

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2015 and 2014

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, 2015 and 2014 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.

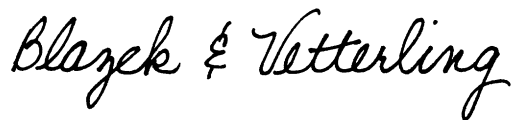
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2015 and 2014 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.



November 5, 2015

Main Street Ministries Houston

Statements of Financial Position as of May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 259,514	\$ 230,389
Prepaid expenses and other assets	15,990	2,294
Pledges receivable (<i>Note 2</i>)	2,516	24,709
Certificate of deposit	<u>100,000</u>	<u>100,000</u>
 TOTAL ASSETS	 <u>\$ 378,020</u>	 <u>\$ 357,392</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses (<i>Note 2</i>)	<u>\$ 26,206</u>	<u>\$ 12,272</u>
Net assets:		
Unrestricted	338,564	318,370
Temporarily restricted for transportation program	<u>13,250</u>	<u>26,750</u>
Total net assets	<u>351,814</u>	<u>345,120</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 378,020</u>	 <u>\$ 357,392</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2015

	<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> </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>	<u> </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> </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> </u>	<u>17,634</u>
Total expenses	<u>897,609</u>	<u> </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.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 230,224	\$ 50,990	\$ 281,214
Support from First Presbyterian Church of Houston (Note 2)	383,996		383,996
Special event	321,788		321,788
Direct donor benefit costs – special event	(65,368)		(65,368)
Client service co-payments	<u>77,643</u>	<u> </u>	<u>77,643</u>
Total revenue	948,283	50,990	999,273
Net assets released from restrictions:			
Expenditure for program purposes	<u>38,852</u>	<u>(38,852)</u>	<u> </u>
Total	<u>987,135</u>	<u>12,138</u>	<u>999,273</u>
EXPENSES:			
Program services:			
Shepherd’s Center	268,680		268,680
Operation ID	225,709		225,709
Holy Ground	158,203		158,203
WorkFaith Connection	<u>94,456</u>	<u> </u>	<u>94,456</u>
Total program services	747,048		747,048
Management and general	170,367		170,367
Fundraising	<u>28,492</u>	<u> </u>	<u>28,492</u>
Total expenses	<u>945,907</u>	<u> </u>	<u>945,907</u>
CHANGES IN NET ASSETS	41,228	12,138	53,366
Net assets, beginning of year	<u>277,142</u>	<u>14,612</u>	<u>291,754</u>
Net assets, end of year	<u>\$ 318,370</u>	<u>\$ 26,750</u>	<u>\$ 345,120</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Cash Flows for the years ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 6,694	\$ 53,366
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(13,696)	4,681
Pledges receivable	22,193	(11,273)
Accounts payable and accrued expenses	13,934	(7,913)
Deferred revenue	<u> </u>	<u>(1,064)</u>
Net cash provided by operating activities	<u>29,125</u>	<u>37,797</u>
NET CHANGE IN CASH	29,125	37,797
Cash, beginning of year	<u>230,389</u>	<u>192,592</u>
Cash, end of year	<u>\$ 259,514</u>	<u>\$ 230,389</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Functional Expenses for the years ended May 31, 2015 and 2014

<u>2015 EXPENSES</u>	<u>PROGRAM SERVICES</u>					<u>SUPPORTING SERVICES</u>		
	<u>SHEPHERD'S CENTER</u>	<u>OPERATION ID</u>	<u>HOLY GROUND</u>	<u>WORKFAITH CONNECTION</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
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
Professional fees						13,315		13,315
Postage and printing	4,569	191	3,659		8,419	3,768	482	12,669
Other	10,449	3,350	1,969		15,768	13,659	6,471	35,898
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>

<u>2014 EXPENSES</u>	<u>PROGRAM SERVICES</u>					<u>SUPPORTING SERVICES</u>		
	<u>SHEPHERD'S CENTER</u>	<u>OPERATION ID</u>	<u>HOLY GROUND</u>	<u>WORKFAITH CONNECTION</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and benefits	\$ 72,763	\$ 5,746	\$ 78,156		\$ 156,665	\$ 45,443	\$ 15,923	\$ 218,031
Occupancy	59,357	73,145	40,886	\$ 94,456	267,844	33,878	2,395	304,117
Client service assistance	125,745	139,800	30,366		295,911			295,911
Professional fees						73,100		73,100
Postage and printing	5,608	601	5,207		11,416	6,609	2,003	20,028
Other	5,207	6,417	3,588		15,212	11,337	8,171	34,720
Total expenses	<u>\$ 268,680</u>	<u>\$ 225,709</u>	<u>\$ 158,203</u>	<u>\$ 94,456</u>	<u>\$ 747,048</u>	<u>\$ 170,367</u>	<u>\$ 28,492</u>	945,907
Direct donor benefit costs – special event								<u>65,368</u>
Total								<u>\$ 1,011,275</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Notes to Financial Statements for the years ended May 31, 2015 and 2014

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. 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. This year we invested over 17,000 volunteer hours in providing service to more than 9,000 participants.

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.

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.

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.

The 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.

The 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 become a reality in the year ending June 30, 2016, 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). MSMH files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. MSMH believes it is no longer subject to examinations of returns for tax years ended before May 31, 2012.

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, 2015, 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.

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 2015, three donors represent 22% of total contributions and special event revenue. In 2014, two donors represent 19% of total contributions and special event 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. During the year ended May 31, 2015, in-kind donations of food were recognized totaling \$14,425.

Client service co-payments are fees for services provided to clients and are recognized as 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 sixty percent 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 2015 and 2014, 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 2015 and 2014. Additionally, members of the Church provided contributions through offering plate designations of approximately \$79,000 and \$129,000 in 2015 and 2014, respectively. At May 31, 2015 and 2014, pledges receivable include \$2,516 and \$4,709, respectively, from the Church. At May 31, 2015 and 2014, accounts payable includes \$4,573 and \$4,724, respectively, payable to the Church for payroll related benefits.

NOTE 3 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2015, 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.
