

**Main Street Ministries Houston**

Financial Statements  
and Independent Auditors' Report  
for the years ended May 31, 2016 and 2015

# Main Street Ministries Houston

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**Independent Auditors' Report**

To the Board of Directors of  
Main Street Ministries Houston:

We have audited the accompanying financial statements of Main Street Ministries Houston, which comprise the statements of financial position as of May 31, 2016 and 2015 and the related statements of activities, of cash flows, and of functional expenses 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.

**Auditors' 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. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Main Street Ministries Houston as of May 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blazek & Vetterling*

August 24, 2016

## Main Street Ministries Houston

Statements of Financial Position as of May 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 138,450	\$ 259,514
Prepaid and other assets	500	15,990
Receivable from First Presbyterian Church of Houston	5,333	2,516
Certificate of deposit	<u>103,675</u>	<u>100,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 247,958</u></b>	<b><u>\$ 378,020</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses ( <i>Note 2</i> )	<u>\$ 29,494</u>	<u>\$ 26,206</u>
Net assets:		
Unrestricted	218,464	338,564
Temporarily restricted for transportation program	<u>          </u>	<u>13,250</u>
Total net assets	<u>218,464</u>	<u>351,814</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 247,958</u></b>	<b><u>\$ 378,020</u></b>

*See accompanying notes to financial statements.*

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## Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2016

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 203,091	\$ 21,489	\$ 224,580
Support from First Presbyterian Church of Houston (Note 2)	383,996		383,996
Special event	240,015		240,015
Direct donor benefit costs – special event	(64,987)		(64,987)
Client service co-payments	21,641		21,641
Other income	<u>3,675</u>		<u>3,675</u>
Total revenue	787,431	21,489	808,920
Net assets released from restrictions:			
Expenditure for program purposes	<u>34,739</u>	<u>(34,739)</u>	
Total	<u>822,170</u>	<u>(13,250)</u>	<u>808,920</u>
EXPENSES:			
Program services:			
Shepherd’s Center	261,020		261,020
Operation ID	208,076		208,076
Holy Ground	184,485		184,485
WorkFaith Connection	<u>94,476</u>		<u>94,476</u>
Total program services	748,057		748,057
Management and general	175,782		175,782
Fundraising	<u>18,431</u>		<u>18,431</u>
Total expenses	<u>942,270</u>		<u>942,270</u>
CHANGES IN NET ASSETS	(120,100)	(13,250)	(133,350)
Net assets, beginning of year	<u>338,564</u>	<u>13,250</u>	<u>351,814</u>
Net assets, end of year	<u>\$ 218,464</u>	<u>\$ 0</u>	<u>\$ 218,464</u>

*See accompanying notes to financial statements.*

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## Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2015

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 207,202	\$ 10,350	\$ 217,552
Support from First Presbyterian Church of Houston (Note 2)	383,996		383,996
Special event	270,000		270,000
Direct donor benefit costs – special event	(39,789)		(39,789)
Client service co-payments	<u>72,544</u>		<u>72,544</u>
Total revenue	893,953	10,350	904,303
Net assets released from restrictions:			
Expenditure for program purposes	<u>23,850</u>	<u>(23,850)</u>	
Total	<u>917,803</u>	<u>(13,500)</u>	<u>904,303</u>
EXPENSES:			
Program services:			
Shepherd's Center	290,942		290,942
Operation ID	207,563		207,563
Holy Ground	148,505		148,505
WorkFaith Connection	<u>94,476</u>		<u>94,476</u>
Total program services	741,486		741,486
Management and general	138,489		138,489
Fundraising	<u>17,634</u>		<u>17,634</u>
Total expenses	<u>897,609</u>		<u>897,609</u>
CHANGES IN NET ASSETS	20,194	(13,500)	6,694
Net assets, beginning of year	<u>318,370</u>	<u>26,750</u>	<u>345,120</u>
Net assets, end of year	<u>\$ 338,564</u>	<u>\$ 13,250</u>	<u>\$ 351,814</u>

*See accompanying notes to financial statements.*

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## Main Street Ministries Houston

### Statements of Cash Flows for the years ended May 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (133,350)	\$ 6,694
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	15,490	(13,696)
Receivable	(2,817)	22,193
Accounts payable and accrued expenses	<u>3,288</u>	<u>13,934</u>
Net cash provided (used) by operating activities	<u>(117,389)</u>	<u>29,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificate of deposit	<u>(3,675)</u>	
NET CHANGE IN CASH	(121,064)	29,125
Cash, beginning of year	<u>259,514</u>	<u>230,389</u>
Cash, end of year	<u>\$ 138,450</u>	<u>\$ 259,514</u>

*See accompanying notes to financial statements.*

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## Main Street Ministries Houston

