

Memorial Assistance Ministries

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2012 and 2011

Independent Auditors' Report

To the Board of Directors of
Memorial Assistance Ministries:

We have audited the accompanying financial statements of Memorial Assistance Ministries, which comprise the statements of financial position as of December 31, 2012 and 2011 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

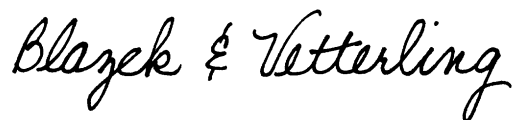
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about 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 Memorial Assistance Ministries as of December 31, 2012 and 2011 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.



March 19, 2013

Memorial Assistance Ministries

Statements of Financial Position as of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 1,478,257	\$ 1,331,928
Receivables and prepaid expenses	39,602	44,878
Resale shop inventory	233,197	207,275
Certificate of deposit		103,384
Pledges receivable, net (<i>Note 2</i>)	625,885	1,990,003
Cash held for property expansion	484,531	1,911,125
Property, net (<i>Note 3</i>)	<u>6,534,658</u>	<u>4,006,572</u>
TOTAL ASSETS	<u>\$ 9,396,130</u>	<u>\$ 9,595,165</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 57,263	\$ 26,447
Construction payable	<u>230,902</u>	<u>336,936</u>
Total liabilities	<u>288,165</u>	<u>363,383</u>
Net assets:		
Unrestricted (<i>Notes 4 and 5</i>)	8,216,689	5,261,242
Temporarily restricted (<i>Note 6</i>)	<u>891,276</u>	<u>3,970,540</u>
Total net assets	<u>9,107,965</u>	<u>9,231,782</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,396,130</u>	<u>\$ 9,595,165</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 717,292	\$ 493,176	\$ 1,210,468
Special event	246,511		246,511
Direct donor benefit costs of special event	(55,327)		(55,327)
Resale store sales	1,019,062		1,019,062
Government contracts	<u>89,350</u>	<u> </u>	<u>89,350</u>
Total revenue	2,016,888	493,176	2,510,064
Net assets released from restrictions:			
Program expenditures	355,841	(355,841)	
Capital campaign expenditures	<u>3,216,599</u>	<u>(3,216,599)</u>	<u> </u>
Total	<u>5,589,328</u>	<u>(3,079,264)</u>	<u>2,510,064</u>
EXPENSES:			
Program services:			
Emergency assistance	1,632,809		1,632,809
Resale store	<u>541,349</u>		<u>541,349</u>
Total program services	2,174,158		2,174,158
Management and general	179,010		179,010
Fundraising	<u>280,713</u>		<u>280,713</u>
Total expenses	<u>2,633,881</u>		<u>2,633,881</u>
CHANGES IN NET ASSETS	2,955,447	(3,079,264)	(123,817)
Net assets, beginning of year	<u>5,261,242</u>	<u>3,970,540</u>	<u>9,231,782</u>
Net assets, end of year	<u>\$ 8,216,689</u>	<u>\$ 891,276</u>	<u>\$ 9,107,965</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions for property expansion		\$ 3,005,291	\$ 3,005,291
Other contributions	\$ 680,251	313,202	993,453
Special event	210,572		210,572
Direct donor benefit costs of special event	(45,971)		(45,971)
Resale store sales	987,325		987,325
Government contracts (<i>Note 6</i>)	<u>860,327</u>		<u>860,327</u>
Total revenue	2,692,504	3,318,493	6,010,997
Net assets released from restrictions:			
Program expenditures	357,950	(357,950)	
Capital campaign expenditures	<u>116,388</u>	<u>(116,388)</u>	
Total	<u>3,166,842</u>	<u>2,844,155</u>	<u>6,010,997</u>
EXPENSES:			
Program services:			
Emergency assistance	1,983,411		1,983,411
Resale store	<u>474,195</u>		<u>474,195</u>
Total program services	2,457,606		2,457,606
Management and general	166,406		166,406
Fundraising	<u>250,430</u>		<u>250,430</u>
Total expenses	<u>2,874,442</u>		<u>2,874,442</u>
CHANGES IN NET ASSETS	292,400	2,844,155	3,136,555
Net assets, beginning of year	<u>4,968,842</u>	<u>1,126,385</u>	<u>6,095,227</u>
Net assets, end of year	<u>\$ 5,261,242</u>	<u>\$ 3,970,540</u>	<u>\$ 9,231,782</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statements of Cash Flows for the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (123,817)	\$ 3,136,555
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	127,367	115,947
Contributions restricted for property expansion	(38,850)	(3,005,291)
Changes in operating assets and liabilities:		
Receivables and prepaid expenses	5,276	3,743
Resale shop inventory	(25,922)	(15,167)
Pledges receivable (excluding capital campaign)	80,972	10,428
Accounts payable and accrued liabilities	<u>30,816</u>	<u>(23,444)</u>
Net cash provided by operating activities	<u>55,842</u>	<u>222,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash held for property expansion	1,426,594	(1,665,307)
Purchases of property	(2,761,487)	(217,861)
Net change in certificate of deposit	<u>103,384</u>	<u>(51)</u>
Net cash used by investing activities	<u>(1,231,509)</u>	<u>(1,883,219)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for property expansion	<u>1,321,996</u>	<u>1,995,099</u>
Net cash provided by financing activities	<u>1,321,996</u>	<u>1,995,099</u>
NET CHANGE IN CASH	146,329	334,651
Cash, beginning of year	<u>1,331,928</u>	<u>997,277</u>
Cash, end of year	<u>\$ 1,478,257</u>	<u>\$ 1,331,928</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2012

