

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2011 and 2010

Independent Auditors' Report

To the Board of Directors of
Main Street Ministries Houston:

We have audited the accompanying statements of financial position of Main Street Ministries Houston as of May 31, 2011 and 2010 and the related statements of activities, of cash flows, and of functional expenses for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 audits provide 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, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

August 8, 2011

Main Street Ministries Houston

Statements of Financial Position as of May 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 74,712	\$ 63,014
Accounts receivable	7,367	7,352
Pledges receivable	<u>87,477</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 169,556</u>	<u>\$ 75,366</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,149	\$ 7,607
Deferred revenue	<u>1,215</u>	<u>1,483</u>
Total liabilities	<u>4,364</u>	<u>9,090</u>
Net assets:		
Unrestricted	77,715	66,276
Temporary restricted for future operations	<u>87,477</u>	<u> </u>
Total net assets	<u>165,192</u>	<u>66,276</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 169,556</u>	<u>\$ 75,366</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 168,549	\$ 177,204	\$ 345,753
Support from First Presbyterian Church (<i>Note 2</i>)	307,500		307,500
Special event	233,595		233,595
Direct donor benefit costs – special event	(39,948)		(39,948)
Client service co-payments	<u>90,874</u>	<u> </u>	<u>90,874</u>
Total revenue	760,570	177,204	937,774
Net assets released from restrictions:			
Expenditure for program purposes	<u>89,727</u>	<u>(89,727)</u>	<u> </u>
Total	<u>850,297</u>	<u>87,477</u>	<u>937,774</u>
EXPENSES:			
Program expenses:			
Shepherd’s Center	262,475		262,475
Operation ID	241,343		241,343
Nehemiah Ministries	124,940		124,940
Holy Ground	<u>54,212</u>	<u> </u>	<u>54,212</u>
Total program expenses	682,970		682,970
Management and general	122,372		122,372
Fundraising	<u>33,516</u>	<u> </u>	<u>33,516</u>
Total expenses (<i>Note 2</i>)	<u>838,858</u>	<u> </u>	<u>838,858</u>
CHANGES IN NET ASSETS	11,439	87,477	98,916
Net assets, beginning of year	<u>66,276</u>	<u>0</u>	<u>66,276</u>
Net assets, end of year	<u>\$ 77,715</u>	<u>\$ 87,477</u>	<u>\$ 165,192</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 231,619	\$ 19,425	\$ 251,044
Support from First Presbyterian Church (<i>Note 2</i>)	338,000		338,000
Client service co-payments	<u>85,897</u>	<u> </u>	<u>85,897</u>
Total revenue	655,516	19,425	674,941
Net assets released from restrictions:			
Expenditure for program purposes	<u>19,425</u>	<u>(19,425)</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
Nehemiah Ministries	47,199		47,199
Holy Ground	<u>56,003</u>	<u> </u>	<u>56,003</u>
Total program expenses	565,590		565,590
Management and general	63,707		63,707
Fundraising	<u>22,854</u>	<u> </u>	<u>22,854</u>
Total expenses (<i>Note 2</i>)	<u>652,151</u>	<u> </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

Statements of Cash Flows for the years ended May 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 98,916	\$ 22,790
Changes in operating assets and liabilities:		
Accounts receivable	(15)	527
Pledges receivable	(82,477)	(4,973)
Accounts payable and accrued expenses	(4,458)	4,490
Deferred revenue	<u>(268)</u>	<u>(622)</u>
Net cash provided by operating activities	<u>11,698</u>	<u>22,212</u>
NET CHANGE IN CASH	11,698	22,212
Cash, beginning of year	<u>63,014</u>	<u>40,802</u>
Cash, end of year	<u>\$ 74,712</u>	<u>\$ 63,014</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Functional Expenses for the year ended May 31, 2011

