

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2019 and 2018

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, 2019 and 2018 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, 2019 and 2018 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Main Street Ministries Houston adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended May 31, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended May 31, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

August 14, 2019

Main Street Ministries Houston

Statements of Financial Position as of May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 404,192	\$ 432,258
Receivable from First Presbyterian Church of Houston	2,265	3,500
Contributions receivable	<u>29,104</u>	<u> </u>
TOTAL ASSETS	<u>\$ 435,561</u>	<u>\$ 435,758</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 22,671</u>	<u>\$ 30,740</u>
Net assets:		
Without donor restrictions	383,786	330,485
With donor restrictions for Financial Life and Empowerment program	<u>29,104</u>	<u>74,533</u>
Total net assets	<u>412,890</u>	<u>405,018</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 435,561</u>	<u>\$ 435,758</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 359,509	\$ 256,208	\$ 615,717
Support from First Presbyterian Church of Houston (Note 4)	404,771		404,771
Special event	325,630		325,630
Direct donor benefit costs – special event	(57,182)		(57,182)
Other income	<u>34</u>	<u></u>	<u>34</u>
Total revenue	1,032,762	256,208	1,288,970
Net assets released from restrictions:			
Expenditure for program purposes	<u>301,637</u>	<u>(301,637)</u>	<u></u>
Total	<u>1,334,399</u>	<u>(45,429)</u>	<u>1,288,970</u>
EXPENSES:			
Program services:			
Financial and Life Empowerment	616,895		616,895
Identification Assistance	227,846		227,846
Spiritual Growth and Recovery	117,643		117,643
WorkFaith Connection	<u>101,744</u>	<u></u>	<u>101,744</u>
Total program services	1,064,128		1,064,128
Management and general	115,905		115,905
Fundraising	<u>101,065</u>	<u></u>	<u>101,065</u>
Total expenses	<u>1,281,098</u>	<u></u>	<u>1,281,098</u>
CHANGES IN NET ASSETS	53,301	(45,429)	7,872
Net assets, beginning of year	<u>330,485</u>	<u>74,533</u>	<u>405,018</u>
Net assets, end of year	<u>\$ 383,786</u>	<u>\$ 29,104</u>	<u>\$ 412,890</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 295,506	\$ 87,255	\$ 382,761
Disaster recovery		859,349	859,349
Support from First Presbyterian Church of Houston (Note 4)	395,896		395,896
Special event	280,371		280,371
Direct donor benefit costs – special event	(62,993)		(62,993)
Other income	861		861
Total revenue	909,641	946,604	1,856,245
Net assets released from restrictions:			
Expenditure for program purposes	872,071	(872,071)	
Total	1,781,712	74,533	1,856,245
EXPENSES:			
Program services:			
Financial and Life Empowerment	339,597		339,597
Identification Assistance	188,467		188,467
Spiritual Growth and Recovery	93,864		93,864
WorkFaith Connection	105,711		105,711
Disaster Recovery	784,816		784,816
Total program services	1,512,455		1,512,455
Management and general	74,187		74,187
Fundraising	66,126		66,126
Total expenses	1,652,768		1,652,768
CHANGES IN NET ASSETS	128,944	74,533	203,477
Net assets, beginning of year (Note 2)	201,541		201,541
Net assets, end of year	\$ 330,485	\$ 74,533	\$ 405,018

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Cash Flows for the years ended May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 7,872	\$ 203,477
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Receivable from First Presbyterian Church of Houston	1,235	55,029
Contributions receivable	(29,104)	
Accounts payable and accrued expenses	<u>(8,069)</u>	<u>2,623</u>
Net cash provided (used) by operating activities	<u>(28,066)</u>	<u>261,129</u>
NET CHANGE IN CASH	(28,066)	261,129
Cash, beginning of year	<u>432,258</u>	<u>171,129</u>
Cash, end of year	<u>\$ 404,192</u>	<u>\$ 432,258</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Functional Expenses for the years ended May 31, 2019 and 2018

2019 EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		
	FINANCIAL AND LIFE EMPOWERMENT	IDENTIFICATION ASSISTANCE	SPIRITUAL GROWTH AND RECOVERY	WORKFAITH CONNECTION	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 238,147	\$ 37,668	\$ 59,830		\$ 335,645	\$ 54,108	\$ 84,163	\$ 473,916
Client service assistance	230,534	101,130	3,249		334,913			334,913
Occupancy	105,471	70,746	34,893	\$ 101,744	312,854	10,232	4,916	328,002
Professional fees	1,250				1,250	38,092		39,342
Supplies, postage and printing	14,595	2,953	3,797		21,345	2,468	6,680	30,493
Equipment, software, and IT	12,051	10,066	4,965		27,082	1,456	700	29,238
Other	14,847	5,283	10,909		31,039	9,549	4,606	45,194
Total expenses	<u>\$ 616,895</u>	<u>\$ 227,846</u>	<u>\$ 117,643</u>	<u>\$ 101,744</u>	<u>\$1,064,128</u>	<u>\$ 115,905</u>	<u>\$ 101,065</u>	1,281,098
Direct donor benefit costs – special event								<u>57,182</u>
Total								<u>\$1,338,280</u>

