

Memorial Assistance Ministries

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

Memorial Assistance Ministries

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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, 2017 and 2016 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.

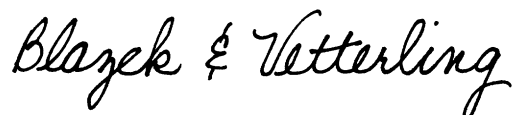
Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain 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, 2017 and 2016 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.

Change in Accounting Principle – As described in Note 2, Memorial Assistance Ministries adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of the standard resulted in additional disclosures and changes to classifications of net assets and the disclosures related to net assets. The adoption was retrospectively applied to the December 31, 2016 financial statements with the exception of the omission of certain information as permitted by the standard. Our opinion is not modified with respect to this matter.



March 22, 2018

Memorial Assistance Ministries

Statements of Financial Position as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 3,034,760	\$ 2,403,384
Prepaid expenses and other receivables	68,767	93,622
Cash restricted for flood relief	1,399,308	
Resale store inventory	399,504	330,969
Contributions receivable, net (<i>Note 4</i>)	2,053,724	417,149
Investments – board designated endowment (<i>Notes 5 and 8</i>)	1,067,088	963,587
Cash held for property expansion		224,779
Property, net (<i>Note 6</i>)	<u>5,843,678</u>	<u>5,983,050</u>
TOTAL ASSETS	<u>\$13,866,829</u>	<u>\$10,416,540</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 110,045</u>	<u>\$ 64,392</u>
Net assets:		
Without donor restrictions (<i>Notes 7 and 8</i>)	10,328,322	9,642,625
With donor restrictions (<i>Note 9</i>)	<u>3,428,462</u>	<u>709,523</u>
Total net assets	<u>13,756,784</u>	<u>10,352,148</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$13,866,829</u>	<u>\$10,416,540</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,581,307	\$ 5,160,310	\$ 6,741,617
In-kind contributions (<i>Note 10</i>)	1,903,903		1,903,903
Special event	513,164		513,164
Direct donor benefit costs of special event	(29,029)		(29,029)
Resale store sales	1,722,246		1,722,246
Cost of donated goods sold	(1,706,186)		(1,706,186)
Government contracts	208,199		208,199
Program fees and other revenue	74,455		74,455
Net investment return	<u>104,153</u>		<u>104,153</u>
Total revenue	4,372,212	5,160,310	9,532,522
Net assets released from restrictions:			
Program expenditures	2,141,592	(2,141,592)	
Donor re-designation of restrictions	229,779	(229,779)	
Expiration of time restrictions	30,000	(30,000)	
Equipment acquisition expenditures	<u>40,000</u>	<u>(40,000)</u>	
Total	<u>6,813,583</u>	<u>2,718,939</u>	<u>9,532,522</u>
EXPENSES:			
Program services:			
Family assistance	1,800,900		1,800,900
Family assistance – flood relief	1,445,277		1,445,277
Family education	1,277,317		1,277,317
Resale store	<u>919,691</u>		<u>919,691</u>
Total program services	5,443,185		5,443,185
Management and general	237,977		237,977
Fundraising	<u>446,724</u>		<u>446,724</u>
Total expenses	<u>6,127,886</u>		<u>6,127,886</u>
CHANGES IN NET ASSETS	685,697	2,718,939	3,404,636
Net assets, beginning of year	<u>9,642,625</u>	<u>709,523</u>	<u>10,352,148</u>
Net assets, end of year	<u>\$10,328,322</u>	<u>\$ 3,428,462</u>	<u>\$13,756,784</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2016

