

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2017 and 2016

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, 2017 and 2016 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, 2017 and 2016 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

September 20, 2017

Main Street Ministries Houston

Statements of Financial Position as of May 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 170,629	\$ 138,450
Certificate of deposit		103,675
Prepaid and other assets	500	500
Receivable from First Presbyterian Church of Houston	3,529	5,333
Pledges receivable	<u>55,000</u>	<u> </u>
TOTAL ASSETS	<u>\$ 229,658</u>	<u>\$ 247,958</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses (<i>Note 2</i>)	\$ 28,117	\$ 29,494
Unrestricted net assets	<u>201,541</u>	<u>218,464</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 229,658</u>	<u>\$ 247,958</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 313,688	\$ 5,200	\$ 318,888
Support from First Presbyterian Church of Houston (Note 2)	397,921		397,921
Special event	240,903		240,903
Direct donor benefit costs – special event	(56,824)		(56,824)
Other income	<u>590</u>		<u>590</u>
Total revenue	896,278	5,200	901,478
Net assets released from restrictions:			
Expenditure for program purposes	<u>5,200</u>	<u>(5,200)</u>	
Total	<u>901,478</u>	<u>0</u>	<u>901,478</u>
EXPENSES:			
Program services:			
Operation ID	190,255		190,255
Shepherd's Center	163,637		163,637
Holy Ground	150,784		150,784
Family HOPE	120,297		120,297
WorkFaith Connection	<u>111,124</u>		<u>111,124</u>
Total program services	736,097		736,097
Management and general	157,055		157,055
Fundraising	<u>25,249</u>		<u>25,249</u>
Total expenses	<u>918,401</u>		<u>918,401</u>
CHANGES IN NET ASSETS	(16,923)	0	(16,923)
Net assets, beginning of year	<u>218,464</u>	<u>0</u>	<u>218,464</u>
Net assets, end of year	<u>\$ 201,541</u>	<u>\$ 0</u>	<u>\$ 201,541</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2016

	<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:			
Operation ID	208,076		208,076
Shepherd's Center	261,020		261,020
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.

Main Street Ministries Houston

Statements of Cash Flows for the years ended May 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (16,923)	\$ (133,350)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses and other assets		15,490
Receivables	(53,196)	(2,817)
Accounts payable and accrued expenses	<u>(1,377)</u>	<u>3,288</u>
Net cash used by operating activities	<u>(71,496)</u>	<u>(117,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificate of deposit	<u>103,675</u>	<u>(3,675)</u>
NET CHANGE IN CASH	32,179	(121,064)
Cash, beginning of year	<u>138,450</u>	<u>259,514</u>
Cash, end of year	<u>\$ 170,629</u>	<u>\$ 138,450</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Functional Expenses for the years ended May 31, 2017 and 2016

2017 EXPENSES	PROGRAM SERVICES					TOTAL	SUPPORTING SERVICES		
	OPERATION ID	SHEPHERD'S CENTER	HOLY GROUND	FAMILY HOPE	WORKFAITH CONNECTION		MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 10,280	\$ 64,781	\$ 89,471	\$ 69,061		\$ 233,593	\$ 99,235	\$ 20,093	\$ 352,921
Occupancy	68,222	43,217	45,589	21,816	\$ 111,124	289,968	27,109	1,383	318,460
Client service assistance	102,746	47,897	6,825	19,647		177,115			177,115
Professional fees	92			30		122	15,254		15,376
Postage and printing	350	2,253	3,098	2,379		8,080	3,332	664	12,076
Equipment, software, and IT	3,773	2,390	2,521	436		9,120	1,499	76	10,695
Other	4,792	3,099	3,280	6,928		18,099	10,626	3,033	31,758
Total expenses	<u>\$ 190,255</u>	<u>\$ 163,637</u>	<u>\$ 150,784</u>	<u>\$ 120,297</u>	<u>\$ 111,124</u>	<u>\$ 736,097</u>	<u>\$ 157,055</u>	<u>\$ 25,249</u>	918,401
Direct donor benefit costs – special event									56,824
Total									<u>\$ 975,225</u>

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

See accompanying notes to financial statements.

Main Street Ministries Houston

Notes to Financial Statements for the years ended May 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – For over three decades, Main Street Ministries Houston (MSMH) has offered tangible support to low-resourced community members who have experienced homelessness, incarceration or substance abuse or have been affected by a natural disaster or domestic violence. MSMH empowers participants to gain stability and develop skills to contribute positively to their families and communities.

MSMH is a Christ-centered organization that was created in 2009 when three existing volunteer ministries were combined to create a more cohesive service continuum under one roof. In 2011, a partnership with The WorkFaith Connection allowed MSMH to further expand its services by offering a quality employment program on its campus.

In 2017, MSMH collaborated with over 60 local organizations and engaged over 180 volunteers (nearly 13,000 hours) to equip more than 5,000 community members with tools and encouragement to grow toward their fullest potential.

MSMH Programs:

Operation ID helps community members attain official identification documents needed for employment, housing, school enrollment or other support services. “OpID” assists people in gathering required documentation, completing forms and paying required fees for birth certificates and state-issued ID’s.

Shepherd’s Center offers community members housing and employment support that includes one-on-one guidance, referrals, and financial assistance for temporary housing, rent, utilities, transportation, and other work-related needs. Special support is also available for individuals whose homeless or criminal background are a barrier to securing housing and employment.

Holy Ground provides opportunities for community members to develop supportive relationships, discover purpose, and grow in faith as they take steps towards a more stable life. Change is encouraged through fellowship, recovery and support groups, Bible studies and service opportunities that inspire a healthy relationship with God, self, others and creation. The *MSMH Garden* is a natural sanctuary that offers volunteers from diverse backgrounds opportunities to harvest rich relationships and spiritual fruit while growing herbs, vegetables and flowers for Texas Medical Center patients and caregivers.

Family HOPE (Homeless Prevention and Enrichment) stabilizes families by offering opportunities to develop supportive relationships, basic life skills, and key resources that can lead toward long-term stability. Financial coaching, counseling, and parenting classes are just some of the services offered together with financial assistance to help families stay housed, stay together, and live hopeful lives!

The WorkFaith Connection (WFC) helps men and women rebuild their lives by providing job readiness training and related support. WFC services are provided to qualified MSMH clients and other applicants. MSMH supports the WFC mission by providing facilities and related services at no charge.

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, 2017, 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.

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.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

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. MSMH recognized in-kind support received from the Church of approximately \$318,000 in 2017 and \$304,000 in 2016 for the use of facilities which includes maintenance, security and janitorial services. The Church provided operating support of \$80,000 in 2017 and 2016. Additionally, members of the Church provided contributions through offering plate designations of approximately \$71,000 and \$53,000 in 2017 and 2016, respectively. At May 31, 2017 and 2016, accounts payable includes \$7,400 and \$9,960, respectively, payable to the Church for payroll related benefits.

NOTE 3 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2017, 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.