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>		<u>TOTAL EXPENSES</u>	
	<u>SHEPHERD'S CENTER</u>	<u>OPERATION ID</u>	<u>NEHEMIAH MINISTRIES</u>	<u>HOLY GROUND</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>		<u>FUNDRAISING</u>
Salaries and related expense	\$ 68,821	\$ 19,882	\$ 105,867	\$ 21,282	\$ 215,852	\$ 60,224	\$ 22,181	\$ 298,257
Client service assistance	112,078	137,338	3,776	16,655	269,847			269,847
Occupancy	76,758	81,060	10,756	14,233	182,807	22,380	2,813	208,000
Professional fees and services						26,692		26,692
Postage and printing	2,473	592	4,167	824	8,056	2,315	978	11,349
Other	<u>2,345</u>	<u>2,471</u>	<u>374</u>	<u>1,218</u>	<u>6,408</u>	<u>10,761</u>	<u>7,544</u>	<u>24,713</u>
Total expenses	<u>\$ 262,475</u>	<u>\$ 241,343</u>	<u>\$ 124,940</u>	<u>\$ 54,212</u>	<u>\$ 682,970</u>	<u>\$ 122,372</u>	<u>\$ 33,516</u>	<u>\$ 838,858</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

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

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>		<u>TOTAL EXPENSES</u>	
	<u>SHEPHERD'S CENTER</u>	<u>OPERATION ID</u>	<u>NEHEMIAH MINISTRIES</u>	<u>HOLY GROUND</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>		<u>FUNDRAISING</u>
Salaries and related expense	\$ 50,761	\$ 5,945	\$ 29,494	\$ 44,903	\$ 131,103	\$ 26,339	\$ 17,718	\$ 175,160
Client service assistance	98,253	137,748			236,001			236,001
Occupancy	79,660	84,246	13,084	6,673	183,663	21,345	3,018	208,026
Professional fees and services	747	149	717	687	2,300	10,925	329	13,554
Postage and printing	3,009	602	2,889	2,768	9,268	1,444	1,324	12,036
Other	<u>1,057</u>	<u>211</u>	<u>1,015</u>	<u>972</u>	<u>3,255</u>	<u>3,654</u>	<u>465</u>	<u>7,374</u>
Total expenses	<u>\$ 233,487</u>	<u>\$ 228,901</u>	<u>\$ 47,199</u>	<u>\$ 56,003</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 years ended May 31, 2011 and 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 budget accountability and guidance 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 2,100 volunteer hours were invested in almost 1,700 clients.

Operation ID assists roughly 7,000 clients per year to obtain fundamental but essential identification documents. MSMH utilized over 6,300 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.

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. Nehemiah Ministries worked with 16 clients in 2010-2011: 8 full ministry partners and 8 consulting clients.

Holy Ground is where discipleship, change, and understanding the importance of personal responsibility begins with our clients and guests. It is a place of refuge for mostly homeless men and women. On Thursday nights Holy Ground hosts a church service and volunteer-provided pot-luck dinner for 100 to 150 guests. On Monday nights Holy Ground hosts 4 to 5 small group learning programs that include a 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 hang-ups, not just addictions. On Sunday, following church services, Holy Ground invites our clients and guests to a light lunch and fellowship.

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 reported 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, 2011, pledges receivable include \$75,000 from one donor and 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 recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted revenue.

In 2011, three donors represent 35% of total contributions and special event revenue. In 2010, five donors represent 60% of total contribution revenue.

Non-cash contributions – Donated materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized 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 recognized 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 and are recognized as services are provided. Fees paid in advance are reported 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 revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

NOTE 2 – TRANSACTIONS WITH FIRST PRESBYTERIAN CHURCH OF HOUSTON

First Presbyterian Church of Houston (the 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 2011 and 2010, MSMH recognized in-kind support received from the Church of approximately \$208,000 for the use of facilities which includes maintenance, security and janitorial services. Additionally, the Church provided operating support of \$99,500 and \$130,000 in 2011 and 2010, respectively.

NOTE 3 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2011, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