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,240,800	\$ 893,230	\$ 2,134,030
In-kind contributions (<i>Note 10</i>)	1,621,548		1,621,548
Special event	513,592		513,592
Direct donor benefit costs of special event	(31,508)		(31,508)
Resale store sales	1,573,635		1,573,635
Cost of donated goods sold	(1,552,955)		(1,552,955)
Government contracts	185,788		185,788
Program fees and other revenue	85,963		85,963
Net investment return	<u>57,442</u>		<u>57,442</u>
Total revenue	3,694,305	893,230	4,587,535
Net assets released from restrictions:			
Program expenditures	784,512	(784,512)	
Expiration of time restrictions	98,000	(98,000)	
Capital Project expenditures	<u>85,869</u>	<u>(85,869)</u>	
Total	<u>4,662,686</u>	<u>(75,151)</u>	<u>4,587,535</u>
EXPENSES:			
Program services:			
Family assistance	1,661,351		1,661,351
Family education	1,083,372		1,083,372
Resale store	<u>848,702</u>		<u>848,702</u>
Total program services	3,593,425		3,593,425
Management and general	208,522		208,522
Fundraising	<u>432,554</u>		<u>432,554</u>
Total expenses	<u>4,234,501</u>		<u>4,234,501</u>
CHANGES IN NET ASSETS	428,185	(75,151)	353,034
Net assets, beginning of year (<i>Note 2</i>)	<u>9,214,440</u>	<u>784,674</u>	<u>9,999,114</u>
Net assets, end of year (<i>Note 2</i>)	<u>\$ 9,642,625</u>	<u>\$ 709,523</u>	<u>\$10,352,148</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statements of Cash Flows for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,404,636	\$ 353,034
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	231,570	226,514
Net realized and unrealized (gain) loss on investments	(85,823)	(47,728)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	24,855	(9,737)
Resale store inventory	(68,535)	8,963
Contributions receivable (excluding property expansion)	(1,641,575)	(109,513)
Accounts payable and accrued liabilities	<u>45,653</u>	<u>18,999</u>
Net cash provided by operating activities	<u>1,910,781</u>	<u>440,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(450,491)	(534,782)
Proceeds from sale of investments	358,238	579,947
Change in cash and money market mutual funds held as investments	74,575	(54,175)
Change in cash held for property expansion	224,779	90,808
Purchases of property	(92,198)	(112,726)
Net change in certificates of deposit	<u> </u>	<u>250,610</u>
Net cash provided by investing activities	<u>114,903</u>	<u>219,682</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for property expansion	<u>5,000</u>	<u>5,000</u>
NET CHANGE IN CASH	2,030,684	665,214
Cash, beginning of year	<u>2,403,384</u>	<u>1,738,170</u>
Cash, end of year	<u>\$ 4,434,068</u>	<u>\$ 2,403,384</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2017

EXPENSES	PROGRAM SERVICES			TOTAL	SUPPORTING SERVICES		TOTAL EXPENSES
	FAMILY ASSISTANCE	FAMILY EDUCATION	RESALE STORE		MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 560,211	\$ 1,040,137	\$ 582,207	\$ 2,182,555	\$ 169,394	\$ 374,916	\$ 2,726,865
Direct assistance	1,227,257	29,492		1,256,749			1,256,749
Direct assistance – flood relief	1,331,660	8,829		1,340,489			1,340,489
Depreciation	34,619	50,960	127,209	212,788	9,544	9,238	231,570
Professional services	30,227	69,602	37,171	137,000	35,275	14,537	186,812
Utilities	10,208	10,258	43,450	63,916	2,711	3,084	69,711
Insurance	6,284	8,827	32,005	47,116	5,277	1,990	54,383
Supplies	7,948	5,933	22,585	36,466	6,567	5,392	48,425
Repairs and maintenance	5,328	5,354	22,572	33,254	1,416	1,611	36,281
Bank charges		931	25,013	25,944	985	9,248	36,177
Equipment rental	13,036	10,564	7,517	31,117			31,117
Professional development	3,769	12,324	2,687	18,780	2,562	1,984	23,326
Communications	6,917	9,995	1,826	18,738	1,677	2,165	22,580
Printing and postage	3,280	6,249	2,373	11,902	540	8,889	21,331
Marketing expense	130	1,068	3,694	4,892	269	8,056	13,217
Other	5,303	6,794	9,382	21,479	1,760	5,614	28,853
Total expenses	<u>\$ 3,246,177</u>	<u>\$ 1,277,317</u>	<u>\$ 919,691</u>	<u>\$ 5,443,185</u>	<u>\$ 237,977</u>	<u>\$ 446,724</u>	6,127,886
Direct donor benefit costs of special event – meal costs and venue rental							<u>29,029</u>
Total							<u>\$ 6,156,915</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2016

