

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2018 and 2017

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, 2018 and 2017 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.

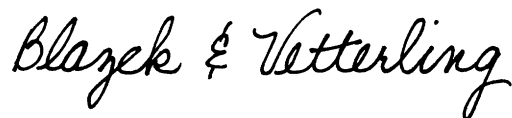
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2018 and 2017 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.



September 7, 2018

Main Street Ministries Houston

Statements of Financial Position as of May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 432,258	\$ 171,129
Receivable from First Presbyterian Church of Houston	3,500	3,529
Pledges receivable	<u> </u>	<u>55,000</u>
TOTAL ASSETS	<u>\$ 435,758</u>	<u>\$ 229,658</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses (<i>Note 2</i>)	<u>\$ 30,740</u>	<u>\$ 28,117</u>
Net assets:		
Unrestricted	330,485	201,541
Temporarily restricted for Hurricane Harvey Recovery	<u>74,533</u>	<u> </u>
Total net assets	<u>405,018</u>	<u>201,541</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 435,758</u>	<u>\$ 229,658</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 295,506	\$ 87,255	\$ 382,761
Hurricane Harvey recovery		859,349	859,349
Support from First Presbyterian Church of Houston (Note 2)	395,896		395,896
Special event	280,371		280,371
Direct donor benefit costs – special event	(62,993)		(62,993)
Other income	<u>861</u>		<u>861</u>
Total revenue	909,641	946,604	1,856,245
Net assets released from restrictions:			
Expenditure for program purposes	<u>872,071</u>	<u>(872,071)</u>	
Total	<u>1,781,712</u>	<u>74,533</u>	<u>1,856,245</u>
EXPENSES:			
Program services:			
Hurricane Harvey Recovery	784,816		784,816
Financial and Life Empowerment	339,597		339,597
Identification Assistance	188,467		188,467
Spiritual Growth and Recovery	93,864		93,864
WorkFaith Connection	<u>105,711</u>		<u>105,711</u>
Total program services	1,512,455		1,512,455
Management and general	74,187		74,187
Fundraising	<u>66,126</u>		<u>66,126</u>
Total expenses	<u>1,652,768</u>		<u>1,652,768</u>
CHANGES IN NET ASSETS	128,944	74,533	203,477
Net assets, beginning of year	<u>201,541</u>		<u>201,541</u>
Net assets, end of year	<u>\$ 330,485</u>	<u>\$ 74,533</u>	<u>\$ 405,018</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:			
Financial and Life Empowerment	283,934		283,934
Identification Assistance	190,255		190,255
Spiritual Growth and Recovery	150,784		150,784
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

Statements of Cash Flows for the years ended May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 203,477	\$ (16,923)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Receivables	55,029	(53,196)
Accounts payable and accrued expenses	<u>2,623</u>	<u>(1,377)</u>
Net cash provided (used) by operating activities	<u>261,129</u>	<u>(71,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificate of deposit		<u>103,675</u>
NET CHANGE IN CASH	261,129	32,179
Cash, beginning of year	<u>171,129</u>	<u>138,950</u>
Cash, end of year	<u>\$ 432,258</u>	<u>\$ 171,129</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Functional Expenses for the years ended May 31, 2018 and 2017

2018 EXPENSES	PROGRAM SERVICES					TOTAL	SUPPORTING SERVICES		TOTAL EXPENSES
	HURRICANE HARVEY RECOVERY	FINANCIAL AND LIFE EMPOWERMENT	IDENTIFICATION ASSISTANCE	SPIRITUAL GROWTH AND RECOVERY	WORKFAITH CONNECTION		MANAGEMENT AND GENERAL	FUNDRAISING	
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
Direct client assistance – disaster recovery	711,911					711,911			711,911
Occupancy		86,932	72,538	35,777	\$ 105,711	300,958	10,518	5,024	316,500
Client service assistance		58,420	83,636	6,441		148,497			148,497
Equipment, software, and IT		10,875	9,075	4,476		24,426	1,316	628	26,370
Professional fees		2,033	92			2,125	15,984		18,109
Postage and printing		8,703	683	1,568		10,954	1,420	1,928	14,302
Other	6,866	7,529	4,349	3,431		22,175	6,586	7,808	36,569
Total expenses	\$ 784,816	\$ 339,597	\$ 188,467	\$ 93,864	\$ 105,711	\$1,512,455	\$ 74,187	\$ 66,126	1,652,768
Direct donor benefit costs – special event									62,993
Total									\$1,715,761

2017 EXPENSES	PROGRAM SERVICES					TOTAL	SUPPORTING SERVICES		TOTAL EXPENSES
	FINANCIAL AND LIFE EMPOWERMENT	IDENTIFICATION ASSISTANCE	SPIRITUAL GROWTH AND RECOVERY	WORKFAITH CONNECTION	MANAGEMENT AND GENERAL		FUNDRAISING		
Salaries and benefits	\$ 133,842	\$ 10,280	\$ 89,471			\$ 233,593	\$ 99,235	\$ 20,093	\$ 352,921
Occupancy	65,033	68,222	45,589	\$ 111,124		289,968	27,109	1,383	318,460
Client service assistance	67,544	102,746	6,825			177,115			177,115
Equipment, software, and IT	2,826	3,773	2,521			9,120	1,499	76	10,695
Professional fees	30	92				122	15,254		15,376
Postage and printing	4,632	350	3,098			8,080	3,332	664	12,076
Other	10,027	4,792	3,280			18,099	10,626	3,033	31,758
Total expenses	\$ 283,934	\$ 190,255	\$ 150,784	\$ 111,124		\$ 736,097	\$ 157,055	\$ 25,249	918,401
Direct donor benefit costs – special event									56,824
Total									\$ 975,225

See accompanying notes to financial statements.

Main Street Ministries Houston

Notes to Financial Statements for the years ended May 31, 2018 and 2017

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. Each year, MSMH collaborates with over 70 local organizations and engages over 350 volunteers to offer an array of support services to over 5,400 community members.

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.

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

MSMH Programs:

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

Financial & 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 & Recovery – Community worship, recovery groups, healing circles, Bible studies 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.

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.

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.

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 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. MSMH is required to adopt this ASU for fiscal year 2019. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – 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 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 \$316,000 in 2018 and \$318,000 in 2017 for the use of facilities, which includes maintenance, security and janitorial services. The Church provided operating support of \$80,000 in 2018 and 2017. Additionally, members of the Church provided contributions through offering plate designations of approximately \$112,000 and \$71,000 in 2018 and 2017, respectively. At May 31, 2017, accounts payable included \$7,400 payable to the Church for payroll-related benefits.

NOTE 3 – IN-KIND CONTRIBUTIONS

In-kind contributions at May 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Donated space:		
Program	\$ 300,399	\$ 302,324
Management and general	10,488	10,555
Fundraising	5,010	5,042
Breakfast special event – direct donor benefit	4,906	
Client service assistance – program	1,941	
Other management and general	<u>5,508</u>	<u> </u>
Total	<u>\$ 328,252</u>	<u>\$ 317,921</u>

NOTE 4 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 7, 2018, 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.