

Memorial Assistance Ministries

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

Memorial Assistance Ministries

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2019 and 2018	2
Statement of Activities for the year ended December 31, 2019	3
Statement of Activities for the year ended December 31, 2018	4
Statements of Cash Flows for the years ended December 31, 2019 and 2018	5
Statement of Functional Expenses for the year ended December 31, 2019	6
Statement of Functional Expenses for the year ended December 31, 2018	7
Notes to Financial Statements for the years ended December 31, 2019 and 2018	8

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, 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.

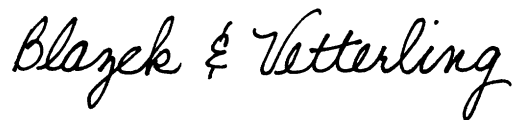
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance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



April 15, 2020

Memorial Assistance Ministries

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 3,762,111	\$ 4,892,628
Prepaid expenses and other receivables	95,905	123,004
Resale store inventory	363,528	381,548
Contributions receivable, net (<i>Note 4</i>)	1,114,237	561,988
Investments – board-designated endowment (<i>Notes 5 and 8</i>)	1,183,453	994,952
Property, net (<i>Note 6</i>)	<u>5,509,350</u>	<u>5,677,502</u>
TOTAL ASSETS	<u>\$ 12,028,584</u>	<u>\$ 12,631,622</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 176,019</u>	<u>\$ 147,161</u>
Net assets:		
Without donor restrictions (<i>Notes 7 and 8</i>)	10,372,619	11,041,445
With donor restrictions (<i>Note 9</i>)	<u>1,479,946</u>	<u>1,443,016</u>
Total net assets	<u>11,852,565</u>	<u>12,484,461</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,028,584</u>	<u>\$ 12,631,622</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,416,437	\$ 2,180,013	\$ 3,596,450
In-kind contributions (<i>Note 10</i>)	1,712,232		1,712,232
Special event	416,214	217,450	633,664
Direct donor benefit costs of special event	(20,101)		(20,101)
Resale store sales	1,665,142		1,665,142
Cost of donated goods sold	(1,645,642)		(1,645,642)
Program fees	93,016		93,016
Government grant contracts		36,960	36,960
Net investment return	<u>191,032</u>		<u>191,032</u>
Total revenue	3,828,330	2,434,423	6,262,753
Net assets released from restrictions:			
Program expenditures	<u>2,397,493</u>	<u>(2,397,493)</u>	
Total	<u>6,225,823</u>	<u>36,930</u>	<u>6,262,753</u>
EXPENSES:			
Program services:			
Family assistance	2,058,761		2,058,761
Family assistance – flood relief	770,529		770,529
Family education	2,062,754		2,062,754
Resale store	<u>1,069,515</u>		<u>1,069,515</u>
Total program services	5,961,559		5,961,559
Management and general	423,184		423,184
Fundraising	<u>509,906</u>		<u>509,906</u>
Total expenses	<u>6,894,649</u>		<u>6,894,649</u>
CHANGES IN NET ASSETS	(668,826)	36,930	(631,896)
Net assets, beginning of year	<u>11,041,445</u>	<u>1,443,016</u>	<u>12,484,461</u>
Net assets, end of year	<u>\$10,372,619</u>	<u>\$ 1,479,946</u>	<u>\$11,852,565</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,334,526	\$ 1,036,886	\$ 2,371,412
In-kind contributions (<i>Note 10</i>)	1,830,916		1,830,916
Contribution from Literacy Advance of Houston, Inc.	276,754	165,311	442,065
Special event	479,554		479,554
Direct donor benefit costs of special event	(24,990)		(24,990)
Resale store sales	1,779,575		1,779,575
Cost of donated goods sold	(1,761,472)		(1,761,472)
Program fees	69,710		69,710
Government grant contracts	105,318		105,318
Net investment return	(70,379)		(70,379)
Total revenue	4,019,512	1,202,197	5,221,709
Net assets released from restrictions:			
Program expenditures	2,567,643	(2,567,643)	
Donor re-designation of restrictions	500,000	(500,000)	
Expiration of time restrictions	120,000	(120,000)	
Total	7,207,155	(1,985,446)	5,221,709
EXPENSES:			
Program services:			
Family assistance	1,910,224		1,910,224
Family assistance – flood relief	1,614,247		1,614,247
Family education	1,366,524		1,366,524
Resale store	961,789		961,789
Total program services	5,852,784		5,852,784
Management and general	239,271		239,271
Fundraising	401,977		401,977
Total expenses	6,494,032		6,494,032
CHANGES IN NET ASSETS	713,123	(1,985,446)	(1,272,323)
Net assets, beginning of year	10,328,322	3,428,462	13,756,784
Net assets, end of year	\$11,041,445	\$ 1,443,016	\$12,484,461

See accompanying notes to financial statements.

