

Main Street Ministries Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2022 and 2021

Main Street Ministries Houston

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of May 31, 2022 and 2021	3
Statement of Activities for the year ended May 31, 2022	4
Statement of Activities for the year ended May 31, 2021	5
Statements of Cash Flows for the years ended May 31, 2022 and 2021	6
Statements of Functional Expenses for the years ended May 31, 2022 and 2021	7
Notes to Financial Statements for the years ended May 31, 2022 and 2021	8

Independent Auditors' Report

To the Board of Directors of
Main Street Ministries Houston:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Main Street Ministries Houston, which comprise the statements of financial position as of May 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Main Street Ministries Houston as of May 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Main Street Ministries Houston and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Main Street Ministries Houston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Main Street Ministries Houston's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Main Street Ministries Houston's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

October 14, 2022

Main Street Ministries Houston

Statements of Financial Position as of May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 326,007	\$ 285,018
Government grant receivable (<i>Note 5</i>)	111,066	
Other assets	<u>13,182</u>	<u>8,507</u>
TOTAL ASSETS	<u>\$ 450,255</u>	<u>\$ 293,525</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 69,861	\$ 37,887
Refundable advance – Emergency Food and Shelter Program	<u>45,437</u>	<u>39,281</u>
Total liabilities	<u>115,298</u>	<u>77,168</u>
Net assets:		
Without donor restrictions	330,412	197,399
With donor restrictions for:		
Renovations	4,545	9,500
COVID-19 relief		3,724
Disaster relief	<u> </u>	<u>5,734</u>
Total net assets	<u>334,957</u>	<u>216,357</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 450,255</u>	<u>\$ 293,525</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 260,774	\$ 132,446	\$ 393,220
Government grants (Note 5)		319,846	319,846
Support from First Presbyterian Church of Houston (Note 3):			
In-kind contributions	303,996		303,996
Financial contributions	80,000		80,000
Special event	371,917		371,917
Direct donor benefit costs – special event	(84,862)		(84,862)
Other income	<u>27,449</u>		<u>27,449</u>
Total revenue	959,274	452,292	1,411,566
Net assets released from restrictions:			
Expenditure for program purposes	<u>466,705</u>	<u>(466,705)</u>	
Total	<u>1,425,979</u>	<u>(14,413)</u>	<u>1,411,566</u>
EXPENSES:			
Program services:			
Financial and Life Empowerment	668,318		668,318
Identification Assistance	271,130		271,130
Community Garden	<u>71,218</u>		<u>71,218</u>
Total program services	1,010,666		1,010,666
Management and general	159,106		159,106
Fundraising	<u>123,194</u>		<u>123,194</u>
Total expenses	<u>1,292,966</u>		<u>1,292,966</u>
CHANGES IN NET ASSETS	133,013	(14,413)	118,600
Net assets, beginning of year	<u>197,399</u>	<u>18,958</u>	<u>216,357</u>
Net assets, end of year	<u>\$ 330,412</u>	<u>\$ 4,545</u>	<u>\$ 334,957</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statement of Activities for the year ended May 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 311,752	\$ 275,777	\$ 587,529
Government grants (Note 5)		97,566	97,566
Support from First Presbyterian Church of Houston (Note 3):			
In-kind contributions	303,996		303,996
Financial contributions	80,000		80,000
Special event	252,170		252,170
Direct donor benefit costs – special event	(70,294)		(70,294)
Other income	<u>15,510</u>	<u> </u>	<u>15,510</u>
Total revenue	893,134	373,343	1,266,477
Net assets released from restrictions:			
Expenditure for program purposes	<u>403,084</u>	<u>(403,084)</u>	<u> </u>
Total	<u>1,296,218</u>	<u>(29,741)</u>	<u>1,266,477</u>
EXPENSES:			
Program services:			
Financial and Life Empowerment	577,991		577,991
Identification Assistance	254,387		254,387
Community Garden	61,784		61,784
Collaborative Partners	<u>102,630</u>	<u> </u>	<u>102,630</u>
Total program services	996,792		996,792
Management and general	140,236		140,236
Fundraising	<u>94,154</u>	<u> </u>	<u>94,154</u>
Total expenses	<u>1,231,182</u>	<u> </u>	<u>1,231,182</u>
CHANGES IN NET ASSETS	65,036	(29,741)	35,295
Net assets, beginning of year	<u>132,363</u>	<u>48,699</u>	<u>181,062</u>
Net assets, end of year	<u>\$ 197,399</u>	<u>\$ 18,958</u>	<u>\$ 216,357</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Cash Flows for the years ended May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 118,600	\$ 35,295
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Government grant receivable	(111,066)	
Other assets	(4,675)	(8,507)
Accounts payable and accrued expenses	31,974	11,870
Refundable advance	6,156	39,281
Paycheck Protection Program refundable advance	<u> </u>	<u>(97,566)</u>
Net cash provided (used) by operating activities	<u>40,989</u>	<u>(19,627)</u>
NET CHANGE IN CASH	40,989	(19,627)
Cash, beginning of year	<u>285,018</u>	<u>304,645</u>
Cash, end of year	<u>\$ 326,007</u>	<u>\$ 285,018</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Statements of Functional Expenses for the years ended May 31, 2022 and 2021

