

**Memorial Assistance Ministries**

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

# 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, 2018 and 2017 and the related statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility** – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion** – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memorial Assistance Ministries as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blazek & Vetterling*

April 17, 2019

## Memorial Assistance Ministries

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

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	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 4,892,628	\$ 4,434,068
Prepaid expenses and other receivables	123,004	68,767
Resale store inventory	381,548	399,504
Contributions receivable, net	561,988	2,053,724
Investments – board-designated endowment ( <i>Notes 4 and 7</i> )	994,952	1,067,088
Property, net ( <i>Note 5</i> )	<u>5,677,502</u>	<u>5,843,678</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,631,622</u></b>	<b><u>\$ 13,866,829</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 147,161</u>	<u>\$ 110,045</u>
Net assets:		
Without donor restrictions ( <i>Notes 6 and 7</i> )	11,041,445	10,328,322
With donor restrictions ( <i>Note 8</i> )	<u>1,443,016</u>	<u>3,428,462</u>
Total net assets	<u>12,484,461</u>	<u>13,756,784</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,631,622</u></b>	<b><u>\$ 13,866,829</u></b>

*See accompanying notes to financial statements.*

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## Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,334,526	\$ 1,036,886	\$ 2,371,412
In-kind contributions <i>(Note 9)</i>	1,830,916		1,830,916
Contribution from Literacy Advance of Houston, Inc. <i>(Note 1)</i>	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)
Government contracts	105,318		105,318
Program fees and other revenue	69,710		69,710
Net investment return	<u>(70,379)</u>		<u>(70,379)</u>
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	<u>120,000</u>	<u>(120,000)</u>	
Total	<u>7,207,155</u>	<u>(1,985,446)</u>	<u>5,221,709</u>
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	<u>961,789</u>		<u>961,789</u>
Total program services	5,852,784		5,852,784
Management and general	239,271		239,271
Fundraising	<u>401,977</u>		<u>401,977</u>
Total expenses	<u>6,494,032</u>		<u>6,494,032</u>
CHANGES IN NET ASSETS	713,123	(1,985,446)	(1,272,323)
Net assets, beginning of year	<u>10,328,322</u>	<u>3,428,462</u>	<u>13,756,784</u>
Net assets, end of year	<u>\$11,041,445</u>	<u>\$ 1,443,016</u>	<u>\$12,484,461</u>

*See accompanying notes to financial statements.*

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## Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2017

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,581,307	\$ 5,160,310	\$ 6,741,617
In-kind contributions ( <i>Note 9</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.*

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## Memorial Assistance Ministries

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

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	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (1,272,323)	\$ 3,404,636
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	223,281	231,570
Net realized and unrealized (gain) loss on investments	93,851	(85,823)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	(54,237)	24,855
Resale store inventory	17,956	(68,535)
Contributions receivable	1,491,736	(1,641,575)
Accounts payable and accrued liabilities	<u>37,116</u>	<u>45,653</u>
Net cash provided by operating activities	<u>537,380</u>	<u>1,910,781</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(749,111)	(450,491)
Proceeds from sale of investments	703,051	358,238
Change in cash and money market mutual funds held as investments	24,345	74,575
Change in cash held for property expansion		224,779
Purchases of property	<u>(57,105)</u>	<u>(92,198)</u>
Net cash provided (used) by investing activities	<u>(78,820)</u>	<u>114,903</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for property expansion		<u>5,000</u>
NET CHANGE IN CASH	458,560	2,030,684
Cash, beginning of year	<u>4,434,068</u>	<u>2,403,384</u>
Cash, end of year	<u>\$ 4,892,628</u>	<u>\$ 4,434,068</u>

*See accompanying notes to financial statements.*

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## 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	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
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
Equipment rental	31,690	31,822	6,161	69,673			69,673
Insurance	8,227	8,467	35,218	51,912	4,548	1,494	57,954
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
Repairs and maintenance	5,841	4,895	19,825	30,561	971	825	32,357
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
Marketing	431	372	3,786	4,589	578	6,213	11,380
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
Direct donor benefit costs of special event – meal costs and venue rental							<u>24,990</u>
Total							<u>\$ 6,519,022</u>

*See accompanying notes to financial statements.*



## Memorial Assistance Ministries

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

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	FAMILY ASSISTANCE	FAMILY EDUCATION	RESALE STORE	TOTAL	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
Professional services	30,227	69,602	37,171	137,000	35,275	14,537	186,812
Depreciation	34,619	50,960	127,209	212,788	9,544	9,238	231,570
Utilities	10,208	10,258	43,450	63,916	2,711	3,084	69,711
Supplies	7,948	5,933	22,585	36,466	6,567	5,392	48,425
Equipment rental	13,036	10,564	7,517	31,117			31,117
Insurance	6,284	8,827	32,005	47,116	5,277	1,990	54,383
Bank charges		931	25,013	25,944	985	9,248	36,177
Professional development	3,769	12,324	2,687	18,780	2,562	1,984	23,326
Repairs and maintenance	5,328	5,354	22,572	33,254	1,416	1,611	36,281
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	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

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

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### NOTE 1 – ORGANIZATION

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.