Memorial Assistance Ministries

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

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (631,896)	\$ (1,272,323)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	226,505	223,281
Net realized and unrealized (gain) loss on investments	(167,529)	93,851
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	27,099	(54,237)
Resale store inventory	18,020	17,956
Contributions receivable	(552,249)	1,491,736
Accounts payable and accrued liabilities	<u>28,858</u>	<u>37,116</u>
Net cash provided (used) by operating activities	<u>(1,051,192)</u>	<u>537,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(270,511)	(749,111)
Proceeds from sale of investments	268,787	703,051
Change in cash and money market mutual funds held as investments	(19,248)	24,345
Purchases of property	<u>(58,353)</u>	<u>(57,105)</u>
Net cash used by investing activities	<u>(79,325)</u>	<u>(78,820)</u>
NET CHANGE IN CASH	(1,130,517)	458,560
Cash, beginning of year	<u>4,892,628</u>	<u>4,434,068</u>
Cash, end of year	<u>\$ 3,762,111</u>	<u>\$ 4,892,628</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2019

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	FAMILY ASSISTANCE	FAMILY EDUCATION	MAM RESALE STORE	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 785,971	\$ 1,597,072	\$ 717,416	\$ 3,100,459	\$ 288,953	\$ 446,340	\$ 3,835,752
Direct assistance	801,298	33,286		834,584			834,584
Direct assistance – flood relief	770,529			770,529			770,529
Professional services	46,844	146,478	37,095	230,417	102,438	10,670	343,525
Grant for Hurricane Harvey assistance	323,568			323,568			323,568
Depreciation	39,662	42,300	130,153	212,115	8,100	6,290	226,505
Equipment rental	10,333	142,152	4,083	156,568	75	9	156,652
Utilities	12,506	11,825	45,209	69,540	2,200	1,870	73,610
Supplies	11,437	24,577	20,175	56,189	7,371	7,122	70,682
Insurance	8,790	11,932	37,978	58,700	5,194	1,649	65,543
Repairs and maintenance	7,055	7,348	26,793	41,196	1,252	1,053	43,501
Bank charges		956	26,660	27,616	9	10,739	38,364
Professional development	1,424	16,703	2,513	20,640	2,164	4,276	27,080
Marketing	641	1,783	9,485	11,909	3,020	10,328	25,257
Communications	3,996	11,808	697	16,501	794	734	18,029
Printing and postage	2,928	3,729	1,711	8,368	618	8,484	17,470
Other	2,308	10,805	9,547	22,660	996	342	23,998
Total expenses	<u>\$ 2,829,290</u>	<u>\$ 2,062,754</u>	<u>\$ 1,069,515</u>	<u>\$ 5,961,559</u>	<u>\$ 423,184</u>	<u>\$ 509,906</u>	6,894,649
Cost of donated goods sold							1,645,642
Direct donor benefit costs of special event – meal costs and venue rental							<u>20,101</u>
Total							<u>\$ 8,560,392</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2018

