, and others in need – providing the necessary support as they take their first step toward employment, housing, social services, and school enrollment for their children.

Holy Ground is where discipleship begins with our clients and guests. Main Street Ministries hosted a local chapter of His Father’s Heart Ministries, but when the growth overwhelmed the space it was necessary to create a new outreach program to meet the needs of our clients. Holy Ground is a place of refuge on Thursday nights for 150 mostly homeless men and women who come for a pot-luck dinner that is preceded by a time of fellowship, praise and worship, and a spiritually-motivated message. On Monday nights Holy Ground hosts a small group program, light dinner, and time of fellowship. Wednesday night is open to Celebrate Recovery – a 12-step program based on the eight Beatitudes that incorporates the addressing of hurts, habits and hangups, not just addictions. On Sunday following church services Holy Ground invites our client-guests to a light lunch and fellowship. Additional outreach programs are in the planning stages.

Nehemiah Ministries is spreading the Gospel through its model for after-school care. Based upon the highly effective model of the Nehemiah Center, this ministry offers free consultation for up to three years to those organizations starting centers in at-risk communities, sharing detailed program structure and strategies that are simple, practical, and cost-effective. MSMH is currently working with five organizations, to assist in start up of fourteen centers in the Houston area.

Federal income tax status – MSMH is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. At May 31, 2010, pledges receivable are expected to be collected within the next year.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions are recorded as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit the use of the donated assets are recorded as restricted revenues.

Non-cash contributions – Donated materials and use of facilities are recorded at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles.

Client service co-payments are fees for services provided to clients. Fees paid in advance are recorded as deferred revenue.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – TRANSACTIONS WITH FIRST PRESBYTERIAN CHURCH

First Presbyterian Church of Houston (Church) is the sole member of MSMH. MSMH's Board of Directors must consist of at least sixty percent Church members. The Board of Directors elects the remaining members subject to the approval by the Session of the Church. MSMH and the Church have entered into an agreement for the Church to provide office and meeting facilities. In 2010, MSMH recorded in-kind contributions and expense from the Church of \$208,000 for the use of facilities. Additionally in 2010, the Church paid on behalf of MSMH, \$92,000 for salaries and related expense, postage and printing that were also recorded as in-kind contributions and expense.

NOTE 3 – SUBSEQUENT EVENTS

Subsequent to year end, MSMH entered into an agreement with the Church for a \$200,000 unsecured line of credit. The line of credit bears interest at prime rate less 1.5%. MSMH has drawn \$20,000 on the line of credit with the Church as of the date of management's evaluation.

Management has evaluated subsequent events through October 4, 2010, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that need to be disclosed or would have a material impact on reported net assets or changes in net assets.