<u>2022 EXPENSES</u>	PROGRAM SERVICES					SUPPORTING SERVICES		
	FINANCIAL AND LIFE EMPOWERMENT	IDENTIFICATION ASSISTANCE	COMMUNITY GARDEN	COLLABORATIVE PARTNERS	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 249,399	\$ 139,292	\$ 42,299		\$ 430,990	\$ 64,248	\$ 99,691	\$ 594,929
Occupancy	187,975	89,242	18,052		295,269	24,789	7,331	327,389
Client direct financial assistance	182,021	21,750			203,771			203,771
Professional fees	5,389	1,808			7,197	55,142	6,045	68,384
Equipment, software, and IT	25,060	11,978	2,116		39,154	2,884	853	42,891
Other	18,474	7,060	8,751		34,285	12,043	9,274	55,602
Total expenses	<u>\$ 668,318</u>	<u>\$ 271,130</u>	<u>\$ 71,218</u>	<u>\$ 0</u>	<u>\$ 1,010,666</u>	<u>\$ 159,106</u>	<u>\$ 123,194</u>	1,292,966
Direct donor benefit costs – special event								<u>84,862</u>
Total								<u>\$1,377,828</u>

<u>2021 EXPENSES</u>	PROGRAM SERVICES					SUPPORTING SERVICES		
	FINANCIAL AND LIFE EMPOWERMENT	IDENTIFICATION ASSISTANCE	COMMUNITY GARDEN	COLLABORATIVE PARTNERS	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and benefits	\$ 234,072	\$ 134,413	\$ 34,167		\$ 402,652	\$ 74,335	\$ 78,857	\$ 555,844
Occupancy	87,339	83,267	16,843	\$ 87,626	275,075	23,554	6,840	305,469
Client direct financial assistance	225,694	7,003			232,697			232,697
Professional fees	2,061	10,719	500		13,280	26,711	1,238	41,229
Equipment, software, and IT	14,883	14,189	2,870	15,004	46,946	3,941	1,166	52,053
Other	13,942	4,796	7,404		26,142	11,695	6,053	43,890
Total expenses	<u>\$ 577,991</u>	<u>\$ 254,387</u>	<u>\$ 61,784</u>	<u>\$ 102,630</u>	<u>\$ 996,792</u>	<u>\$ 140,236</u>	<u>\$ 94,154</u>	1,231,182
Direct donor benefit costs – special event								<u>70,294</u>
Total								<u>\$1,301,476</u>

See accompanying notes to financial statements.