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	FAMILY ASSISTANCE	FAMILY EDUCATION	MAM RESALE STORE	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 911,439	\$ 1,063,550	\$ 624,311	\$ 2,599,300	\$ 181,961	\$ 343,200	\$ 3,124,461
Direct assistance	1,244,899	33,796		1,278,695			1,278,695
Direct assistance – flood relief	1,185,990			1,185,990			1,185,990
Professional services	44,098	120,175	40,267	204,540	29,340	9,507	243,387
Depreciation	38,898	42,254	128,196	209,348	8,347	5,586	223,281
Equipment rental	31,690	31,822	6,161	69,673			69,673
Utilities	12,696	10,636	44,363	67,695	2,110	1,793	71,598
Supplies	11,089	18,275	21,660	51,024	4,704	14,450	70,178
Insurance	8,227	8,467	35,218	51,912	4,548	1,494	57,954
Repairs and maintenance	5,841	4,895	19,825	30,561	971	825	32,357
Bank charges		896	26,727	27,623		6,723	34,346
Professional development	10,394	13,147	3,014	26,555	2,814	3,114	32,483
Marketing	431	372	3,786	4,589	578	6,213	11,380
Communications	6,572	8,392	1,385	16,349	1,083	1,336	18,768
Printing and postage	3,835	3,893	1,215	8,943	412	7,325	16,680
Other	8,372	5,954	5,661	19,987	2,403	411	22,801
Total expenses	<u>\$ 3,524,471</u>	<u>\$ 1,366,524</u>	<u>\$ 961,789</u>	<u>\$ 5,852,784</u>	<u>\$ 239,271</u>	<u>\$ 401,977</u>	6,494,032
Cost of donated goods sold							1,761,472
Direct donor benefit costs of special event – meal costs and venue rental							24,990
Total							<u>\$ 8,280,494</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

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

NOTE 1 – ORGANIZATION

Organization – Memorial Assistance Ministries (MAM) is a nonprofit corporation ensuring families in west and near northwest Houston have the means to meet their basic needs. Since 1983, MAM has provided a platform for neighbors to help neighbors, and continues to be supported by faith communities and a wide range of funders in the Houston area. In 2019, MAM impacted the lives of over 28,000 people.

MAM helps families avoid homelessness and become more self-sufficient by offering a wide variety of programs and services that create pathways to improved employment status, financial management, housing stability and health.

Family Assistance helps families maintain financial stability as they work toward becoming more self-sufficient. Services include: Financial Assistance for rent, utilities, transportation, medical, vision and dental care; Navigation Services and Case Management; Public Benefits Enrollment Assistance for Harris Health System Financial Assistance program, Medicaid, CHIP, Children's Medicaid and SNAP (Supplemental Nutrition Assistance Program); Back to School and Christmas Share.

Family Education offers classes and support for building essential skills to achieve personal, financial and career goals. Programs include: Employment Services, English as a Second Language (ESL), Citizenship Preparation, Financial Education and Coaching, Immigration and Legal Services, and Mental Health Counseling.

MAM Resale sells donated goods to provide a low-cost source of clothing, furniture, books, toys, and household goods to families served by MAM and to others in the community. The store is staffed with regular volunteers and serves as a site for court-ordered community service and local volunteer organizations. Students from MAM's ESL and employment programs also volunteer to improve their skills.

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).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash – At times, bank deposits exceed the federally insured limit per depositor per institution.

Resale store inventory is carried at the lower of cost or net realizable value. Cost is the average cost of purchased inventory and the estimated fair value at the date of gift for donated inventory.

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 after one year are discounted, if material, to estimate the present value of future cash flows. An allowance is provided for uncollectible receivables when management believes that the balances may not be collected in full.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

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 – 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 grant contracts (grants) are recognized as revenue at fair value 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 MAM is entitled to receive or retain funding. Conditional contributions and grants are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Donated materials and services – Donated materials 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 or sold. 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.

Revenue recognition – Program fees and retail store sales are recognized when goods or services are provided to a customer, in an amount that reflects the consideration MAM expects to be entitled to in exchange for those goods or services. Payment is due at point of sale or program registration. The nature of these services does not give rise to contract costs or any variable considerations, warranties or other obligations. Sales and fees are from customers residing in or near Harris County, Texas. There are no receivables or deferred revenues associated with this revenue.

Cost of donated goods sold is based on the estimated fair value of the donated goods that are sold in the resale store.

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. Depreciation, security, utilities and other occupancy costs are allocated based on square footage.

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.

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. MAM is required to adopt this ASU for fiscal year 2021. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

MAM adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principal of the new guidance is that the entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied and revenue is recognized and requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. MAM adopted the new standard effective January 1, 2018, using the full retrospective method. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard and therefore, adoption of this ASU had no impact on total beginning net assets or changes in net assets for 2018 but resulted in additional disclosures and changes in presentation.