<u>EXPENSES</u>	<u>EMERGENCY ASSISTANCE</u>	<u>RESALE STORE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related costs	\$ 504,691	\$ 337,862	\$ 112,199	\$ 206,817	\$ 1,161,569
Direct assistance	962,548				962,548
Depreciation	49,427	64,710	10,357	2,873	127,367
Professional services	44,481	19,367	33,072	28,459	125,379
Utilities	13,867	39,964	5,867	760	60,458
Supplies	24,131	18,970	4,894	3,009	51,004
Marketing expense	1,123	4,449	805	16,801	23,178
Insurance	3,104	14,785	2,856	276	21,021
Communications	10,624	3,136	1,468	1,468	16,696
Printing and postage	2,229	698	940	11,089	14,956
Repairs and maintenance	3,489	9,132	1,435	201	14,257
Equipment rental	8,952	3,436	603	57	13,048
Professional development	2,703	4,325	1,504	714	9,246
Other	<u>1,440</u>	<u>20,515</u>	<u>3,010</u>	<u>8,189</u>	<u>33,154</u>
Total expenses	<u>\$ 1,632,809</u>	<u>\$ 541,349</u>	<u>\$ 179,010</u>	<u>\$ 280,713</u>	2,633,881
Direct donor benefit costs of special event					<u>55,327</u>
Total					<u>\$ 2,689,208</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2011

<u>EXPENSES</u>	<u>EMERGENCY ASSISTANCE</u>	<u>RESALE STORE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related costs	\$ 486,644	\$ 306,874	\$ 112,453	\$ 195,918	\$ 1,101,889
Direct assistance	1,201,888				1,201,888
Allocation to service providers – government grants	155,434				155,434
Depreciation	41,184	63,593	9,596	1,574	115,947
Professional services	48,297	12,936	26,658	13,419	101,310
Utilities	9,769	30,289	4,603	419	45,080
Supplies	8,019	14,892	3,620	2,710	29,241
Marketing expense	1,136	3,969	1,176	13,015	19,296
Insurance	2,148	11,832	2,645	170	16,795
Communications	7,486	2,447	1,090	1,090	12,113
Printing and postage	3,971	161	736	14,477	19,345
Repairs and maintenance	3,030	8,065	1,379	125	12,599
Equipment rental	7,088	420	481	232	8,221
Professional development	2,848	1,940	520	678	5,986
Other	<u>4,469</u>	<u>16,777</u>	<u>1,449</u>	<u>6,603</u>	<u>29,298</u>
Total expenses	<u>\$ 1,983,411</u>	<u>\$ 474,195</u>	<u>\$ 166,406</u>	<u>\$ 250,430</u>	2,874,442
Direct donor benefit costs of special event					<u>45,971</u>
Total					<u>\$ 2,920,413</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Notes to Financial Statements for the years ended December 31, 2012 and 2011

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Memorial Assistance Ministries (MAM) is a nonprofit corporation supported by member churches in the Houston area to provide basic needs services to those in need on the west and near northwest side of Houston. Its mission is to address the needs of families and individuals who find themselves in temporary crisis and in need of assistance to maintain self-sufficiency and avoid homelessness. MAM provides services to the community through the following programs:

Emergency Assistance helps families facing financial crisis avoid homelessness. This program provides cash and other assistance in the following areas:

- Direct assistance is provided for rent and utilities to eligible clients. This assistance helped prevent eviction for 1,905 families in 2012 and 2,125 in 2011.
- Medical/Health provides clients with referrals and assistance for a doctor or dentist visit or a medical prescription. A total of 1,089 clients were provided with healthcare through this service in 2012 and 804 in 2011.
- Food/Household provides two area food pantries with direct financial assistance and refers our eligible clients in their direction. MAM also provides families with home care packs (cleaning and toiletries) and with sack lunches to those who show up in our offices hungry. 257 sack lunches were provided in 2012 and 271 in 2011.
- Clothing is provided to qualified MAM clients by issuing vouchers that may be used in the resale store. 1,293 families qualified for clothing through the MAM Resale Store at no cost in 2012 and 1,193 in 2011.
- Transportation – Metro money or gasoline vouchers are given to clients seeking jobs or newly employed, or to those needing assistance getting to a doctor, dentist or pharmacy. MAM provided transportation to 938 clients in 2012 and 928 in 2011.
- Self-sufficiency programs – MAM assists clients seeking employment by providing them with the education, tools and support needed to obtain gainful employment in order to stabilize their family. English language classes are also provided by MAM. In 2012, 497 people were provided with employment services, 175 adults completed the *English as a Second Language* class, and 10 adults received *English as a Second Language* tutoring. In 2011, 590 people were provided with employment services, 143 adults completed the *English as a Second Language* class, and 15 adults received *English as a Second Language* tutoring.
- Programs for children in schools – The *Back to School* program provides school children with uniforms and school supplies. A total of 5,714 students received such assistance in 2012 and 4,941 in 2011. The *I Can See* program provides vision testing and glasses for school children. 325 children benefitted from professional eye exams and new prescription glasses in 2012 and 367 in 2011.