Effective November 9, 2018, Literacy Advance of Houston, Inc. (Literacy Advance) merged into MAM. The mission of Literacy Advance was to transform lives and communities through the doorway of literacy by providing Adult Basic Education (ABE), English as a Second Language (ESL), Family Literacy, and Transition Coaching classes. Further supportive programming for learners include English conversation, computer literacy and special classes related to job readiness, numeracy, health, financial literacy, civics and other relevant topics. In addition to initial volunteer tutor training, Literacy Advance also provided ongoing enrichment training for volunteer tutors in order to enhance the quality of instruction provided in the classroom. As a result of the merger, Literacy Advance contributed assets totaling \$442,065 to MAM in November 2018 and Literacy Advance’s programs were transferred to MAM.

During 2018, MAM continued to serve families with Disaster Case Management services. Disaster Case Management included a family assessment, documentation of Harvey impact, recovery planning, direct provision of household goods, furnishings, appliances, mortgage, rent, property tax and other basic needs, as well as connection to rebuilders. In 2018, MAM’s Harvey Recovery Program assisted 1,099 individuals from 457 families; in 2017, the program assisted 5,822 people from 1,645 families.

The MAM network offers a wide range of programs and supportive services opening the pathway to improved employment status, financial management, housing stability, and independence. There is “no wrong door” to access the network. It is designed to “meet each family where they live” and connect them to an array of services that will help them achieve financial stability. For management purposes, we divide these programs into 3 areas: Family Assistance, Family Education, and Programs for Children in Schools.

*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 2018 and 2017, 2,145 and 2,816 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 2018 and 2017, 121 and 197 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 530 clients were provided with healthcare referrals or assistance through this

service in 2018 and 618 in 2017. MAM also provides application assistance for Harris Health, CHIP and Medicaid. MAM filed 2,856 applications for health benefits on behalf of 2,595 individuals in 1,305 families in 2018.

- *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 sack lunches to those who show up in our offices hungry. In 2018, MAM provided 1,988 items to 3,484 households and assisted 1,103 individuals access SNAP benefits to provide relief to the food line in their household budgets.
- *Clothing* is provided to qualified MAM clients by issuing vouchers that may be used in the resale store. A total of 1,148 families qualified for clothing through the MAM Resale Store at no cost in 2018 and 1,556 in 2017.
- *Transportation* provides Metro money or gasoline vouchers 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 600 clients in 2018 and 647 in 2017.
- *Programs for Children in Schools* – The *Back to School* program provides school children with uniforms and school supplies. A total of 6,234 students received such assistance in 2018 and 6,058 in 2017. The *I Can See* program provides vision testing and glasses for school children. A total of 182 children benefited from professional eye exams and new prescription glasses in 2018 and 146 in 2017. The Christmas share program provides gifts to school children. A total of 604 children from 211 families received gifts in 2018 and 760 children from 264 families received gifts in 2017.

*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 2018, 983 people entered MAM's Employment Services Program; 72% of those who completed all workshops found jobs. In 2017, 1,025 people were provided with employment services; 83% of those who completed all workshops found jobs.
- *English Language Instruction* – In 2018, MAM hosted 55 *English as a Second Language* classes at 3 locations serving 823 adult students. In 2017, MAM hosted 55 classes at 3 locations serving 719 adult students. In 2018 and 2017, 69% of the students attended 75% or more of their classes. MAM acquired Literacy Advance of Houston in November 2018. An additional 1,548 students benefited from programs in *English as a Second Language* and Adult Basic Education through Literacy Advance resources in 2018.
- *Citizenship Preparation* – In 2018, 183 adult students completed Citizenship Preparation classes at MAM and 63 became U. S. citizens. In 2017, 210 students completed Citizenship Preparation classes at MAM and 34 became U. S. citizens.
- *Mental Health Counseling* – In 2018, 347 families benefited 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 2017, 361 families benefited 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 2018, MAM hosted 40 group

information sessions with free one-on-one consultations with the staff attorneys. 603 individuals attended these sessions. MAM's immigration staff attorneys completed 306 contracts for services, and a total of 603 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 2017, MAM hosted 57 group information sessions with a total of 1,014 individuals attending these sessions. MAM's immigration staff attorneys completed 261 contracts for services. An additional 1,014 people received free, one-on-one consultations.