In conjunction with the adoption of ASU 2014-09, MAM adopted 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 (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. MAM adopted the new standard effective January 1, 2019. Adoption of this ASU had no impact on total beginning net assets for 2019 or changes in net assets for 2019.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures within one year of December 31 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 3,762,111	\$ 4,892,628
Receivables	7,433	4,225
Contributions receivable, net	1,132,717	605,233
Investments	<u>1,183,453</u>	<u>994,952</u>
Total financial assets	6,085,714	6,497,038
Less financial assets not available for general expenditure:		
Contributions receivable due in more than one year	(84,338)	
Board-designated endowment	<u>(1,183,453)</u>	<u>(994,952)</u>
Total financial assets available for general expenditure	<u>\$ 4,817,923</u>	<u>\$ 5,502,086</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, MAM considers all expenditures related to its ongoing activities to be general expenditures. MAM has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. MAM has a board-designated endowment that it does not intend to make available for general expenditures within one year; however, the funds remain available to be spent at the discretion of the Board of Directors.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 1,119,237	\$ 566,988
Allowance for uncollectible receivables	<u>(5,000)</u>	<u>(5,000)</u>
Contributions receivable, net	<u>\$ 1,114,237</u>	<u>\$ 561,988</u>

Contributions receivable at December 31, 2019 are expected to be collected as follows:

Receivable in less than one year	\$ 1,029,899
Receivable in one to five years	<u>84,338</u>
Total contributions receivable	<u>\$ 1,114,237</u>

At December 31, 2019 and 2018, 58% and 61% of contributions receivable are due from two donors. Approximately 37% of contributions recognized for the year ended December 31, 2019 were from two donors.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
Strategic income	\$ 232,383			\$ 232,383
International growth	145,644			145,644
Large-cap value	111,208			111,208
Risk parity	110,893			110,893
Global real estate and emerging markets	81,277			81,277
Equity growth	60,577			60,577
MLP and energy	59,783			59,783
Money market	33,192			33,192
Corporate bonds		\$ 231,631		231,631
Short maturity exchange-traded funds	69,081			69,081
International equity exchange-traded funds	<u>47,784</u>	<u> </u>	<u> </u>	<u>47,784</u>
Total assets measured at fair value	<u>\$ 951,822</u>	<u>\$ 231,631</u>	<u>\$ 0</u>	<u>\$ 1,183,453</u>

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
Strategic income	\$ 203,590			\$ 203,590
International growth	122,410			122,410
Risk parity	96,205			96,205
Global real estate and emerging markets	64,679			64,679
Equity growth	38,814			38,814
MLP and energy	63,664			63,664
Money market	13,944			13,944
Corporate bonds		\$ 199,455		199,455
U. S. equity securities	147,024			147,024
International equity exchange-traded funds	<u>45,167</u>	<u> </u>	<u> </u>	<u>45,167</u>
Total assets measured at fair value	<u>\$ 795,497</u>	<u>\$ 199,455</u>	<u>\$ 0</u>	<u>\$ 994,952</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Corporate bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.
- *Exchange-traded funds* and *equity securities* are valued at the closing price reported on the active market on which the individual securities or funds are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while MAM believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 790,105	\$ 790,105
Buildings	6,347,355	6,347,355
Equipment, furniture, and fixtures	<u>645,954</u>	<u>587,600</u>
Total property, at cost	7,783,414	7,725,060
Accumulated depreciation	<u>(2,274,064)</u>	<u>(2,047,558)</u>
Property, net	<u>\$ 5,509,350</u>	<u>\$ 5,677,502</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 3,679,816	\$ 4,368,991
Property, net	5,509,350	5,677,502
Board-designated endowment	<u>1,183,453</u>	<u>994,952</u>
Total net assets without donor restrictions	<u>\$ 10,372,619</u>	<u>\$ 11,041,445</u>

NOTE 8 – BOARD-DESIGNATED ENDOWMENT

The MAM Endowment Fund (the Fund) is a board-designated endowment established by the Board of Directors (the Board) for the long-term support of MAM's operations.

Changes in net assets of the board-designated endowment fund are as follows:

	WITHOUT DONOR RESTRICTIONS
Endowment net assets, December 31, 2017	\$ 1,067,088
Net investment return	<u>(72,136)</u>
Endowment net assets, December 31, 2018	994,952
Net investment return	<u>188,501</u>
Endowment net assets, December 31, 2019	<u>\$ 1,183,453</u>

Investment and Spending Policies

The investment goal of the Fund is the achievement of moderate capital growth in line with appropriate investment industry benchmarks, recognizing that some accommodation will be required in light of MAM's possible need from time to time to withdraw a portion of the Fund's assets. The target rate of return on the Fund's assets shall be an absolute 6%, long term, after expenses. In order to achieve this goal, the policy has set an asset allocation target of 70% equity securities, 25% fixed-income securities, and 5% in cash equivalents.