### Statements of Functional Expenses for the years ended May 31, 2016 and 2015

2016 EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		
	SHEPHERD'S CENTER	OPERATION ID	HOLY GROUND	WORKFAITH CONNECTION	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 104,715	\$ 7,397	\$ 101,957		\$ 214,069	\$ 103,552	\$ 11,805	\$ 329,426
Occupancy	72,379	85,364	50,167	\$ 94,476	302,386	36,726	1,055	340,167
Client service assistance	70,446	102,811	21,022		194,279			194,279
Equipment, software, and IT	8,139	9,599	5,641		23,379	4,129	118	27,626
Professional fees	430		10		440	15,000		15,440
Postage and printing	3,871	267	3,795		7,933	3,756	423	12,112
Other	1,040	2,638	1,893		5,571	12,619	5,030	23,220
Total expenses	<u>\$ 261,020</u>	<u>\$ 208,076</u>	<u>\$ 184,485</u>	<u>\$ 94,476</u>	<u>\$ 748,057</u>	<u>\$ 175,782</u>	<u>\$ 18,431</u>	942,270
Direct donor benefit costs – special event								<u>64,987</u>
Total								<u>\$ 1,007,257</u>

2015 EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		
	SHEPHERD'S CENTER	OPERATION ID	HOLY GROUND	WORKFAITH CONNECTION	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 92,675	\$ 3,877	\$ 74,234		\$ 170,786	\$ 76,428	\$ 9,781	\$ 256,995
Occupancy	61,723	72,796	42,781	\$ 94,476	271,776	31,319	900	303,995
Client service assistance	121,526	127,349	25,862		274,737			274,737
Equipment, software, and IT	2,841	3,350	1,969		8,160	1,441	41	9,642
Professional fees						13,315		13,315
Postage and printing	4,569	191	3,659		8,419	3,768	482	12,669
Other	7,608				7,608	12,218	6,430	26,256
Total expenses	<u>\$ 290,942</u>	<u>\$ 207,563</u>	<u>\$ 148,505</u>	<u>\$ 94,476</u>	<u>\$ 741,486</u>	<u>\$ 138,489</u>	<u>\$ 17,634</u>	897,609
Direct donor benefit costs – special event								<u>39,789</u>
Total								<u>\$ 937,398</u>

*See accompanying notes to financial statements.*



## Main Street Ministries Houston

Notes to Financial Statements for the years ended May 31, 2016 and 2015

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### NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Main Street Ministries Houston (MSMH) was created in 2009 when three existing, like-minded ministries were consolidated into one organization. MSMH’s mission statement is: *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.* For over three decades, the programs of MSMH have served people in our community who find themselves in a crisis situation, have nowhere else to turn, and desire to make a change in their lives.

We are a community of hope and a place of refuge for disadvantaged Houstonians including victims of domestic violence or natural disasters and those transitioning out of homelessness, incarceration, and substance abuse. In 2016, we invested over 12,600 volunteer hours in providing service to more than 6,800 participants. Each of our diverse programs is uniquely designed to equip individuals and families with the tools and encouragement they need to attain and maintain a stable life and grow towards their God-given potential. These programs include:

*Shepherd’s Center* offers housing and employment support that includes guidance referrals and financial assistance for rent, utilities, transportation, and other work-related needs. Emergency financial aid is also available for individuals and families at imminent risk of eviction or utility cut-off due to some unforeseen life event.

*Operation ID* assists clients in gathering the documentation and paying the cost of the essential identification documents they need to gain employment, housing, social services, and school enrollment.

*Holy Ground* provides opportunities for men and women to grow in faith and take steps towards a stable, productive life. Change is encouraged through fellowship, small group Bible studies, personal discipleship, and service opportunities that inspire a healthy relationship with God, self, others and the rest of creation. *Main Street Ministries Garden* an outgrowth of the *Holy Ground* program provides an opportunity for relational ministry as volunteers and clients work side-by-side to learn the value of work and reflect upon potential for growth and renewal. Crops from this productive garden are shared with community partners and utilized to prepare meals for MSMH evening events.

*WorkFaith Connection (WFC)* employment services are provided to qualified MSMH clients and other applicants. MSMH supports the mission of WFC by providing facilities and related services to WFC at no charge. WFC helps men and women begin productive lives by providing job readiness training.

*Family HOPE (Homeless Prevention and Enrichment)* is the newest initiative of MSMH that will launch in the year ending May 31, 2017, designed to stabilize families at imminent risk of becoming homeless and equip them with the skills and resources they need to move towards long-term self-sustainability. Financial coaching, group and individual counseling and parenting classes are just some of the services that will be offered in conjunction with tapered financial assistance.

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, 2016, all pledges receivable are expected to be collected within one year.

Certificate of deposit is a non-negotiable, bank time deposit reported at face value plus accrued interest.

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.

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 the services are provided. Fees received 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.

## **NOTE 2 – RELATED PARTY TRANSACTIONS**

First Presbyterian Church of Houston (the Church) is the sole member of MSMH. MSMH's Board of Directors (the Board) must consist of at least 60% Church members. The Board 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 2016 and 2015, MSMH recognized in-kind support received from the Church of approximately \$304,000 for the use of facilities

which includes maintenance, security and janitorial services. The Church provided operating support of \$80,000 in 2016 and 2015. Additionally, members of the Church provided contributions through offering plate designations of approximately \$53,000 and \$79,000 in 2016 and 2015, respectively. At May 31, 2016 and 2015, accounts payable includes \$9,960 and \$4,573, respectively, payable to the Church for payroll related benefits.

### **NOTE 3 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 24, 2016, 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.

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