

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2014 and 2013

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, 2014 and 2013 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.

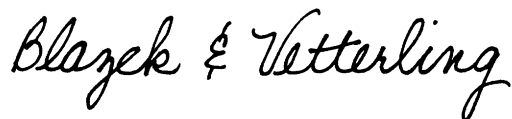
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2014 and 2013 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.



August 21, 2014

Main Street Ministries Houston

Statements of Financial Position as of May 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 230,389	\$ 192,592
Accounts receivable	1,794	6,975
Pledges receivable (<i>Note 2</i>)	25,209	13,436
Certificate of deposit	<u>100,000</u>	<u>100,000</u>
TOTAL ASSETS	<u>\$ 357,392</u>	<u>\$ 313,003</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,272	\$ 20,185
Deferred revenue	<u> </u>	<u>1,064</u>
Total liabilities	<u>12,272</u>	<u>21,249</u>
Net assets:		
Unrestricted	318,370	277,142
Temporarily restricted (<i>Note 3</i>)	<u>26,750</u>	<u>14,612</u>
Total net assets	<u>345,120</u>	<u>291,754</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 357,392</u>	<u>\$ 313,003</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
Work Faith 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

Statement of Activities for the year ended May 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 396,209	\$ 18,065	\$ 414,274
Support from First Presbyterian Church of Houston (Note 2)	383,759		383,759
Special event	168,825		168,825
Direct donor benefit costs – special event	(51,335)		(51,335)
Client service co-payments	<u>95,078</u>		<u>95,078</u>
Total revenue	992,536	18,065	1,010,601
Net assets released from restrictions:			
Expenditure for program purposes	<u>43,170</u>	<u>(43,170)</u>	
Total	<u>1,035,706</u>	<u>(25,105)</u>	<u>1,010,601</u>
EXPENSES:			
Program services:			
Shepherd's Center	287,860		287,860
Operation ID	234,323		234,323
Holy Ground	143,494		143,494
Work Faith Connection	<u>94,239</u>		<u>94,239</u>
Total program services	759,916		759,916
Management and general	130,661		130,661
Fundraising	<u>45,997</u>		<u>45,997</u>
Total expenses	<u>936,574</u>		<u>936,574</u>
CHANGES IN NET ASSETS	99,132	(25,105)	74,027
Net assets, beginning of year	<u>178,010</u>	<u>39,717</u>	<u>217,727</u>
Net assets, end of year	<u>\$ 277,142</u>	<u>\$ 14,612</u>	<u>\$ 291,754</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Cash Flows for the years ended May 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 53,366	\$ 74,027
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	5,181	3,092
Pledges receivable	(11,773)	(2,119)
Accounts payable and accrued expenses	(7,913)	1,662
Deferred revenue	<u>(1,064)</u>	<u>(983)</u>
Net cash provided by operating activities	<u>37,797</u>	<u>75,679</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit		<u>(100,000)</u>
NET CHANGE IN CASH	37,797	(24,321)
Cash, beginning of year	<u>192,592</u>	<u>216,913</u>
Cash, end of year	<u>\$ 230,389</u>	<u>\$ 192,592</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Functional Expenses for the years ended May 31, 2014 and 2013

2014 EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		
	SHEPHERD'S CENTER	OPERATION ID	HOLY GROUND	WORK FAITH CONNECTION	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 72,763	\$ 5,746	\$ 78,156		\$ 156,665	\$ 45,443	\$ 15,923	\$ 218,031
Client service assistance	125,745	139,800	30,366		295,911			295,911
Occupancy	59,357	73,145	40,886	\$ 94,456	267,844	33,878	2,395	304,117
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>

2013 EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		
	SHEPHERD'S CENTER	OPERATION ID	HOLY GROUND	WORK FAITH CONNECTION	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 70,840	\$ 9,870	\$ 85,342		\$ 166,052	\$ 52,938	\$ 32,110	\$ 251,100
Client service assistance	146,897	143,587	1,686		292,170			292,170
Occupancy	59,317	73,096	40,858	\$ 94,239	267,510	33,856	2,393	303,759
Professional fees						23,265		23,265
Postage and printing	5,159	712	5,692		11,563	3,913	2,312	17,788
Other	5,647	7,058	9,916		22,621	16,689	9,182	48,492
Total expenses	<u>\$ 287,860</u>	<u>\$ 234,323</u>	<u>\$ 143,494</u>	<u>\$ 94,239</u>	<u>\$ 759,916</u>	<u>\$ 130,661</u>	<u>\$ 45,997</u>	936,574
Direct donor benefit costs – special event								<u>51,335</u>
Total								<u>\$ 987,909</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Notes to Financial Statements for the years ended May 31, 2014 and 2013

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 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.*

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 3,800 volunteer hours were invested in almost 2,000 clients.

Operation ID assisted approximately 6,500 clients to obtain fundamental but essential identification documents. MSMH utilized over 7,200 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 a community of hope and a place of refuge for mostly homeless men and women, where change is encouraged through small group learning, fellowship, worship services and personal discipleship. Holistic growth is promoted through a variety of classes aimed at inspiring a healthy relationship with God, self, others and the rest of creation. The Holy Ground Garden provides an opportunity for relational ministry as volunteers and clients work side-by-side and learn together to reflect upon their own potential for growth and renewal. Throughout the year there were approximately 7,000 attendees at Holy Ground events and volunteers provided 5,900 hours in ministry.

Work Faith Connection (WFC) services are provided to MSMH clients and others. MSMH supports the mission of WFC through providing facilities and related services to WFC at no charge. WFC helps men and women begin productive lives by providing job readiness training.

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, 2011.

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, 2014, 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 and maturing in January 2015.

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 2014, two donors represent 19% of total contributions and special event revenue. In 2013, four donors represent 35% 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.

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 2014 and 2013, 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 2014 and 2013. Additionally, members of the Church provided contributions through offering plate designations of approximately \$129,000 and \$164,000 in 2014 and 2013, respectively. At May 31, 2014 and 2013, pledges receivable include \$4,709 and \$13,436, respectively, from the Church.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Operation ID bus pass program	\$ 26,750	
Strategic planning and capacity building	<u> </u>	<u>\$ 14,612</u>
Total temporarily restricted net assets	<u>\$ 26,750</u>	<u>\$ 14,612</u>

NOTE 4 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 21, 2014, 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.