Although the Fund's goal is long-term appreciation and retention of Fund assets, certain limited types of withdrawals are permitted in order to support MAM's activities and requirements. As long as the Fund's assets are less than \$1,200,000, up to 50% of prior year Fund earnings (dividends and interest only) may be withdrawn at the start of each calendar year for support of MAM's ongoing operations. The Finance Committee is authorized to change the percentage of Fund earnings that can be withdrawn annually every three years beginning January 1, 2013. The Board of MAM must approve any withdrawal in excess of the prescribed amount. When the market value of the Fund reaches \$1,200,000 or more, the Board, at the beginning of each calendar year, may authorize the withdrawal of total Fund earnings (defined as interest, dividends, realized gains/losses, unrealized gains/losses, capital gain distributions for mutual funds less investment fees) instead of the dividends and interest provided for above. The target amount of the Fund withdrawal shall be between 2% and 5% of the Fund's market value at the prior year end.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Client and medical assistance	\$ 513,351	\$ 219,267
Young adult employment program	466,168	
Employment services	269,500	185,083
ESL	63,000	
Literacy Advance programs	26,250	194,544
Vocational training and certification assistance	17,056	39,406
Flood relief		743,349
Other	9,621	41,367
Subject to passage of time:		
For future operating periods	<u>115,000</u>	<u>20,000</u>
Total net assets with donor restrictions	<u>\$ 1,479,946</u>	<u>\$ 1,443,016</u>

NOTE 10 – IN-KIND CONTRIBUTIONS

The majority of items sold in the MAM Resale Store are contributed by the general public. The fair value of these contributions is based on the estimated sale price of each item and is recognized in the financial statements as in-kind contributions. In-kind contributions are as follows:

	<u>2019</u>	<u>2018</u>
Resale Store donated inventory	\$ 1,608,647	\$ 1,726,599
Program services:		
Clothing, hygiene and other items	56,510	70,800
Christmas Share program supplies	42,318	25,595
Other	4,757	4,705
Flood relief clothing and supplies	<u> </u>	<u>3,217</u>
Total in-kind contributions	<u>\$ 1,712,232</u>	<u>\$ 1,830,916</u>

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 by volunteers approximated 65,340 in 2019 and 55,809 in 2018, primarily in the Resale Store and Family Assistance programs. The Independent Sector and Bureau of Labor Statistics estimated the value of one hour of volunteer service in the United States at \$25.43 in 2019 and \$24.69 in 2018. Using these rates, the estimated value of volunteer services not recognized (in these financial statements) is approximately \$1,661,596 for 2019 and \$1,377,924 for 2018.

NOTE 11 – IN-KIND FACILITIES PROVIDED TO PARTNERS

MAM provides the use of their facilities to twelve not-for-profit and other partners who provide services to people in the community. The estimated value of the facilities provided by MAM in 2019 and 2018 was approximately \$39,000.

NOTE 12 – EMPLOYEE BENEFIT PLAN

All employees of MAM are eligible to participate in a §403(b) plan upon employment. Starting after the first full year of service, participating employees receive an employer matching contribution ranging from 1% to 5% of the employee's annual wages depending on the number of years of service. MAM's contribution to this plan totaled approximately \$53,000 and \$40,000 during 2019 and 2018, respectively.

NOTE 13 – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings. In response, the MAM office, resale shop and donation center have been temporarily closed as of March 17, 2020. While the facilities are closed, MAM is continuing to offer client assistance remotely via phone and e-mail including: Employment Services, Basic Needs Assistance, Financial Education and Coaching, Mental Health Counseling, Case Management, Immigration and Legal Services. MAM is currently working to develop the capacity to offer remote ESL and Citizenship

classes and to increase on-line sales for the MAM Resale Store. MAM will continue to monitor this unprecedented situation as it evolves and make adjustments or extensions as necessary, balancing the safety and needs of MAM clients, volunteers, staff, and the community. Additionally, financial markets have been severely impacted by fears that the COVID-19 pandemic will push the global economy into recession. MAM does expect this matter to negatively impact its operating results; however, the financial impact and duration cannot be reasonably determined at this time.

Management has evaluated subsequent events through April 15, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