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	FAMILY ASSISTANCE	FAMILY EDUCATION	RESALE STORE	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 446,579	\$ 868,701	\$ 533,209	\$ 1,848,489	\$ 140,454	\$ 375,291	\$ 2,364,234
Direct assistance	1,082,473	21,490		1,103,963			1,103,963
Depreciation	35,538	53,354	120,572	209,464	9,422	7,628	226,514
Professional services	40,327	66,347	34,148	140,822	29,629	10,001	180,452
Utilities	8,661	8,753	37,633	55,047	2,292	2,292	59,631
Insurance	5,962	7,325	29,061	42,348	3,720	1,679	47,747
Supplies	7,718	10,811	19,261	37,790	4,993	3,551	46,334
Repairs and maintenance	4,642	4,767	18,912	28,321	1,404	1,228	30,953
Bank charges	13	727	32,426	33,166	1,803	8,833	43,802
Equipment rental	12,189	11,380	2,058	25,627			25,627
Professional development	4,959	10,963	4,235	20,157	7,798	1,559	29,514
Communications	5,902	8,933	1,762	16,597	1,590	1,716	19,903
Printing and postage	1,712	3,467	1,402	6,581	746	7,456	14,783
Marketing expense	534	1,980	8,057	10,571	850	10,775	22,196
Other	4,142	4,374	5,966	14,482	3,821	545	18,848
Total expenses	<u>\$ 1,661,351</u>	<u>\$ 1,083,372</u>	<u>\$ 848,702</u>	<u>\$ 3,593,425</u>	<u>\$ 208,522</u>	<u>\$ 432,554</u>	4,234,501
Direct donor benefit costs of special event – meal costs and venue rental							<u>31,508</u>
Total							<u>\$ 4,266,009</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Notes to Financial Statements for the years ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Flood relief efforts – 2017 was an unusual year due to the enormous impact of Hurricane Harvey. Immediately post storm, on August 27, 2017, MAM's office on Blalock Road was opened with staff and volunteers who provided immediate assistance to impacted families. During the course of relief and recovery efforts throughout the fall of 2017, we continued to serve families in need of a variety of services. Typically, MAM conducts relief work during disasters; however, the magnitude of the hurricane demanded the support of all organizations with the skills and processes to do this work which continues into 2018. In 2017, MAM assistance included the following:

- 5,822 people from 1,645 families received some type of Hurricane Harvey relief service.
- 1,294 families received financial assistance for temporary housing.
- 348 people received clothing.
- 42 people received transportation assistance.
- 14 individuals received medical or pharmacy services.
- 94 households received new furniture.
- 1,807 families or 4,156 individuals received in-kind donations of cleaning supplies, diapers, water, toiletries, and household goods.

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

- MAM helps families with assistance funds in two ways. The first, *MAM Assistance*, is a one-visit immediate third-party bill payment for rent or utilities. It is available to clients once a year for a partial bill payment. In 2017 and 2016, 2,816 and 1,591 families, respectively, received rent or utility assistance. The second approach is *Case Managed Assistance* which supports a family in decreasing amounts for 3 months while the wage earner(s) find or return to work, balance their budgets, access public benefits, if appropriate, and pay down debt. In 2017 and 2016, 197 and 198 families, respectively, received case-managed assistance through three program models.
- *Medical/Health* provides clients with referrals and assistance for a doctor or dentist visit or a medical prescription. A total of 618 clients were provided with healthcare referrals or assistance through this service in 2017 and 537 in 2016.
- *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. In 2017, MAM provided 3,484 items to 1,807 households.
- *Clothing* is provided to qualified MAM clients by issuing vouchers that may be used in the resale store. A total of 1,556 families qualified for clothing through the MAM Resale Store at no cost in 2017 and 1,075 in 2016.

- *Transportation* – Metro money or gasoline vouchers are given to clients who are newly employed or seeking jobs, or to those needing assistance getting to a doctor, dentist or pharmacy. MAM provided transportation to 647 clients in 2017 and 572 in 2016.
- *Programs for children in schools* – The *Back to School* program provides school children with uniforms and school supplies. A total of 6,058 students received such assistance in 2017 and 6,189 in 2016. The *I Can See* program provides vision testing and glasses for school children. A total of 146 children benefitted from professional eye exams and new prescription glasses in 2017 and 152 in 2016.

Family Education – MAM provides programming to support families who are working to improve their financial circumstances. This program provides assistance as follows:

- *Employment Services* – 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. Job search skills, computer classes, employment coaching, workshops, and connections to vocational training and other services are provided throughout the year. In 2017, 1,025 people entered MAM's Employment Services Program; 83% of those who completed all workshops found jobs. In 2016, 717 people were provided with employment services; 78% of those who completed all workshops found jobs.
- *English Language Instruction* – In 2017, MAM hosted 55 *English as a Second Language* classes at 3 locations serving 719 adult students. In 2016, MAM hosted 55 classes at 4 locations serving 769 adult students. In 2017, 69% of the students attended 75% or more of their classes.
- *Citizenship Preparation* – In 2017, 210 adult students completed Citizenship Preparation classes at MAM and 34 became U. S. citizens. In 2016, 58 students completed Citizenship Preparation classes at MAM.
- *Mental Health Counseling* – In 2017, 361 families benefitted from the Mental Health Counseling Program, which provides a range of clinically-appropriate mental health treatment services to individuals, families, and couples in English and Spanish. Broad diagnoses included depression, anxiety, adjustment disorder and post-traumatic stress disorder resulting from domestic violence, victims of crime, divorce, serious illness or death of a loved one. In 2016, 318 families benefitted from this program.
- *Immigration Legal Services* – MAM operates its own immigration legal services program, staffed by experienced immigration staff attorneys and a legal caseworker. In 2017, MAM hosted 57 group information sessions with free one-on-one consultations with the staff attorneys. 1,014 individuals attended these sessions. MAM's immigration staff attorneys completed 261 contracts for services, and a total of 1,014 individuals received free, one-on-one legal consultations. 100% of the applications submitted to adjust or request legal status in the United States had a favorable response. In 2016, MAM hosted 79 group information sessions with a total of 859 individuals attending these sessions. MAM's immigration staff attorneys completed 236 contracts for services. An additional 970 people received free, one-on-one consultations. Staff attorneys also provided educational sessions in the community at 5 locations and conducted a DACA workshop for 24 DACA recipients looking to renew their status.

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 approximately 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 conversation 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).

Cash – At times, amounts on deposit may exceed the federally insured limit per depositor per institution.

Resale store inventory is carried at the lower of cost or market. Donated resale store clothing and home goods are valued at estimated fair value at the date of gift.

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.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Net investment return whose use is restricted by the donor is reported as net assets with donor restrictions until expended in accordance with donor-imposed restrictions.

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:

- *Without donor restrictions* 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.
- *With donor restrictions* include contributions restricted by the donor for specific purposes or future time periods. Donor-imposed restrictions may be temporary or permanent in nature. When a purpose restriction is accomplished or a time restriction ends, net assets with restrictions are released to net assets without restrictions.

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. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated materials and services – Donated materials are recognized at fair value as contributions without donor restrictions 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.

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

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

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

Functional allocation of expenses – The cost of program or supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification of expenses by function. Certain expenses have been allocated among the programs and supporting services benefited. Expenses allocated include salaries and benefits, which are allocated on the basis of estimated time and effort, and depreciation, security expenses, and occupancy costs, which are allocated on a square footage basis.

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 – ADOPTION OF NEW ACCOUNTING STANDARD

In 2017, MAM retrospectively adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU require that net assets be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures are 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 are required to be presented by both nature and function and investment return is 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.

The amendments in this ASU have been applied on a retrospective basis to the financial statements at December 31, 2016, except that MAM omitted disclosures about liquidity and availability of resources at December 31, 2016 as permitted by the ASU. Net assets previously reported as unrestricted were reclassified as net assets without donor restrictions and net assets previously reported as temporarily restricted were reclassified as net assets with donor restrictions. Retrospective adoption did not result in any change to total net assets or to changes in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures within one year at December 31, 2017 are as follows:

Cash	\$ 4,434,068
Receivables	45,072
Inventory	399,504
Contributions receivable not restricted for long-term purposes	2,053,724
Investments	<u>1,067,088</u>
Total financial assets	7,999,456
Less financial assets unavailable for general expenditures within one year:	
Contributions receivable due in more than one year	(20,000)
Board designations – endowment investments	<u>(1,067,088)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,912,368</u>

Cash available for general expenditures includes cash and contributions receivable which are restricted for program purposes but expected to be used in the next fiscal year. At December 31, 2017, approximately \$2.8 million in donor restricted contributions are available for flood relief programs and approximately \$600,000 are available for other MAM programs.

As part of MAM's liquidity management, a portion of cash is invested in a commercial money market account. MAM has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2017 are expected to be collected as follows:

2018	\$ 2,033,724
2019	<u>20,000</u>
Total contributions receivable	<u>\$ 2,053,724</u>

Concentration – At December 31, 2017, approximately 70% of contributions receivable is due from one contributor.