2018 EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES			
	FINANCIAL AND LIFE EMPOWERMENT	IDENTIFICATION ASSISTANCE	SPIRITUAL GROWTH AND RECOVERY	WORKFAITH CONNECTION	DISASTER RECOVERY	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 165,105	\$ 18,094	\$ 42,171			\$ 225,370	\$ 38,363	\$ 50,738	\$ 314,471
Salaries and benefits – disaster recovery					\$ 66,039	66,039			66,039
Client service assistance	58,420	83,636	6,441			148,497			148,497
Occupancy	86,932	72,538	35,777	\$ 105,711		300,958	10,518	5,024	316,500
Professional fees	2,033	92				2,125	15,984		18,109
Supplies, postage and printing	8,703	683	1,568			10,954	1,420	1,928	14,302
Equipment, software, and IT	10,875	9,075	4,476			24,426	1,316	628	26,370
Direct client assistance						711,911			711,911
Other	<u>7,529</u>	<u>4,349</u>	<u>3,431</u>			<u>22,175</u>	<u>6,586</u>	<u>7,808</u>	<u>36,569</u>
Total expenses	<u>\$ 339,597</u>	<u>\$ 188,467</u>	<u>\$ 93,864</u>	<u>\$ 105,711</u>	<u>\$ 784,816</u>	<u>\$1,512,455</u>	<u>\$ 74,187</u>	<u>\$ 66,126</u>	1,652,768
Direct donor benefit costs – special event									<u>62,993</u>
Total									<u>\$1,715,761</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Notes to Financial Statements for the years ended May 31, 2019 and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Main Street Ministries Houston (MSMH) is a Christian organization that empowers under-resourced community members to gain stability and develop a positive future for their families and communities. Participants with diverse experiences from poverty, homelessness, incarceration, domestic violence and natural disaster come to MSMH to discover their potential and develop a foundation for growth toward long-term sustainability.

MSMH history:

In the early 1980s, volunteers from First Presbyterian Church of Houston (the Church) began serving the homeless and indigent on Main Street. Over the next three decades, new outreach efforts to Houston's poor and marginalized were developed. In 2009, three existing ministries were combined to form Main Street Ministries and offer an integrated continuum of support. In 2011, employment support was added to the scope of services through a partnership with The WorkFaith Connection.

MSMH collaborates with over 60 local organizations. In 2019 and 2018 MSMH and engaged over 350 volunteers (nearly 11,000 hours) to equip more than 5,950 and 5,400 community members respectively, with tools and encouragement to grow toward their fullest potential.

MSMH programs:

Financial and Life Empowerment – Financial and life management classes, one-on-one coaching and temporary financial assistance combine to help households prevent or exit homelessness and develop a solid foundation for a positive future. Participants develop essential life skills, financial literacy, supportive relationships and key resources that can lead toward self-sufficiency and long-term stability. Additional services available at MSMH through collaborative partnerships include: financial coaching, supplementary income enrollment, mental health screening and domestic violence classes.

Identification Assistance – Assistance for individuals to obtain official identification documents required for employment, housing, school enrollment or other social services. “Operation ID,” the primary ID assistance provider in Houston, helps people gather required documentation, complete forms and pay required fees for birth certificates and state-issued IDs.

Spiritual Growth and Recovery – Community worship, recovery groups, healing circles and a community garden offer a safe, supportive community to individuals in transition, while inspiring a healthy relationship with God, self, others and creation. Participants develop a positive support network and grow in faith as they take steps towards a more stable life. The MSMH Community Garden is a natural sanctuary that offers people from diverse backgrounds opportunities to volunteer together and harvest rich spiritual fruit while growing herbs, vegetables and flowers for Texas Medical Center patients and caregivers.

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.

Disaster Recovery – In 2018, MSMH facilitated the disbursement of contributed funds to assist victims of Hurricane Harvey in their recovery.

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).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. At May 31, 2019, contributions receivable were from one donor.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

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 2019, 20% of contributions were from two donors and in 2018, 64% of contributions were from four donors.

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.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Programs are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one program or supporting activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Building, maintenance and related occupancy costs are allocated based on square footage. Other costs are allocated based on the time and effort expended by the individuals utilizing the resources.

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 June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. MSMH is required to apply the amendments in its May 31, 2020 financial statements. The amendments should be applied on a modified prospective basis but retrospective application also is permitted. Management has not determined the method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

MSMH adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended May 31, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended May 31, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Total financial assets available to meet general expenditures over the next 12 months are \$440,561, which includes cash and receivables. This includes receivables which are restricted for program purposes but expected to be used in the next fiscal year. For purposes of analyzing resources available to meet general expenditures over a 12-month period, MSMH considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures, excluding expenses related to space that is provided by the Church. MSMH relies primarily on contributions from donors to provide for the expenditures related to providing its programs.

NOTE 4 – RELATED PARTY TRANSACTIONS

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 members subject to 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 \$325,000 in 2019 and \$316,000 in 2018 for the use of facilities, which includes maintenance, security and janitorial services. The Church provided operating support of \$80,000 in 2019 and 2018. Additionally, members of the Church provided contributions through offering plate designations of approximately \$72,000 and \$112,000 in 2019 and 2018, respectively.

NOTE 5 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2019</u>	<u>2018</u>
Donated space:		
Program	\$ 309,861	\$ 300,399
Management and general	10,071	10,488
Fundraising	4,839	5,010
Client service assistance – program	6,895	1,941
Direct donor benefits	4,715	4,906
Other management and general	<u>3,034</u>	<u>5,508</u>
Total	<u>\$ 339,415</u>	<u>\$ 328,252</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 14, 2019, 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.