Resale Store – The MAM Resale Store sells donated goods to provide a low cost source of clothing, furniture, books, toys, and household goods to families served by MAM and others in the community. The store is staffed with 75 regular MAM volunteers and serves as a site for court-ordered community service and local volunteer organizations. Students from MAM's *English as a Second Language* classes also volunteer in order to improve their speaking ability.

Federal income tax status – MAM is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2). MAM files annual federal information returns and is subject to routine examinations of its returns; however, there are no examinations for any tax periods currently in progress. MAM believes it is no longer subject to examinations of returns for tax years ended before December 31, 2009.

Resale shop inventory is carried at the lower of cost or market. Donated resale store merchandise is valued at estimated fair value on the date of the gift.

Certificate of deposit is a non-negotiable, bank time-deposit and is reported at face value plus accrued interest.

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 after one year are discounted to estimate the present value of future cash flows.

Property is reported at cost if purchased or at fair value at the date of gift if donated. Generally, acquisitions of property and equipment in excess of \$500 are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 40 years.

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 future 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 at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support.

Donated materials and services – Donated materials are recognized at fair value as unrestricted 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 recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. The hours contributed as volunteer services approximated 54,000 in 2012 and 58,000 in 2011 primarily in the Resale Store and in the Emergency Assistance programs.

Resale store sales of donated inventory are recognized as revenue at the time of sale.

Government contracts revenue is recognized when the related services are provided.

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 reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2012 are expected to be collected as follows:

2013	\$ 362,454
2014	158,623
2015	109,350
2016	<u>5,000</u>
Total pledges receivable	635,427
Discount to net present value at approximately 1%	<u>(9,542)</u>
Pledges receivable, net	<u>\$ 625,885</u>

At December 31, 2012, approximately 75% of the pledges are restricted for the property expansion capital campaign.

Concentration – At December 31, 2012, approximately 31% of pledges receivable are due from three contributors. At December 31, 2011, approximately 45% of pledges receivable are due from three contributors.

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 790,105	\$ 790,105
Buildings	6,189,740	2,998,424
Equipment, furniture, and fixtures	271,153	193,542
Construction in progress	<u> </u>	<u>613,473</u>
Total property, at cost	7,250,998	4,595,544
Accumulated depreciation	<u>(716,340)</u>	<u>(588,972)</u>
Property, net	<u>\$ 6,534,658</u>	<u>\$ 4,006,572</u>

NOTE 4 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Undesignated	\$ 7,616,689	\$ 5,261,242
Board-designated endowment	<u>600,000</u>	<u> </u>
Total unrestricted net assets	<u>\$ 8,216,689</u>	<u>\$ 5,261,242</u>

NOTE 5 – BOARD-DESIGNATED ENDOWMENT

In May 2012, the Board of Directors designated \$600,000 of existing funds to establish the MAM Endowment Fund for the purpose of supporting the mission of MAM. The funds were transferred to a separate endowment investment account in January 2013.

Investment Policies and Strategy

MAM's objective for the endowment's investment portfolio is moderate capital growth while achieving performance at least equal to appropriate benchmarks, and with some focus on income for distribution to MAM. Short-term investments should utilize enhanced cash management with emphasis on protection of principal and current income. The long-term objective is to achieve an absolute return to support the spending objectives of the fund. These objectives are anticipated to continue without significant modification in perpetuity, with provisions for using at least 50% of the earnings for ongoing operations, and with provisions to draw down some capital under certain conditions.

Spending Policy

The primary objective of the endowment fund is long-term appreciation. However, under certain conditions, up to 50% of the prior year dividends and interest earned on the fund may be withdrawn at the start of each calendar year to be used for ongoing support of operations. Funds may be withdrawn in the event of an emergency, unbudgeted maintenance, or unbudgeted capital requirements, with the approval of the Board of Directors.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Property expansion	\$ 720,838	\$ 3,898,587
Future operations	55,373	
Shelter and other assistance	35,000	
Employment services	23,335	23,335
Vision and medical assistance	18,000	29,929
Administrative staff and training	17,460	
Other	<u>21,270</u>	<u>18,689</u>
Total temporarily restricted net assets	<u>\$ 891,276</u>	<u>\$ 3,970,540</u>

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2013, 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.