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, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
International growth	\$ 130,627			\$ 130,627
Adaptive growth	106,803			106,803
Strategic income	79,079			79,079
MLP and energy	77,948			77,948
Global real estate and emerging markets	69,501			69,501
Trend fund	52,830			52,830
High-yield bond	42,301			42,301
Money market	38,289			38,289
Corporate bonds		\$ 228,679		228,679
U. S. equity securities	147,415			147,415
International equity exchange-traded funds	<u>93,616</u>			<u>93,616</u>
Total assets measured at fair value	<u>\$ 838,409</u>	<u>\$ 228,679</u>	<u>\$ 0</u>	<u>\$ 1,067,088</u>

Assets measured at fair value at December 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
International growth	\$ 55,214			\$ 55,214
Adaptive growth	45,034			45,034
MLP and energy	35,516			35,516
Global real estate and emerging markets	27,188			27,188
Trend fund	19,864			19,864
High-yield bond	18,858			18,858
Money market	112,864			112,864
Corporate bonds		\$ 225,907		225,907
Domestic equity securities:				
U.S. core equity	126,413			126,413
Legacy equity	256,337			256,337
International equity exchange-traded funds	<u>40,392</u>			<u>40,392</u>
Total assets measured at fair value	<u>\$ 737,680</u>	<u>\$ 225,907</u>	<u>\$ 0</u>	<u>\$ 963,587</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.
- *Equity securities* and *exchange-traded funds* 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>2017</u>	<u>2016</u>
Land and improvements	\$ 790,105	\$ 790,105
Buildings	6,347,355	6,329,089
Equipment, furniture, and fixtures	530,494	447,004
Construction in progress		<u>9,559</u>
Total property, at cost	7,667,954	7,575,757
Accumulated depreciation	<u>(1,824,276)</u>	<u>(1,592,707)</u>
Property, net	<u>\$ 5,843,678</u>	<u>\$ 5,983,050</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2017</u>	<u>2016</u>
Property, net	\$ 5,843,678	\$ 5,983,050
Undesignated	3,417,556	2,695,988
Board-designated endowment	<u>1,067,088</u>	<u>963,587</u>
Total net assets without donor restrictions	<u>\$ 10,328,322</u>	<u>\$ 9,642,625</u>

NOTE 8 – BOARD-DESIGNATED ENDOWMENT

The MAM Endowment Fund (the Fund) is a board-designated endowment established by the Board of Directors for the purpose of assisting MAM in meeting its operating needs.

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

	<u>WITHOUT DONOR RESTRICTIONS</u>
Endowment net assets, December 31, 2015	<u>\$ 906,849</u>
Investment return:	
Interest and dividends	16,552
Net realized and unrealized gain	47,728
Investment fees	<u>(7,542)</u>
Net investment return	<u>56,738</u>
Endowment net assets, December 31, 2016	<u>963,587</u>
Investment return:	
Interest and dividends	25,289
Net realized and unrealized gain	85,823
Investment fees	<u>(7,611)</u>
Net investment return	<u>103,501</u>
Endowment net assets, December 31, 2017	<u>\$ 1,067,088</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 these goals, 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 must approve any withdrawal in excess of the prescribed amount. When the market value of the Fund reaches \$1,200,000.00 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 gains distributions for mutual funds less investment fees) instead of the dividend 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 available for the following purposes:

	<u>2017</u>	<u>2016</u>
Subject to expenditure for specific purpose:		
Flood relief	\$ 2,831,185	
Medical assistance	224,748	\$ 162,500
Employment services	114,917	97,667
Student education program	59,034	69,386
Equipment purchases	15,000	40,000
Property expansion		229,779
Other	43,578	80,191
Subject to passage of time:		
For future operating periods	<u>140,000</u>	<u>30,000</u>
Total net assets with donor restrictions	<u>\$ 3,428,462</u>	<u>\$ 709,523</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>2017</u>	<u>2016</u>
Resale store donated inventory	\$ 1,754,565	\$ 1,521,804
Program services:		
Clothing, hygiene and other items	74,047	62,735
Christmas Share program supplies	26,961	29,897
Other	7,647	7,112
Flood relief clothing and supplies	<u>40,683</u>	<u> </u>
Total in-kind contributions	<u>\$ 1,903,903</u>	<u>\$ 1,621,548</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 57,200 in 2017 and 57,000 in

2016, 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 \$24.14 in 2017 and \$23.56 in 2016. Using these rates, the calculated value of volunteer services is approximately \$1,381,000 for 2017 and \$1,343,000 for 2016.

NOTE 11 – IN-KIND SERVICES 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 in 2017 and 2016 was approximately \$39,000 and \$38,000, respectively.

NOTE 12 – EMPLOYEE BENEFIT PLAN

All employees of MAM are eligible to participate in a §403(b) plan after six months of 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 \$36,000 and \$29,000 during 2017 and 2016, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 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.