Main Street Ministries Houston

Notes to Financial Statements for the years ended May 31, 2022 and 2021

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.

MSMH collaborates with over 60 local organizations. In 2022, MSMH engaged 198 volunteers (over 6,000 hours) and in 2021, 127 volunteers (over 3,000 hours) to equip more than 1,276 and 571 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.

Community Garden – A community garden offers a safe, supportive community to individuals in transition, while inspiring a healthy relationship with God, self, others and creation. 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 Life Empowerment participants and graduates.

Collaborative Partners – Collaborative Partners provides space for other not-for-profit entities with similar missions who provide support for MSMH clients, particularly those enrolled or alumni of the Life Empowerment program.

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 expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to the present value of their estimated future cash flows. Amortization of discount is recognized as contribution revenue. An allowance for contributions receivable is provided when it is believed balances may not be collected in full based on historical experience and analysis of individual contributions receivable balances. Contributions receivable at May 31, 2022 are expected to be collected within one year.

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 and government grants are recognized as revenue when an unconditional commitment is received from the donor. Contributions and grants received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions and grants are subject to one or more barriers that must be overcome before MSMH is entitled to receive or retain funding. Conditional contributions and grants are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

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.

Special event revenue is the total amounts paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when an event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services 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 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 estimated 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.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of May 31 comprise the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 326,007	\$ 285,018
Government grant receivable	<u>111,066</u>	<u>8,507</u>
Total financial assets available for general expenditure	<u>\$ 437,073</u>	<u>\$ 293,525</u>

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 operating its programs.

MSMH qualified for an Employee Retention Tax Credit grant under the Coronavirus Aid, Relief, and Economic Security Act, which provides an employee retention tax credit to eligible employers that pay qualified wages to some or all employees for specified pay periods. During 2022, MSMH recognized approximately \$204,000 in government grant revenue related to credits earned on eligible wages and related expenses.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Church is the sole member of MSMH. MSMH’s Board of Directors (the Board) must consist of not fewer than 8 nor more than 15 members, the exact number to be established from time to time by vote of the Board. At least 2 of the directors shall be current members of the congregation of the Church. 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 \$304,000 in 2022 and 2021 for the use of facilities, which includes maintenance, security and janitorial services. The Church provided operating support of \$80,000 in 2022 and 2021. Additionally, members of the Church provided contributions through offering plate designations of approximately \$14,000 and \$15,000 in 2022 and 2021, respectively. Included in accounts receivable at May 31, 2021 is \$2,273 related to contributions received by the Church, but not remitted to MSMH. There were no such receivables at May 31, 2022.

NOTE 4 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets were recognized as follows:

	<u>2022</u>	<u>2021</u>
Donated space:		
Program	\$ 274,171	\$ 274,575
Management and general	23,018	19,402
Fundraising	<u>6,807</u>	<u>10,019</u>
Total in-kind contributions	<u>\$ 303,996</u>	<u>\$ 303,996</u>

The fair value of the donated space was estimated on the basis of the rental rate per square foot of similar space.

NOTE 5 – GOVERNMENT GRANTS

Government grant revenue recognized includes the following:

	<u>2022</u>	<u>2021</u>
U. S. Small Business Administration:		
Employee Retention Credit grant	\$ 203,866	
Federal Emergency Management Agency:		
Emergency Food and Shelter Program	<u>115,980</u>	<u>\$ 97,566</u>
Total government grants	<u>\$ 319,846</u>	<u>\$ 97,566</u>

At May 31, 2022, there is an outstanding receivable for the Employee Retention Credit grant in the amount of \$111,066.

MSMH's government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by MSMH with the terms of the contracts. Management believes such disallowances, if any, would not be material to MSMH's financial position or changes in net assets.

At May 31, 2022, MSMH has approximately \$127,000 of conditional grants from the Emergency Food and Shelter Program, which have not been recognized in the accompanying financial statements because the conditions have not been met. MSMH will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2022, 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.