- *Financial Literacy* – In 2018, MAM hosted 602 financial literacy classes and offered financial coaching sessions to 297 clients.

*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).

## **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. 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. At December 31, 2018, all contributions receivable are due within one year and 61% of contributions receivable are due from two donors.

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 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 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 – Expenses are reported by their functional classification as program services or supporting activities. 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 one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation, security, and 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 pronouncement – In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (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. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. MAM is required to apply the amendments in its fiscal year 2019 financial statements. The amendments should be applied on a modified prospective basis, but retrospective adoption also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures within one year at December 31, 2018 and 2017 comprise of the following:

	<u>2018</u>	<u>2017</u>
Cash	\$ 4,892,628	\$ 4,434,068
Receivables	47,470	45,072
Contributions receivable	561,988	2,053,724
Investments	<u>994,952</u>	<u>1,067,088</u>
Total financial assets	6,497,038	7,599,952
Less financial assets not available for general expenditure:		
Contributions receivable due in more than one year		(20,000)
Board-designated endowment	<u>(994,952)</u>	<u>(1,067,088)</u>
Financial assets available for general expenditure	<u>\$ 5,502,086</u>	<u>\$ 6,512,864</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. 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 – 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, 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
MLP and energy	63,664			63,664
Equity growth	38,814			38,814
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>45,167</u>
Total assets measured at fair value	<u>\$ 795,497</u>	<u>\$ 199,455</u>	<u>\$ 0</u>	<u>\$ 994,952</u>

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:				
Strategic income	\$ 79,079			\$ 79,079
International growth	130,627			130,627
Global real estate and emerging markets	69,501			69,501
MLP and energy	77,948			77,948
Money market	38,289			38,289
Adaptive growth	106,803			106,803
Trend fund	52,830			52,830
High-yield bond	42,301			42,301
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>

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 5 – PROPERTY

Property consists of the following:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 790,105	\$ 790,105
Buildings	6,347,355	6,347,355
Equipment, furniture, and fixtures	<u>587,599</u>	<u>530,494</u>
Total property, at cost	7,725,059	7,667,954
Accumulated depreciation	<u>(2,047,557)</u>	<u>(1,824,276)</u>
Property, net	<u>\$ 5,677,502</u>	<u>\$ 5,843,678</u>

## NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 4,368,991	\$ 3,417,556
Property, net	5,677,502	5,843,678
Board-designated endowment	<u>994,952</u>	<u>1,067,088</u>
Total net assets without donor restrictions	<u>\$ 11,041,445</u>	<u>\$ 10,328,322</u>

## NOTE 7 – 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, 2016	\$ 963,587
Net investment return	<u>103,501</u>
Endowment net assets, December 31, 2017	1,067,088
Net investment return	<u>(72,136)</u>
Endowment net assets, December 31, 2018	<u>\$ 994,952</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 Directors (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 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 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Flood relief	\$ 743,349	\$ 2,831,185
Client and medical assistance	219,267	224,748
Literacy Advance programs	194,544	
Employment services	185,083	114,917
Student education program	39,406	59,034
Equipment purchases	3,047	15,000
Other	38,320	43,578
Subject to passage of time:		
For future operating periods	<u>20,000</u>	<u>140,000</u>
Total net assets with donor restrictions	<u>\$ 1,443,016</u>	<u>\$ 3,428,462</u>

## NOTE 9 – 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>2018</u>	<u>2017</u>
Resale Store donated inventory	\$ 1,726,599	\$ 1,754,565
Program services:		
Clothing, hygiene and other items	70,800	74,047
Christmas Share program supplies	25,595	26,961
Other	4,705	7,647
Flood relief clothing and supplies	<u>3,217</u>	<u>40,683</u>
Total in-kind contributions	<u>\$ 1,830,916</u>	<u>\$ 1,903,903</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 55,809 in 2018 and 57,200 in 2017, 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 \$24.69 in 2018 and \$24.14 in 2017. Using these rates, the estimated value of volunteer services not recognized (in these financial statements) is approximately \$1,377,924 for 2018 and \$1,381,000 for 2017.

## NOTE 10 – 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 2018 and 2017 was approximately \$39,000.

**NOTE 11 – 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 \$40,000 and \$36,000 during 2018 and 2017, respectively.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 17, 2019, 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.

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