

Memorial Assistance Ministries

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Memorial Assistance Ministries

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Independent Auditors' Report

To the Board of Directors of
Memorial Assistance Ministries:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Memorial Assistance Ministries, which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Memorial Assistance Ministries as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Memorial Assistance Ministries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Assistance Ministries' ability to continue as a going concern for a reasonable period of time.

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

Blazek & Vetterling

April 20, 2022

Memorial Assistance Ministries

Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 3,439,019	\$ 5,431,843
Prepaid expenses and other receivables	22,260	60,422
Resale store inventory	478,429	424,139
Contributions receivable, net (<i>Note 4</i>)	1,215,858	774,363
Investments – board-designated endowment (<i>Notes 5 and 8</i>)	1,412,550	1,288,178
Property, net (<i>Note 6</i>)	<u>6,052,540</u>	<u>5,416,831</u>
TOTAL ASSETS	<u>\$ 12,620,656</u>	<u>\$ 13,395,776</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 17,746	\$ 24,809
Accrued payroll expenses	40,669	
Refundable advance – Paycheck Protection Program (<i>Note 3</i>)		701,600
Refundable advance – government grants		<u>72,054</u>
Total liabilities	<u>58,415</u>	<u>798,463</u>
Net assets:		
Without donor restrictions (<i>Notes 7 and 8</i>)	10,550,183	10,219,562
With donor restrictions (<i>Note 9</i>)	<u>2,012,058</u>	<u>2,377,751</u>
Total net assets	<u>12,562,241</u>	<u>12,597,313</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,620,656</u>	<u>\$ 13,395,776</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Non-government grants	\$ 1,709,821	\$ 3,297,115	\$ 5,006,936
Government grant – Paycheck Protection Program		701,600	701,600
Other government grants		285,681	285,681
In-kind contributions (<i>Note 10</i>)	1,825,454		1,825,454
Special event	758,466		758,466
Direct donor benefits provided	(40,204)		(40,204)
Resale store sales	1,685,588		1,685,588
Cost of donated goods sold	(1,650,976)		(1,650,976)
Program fees	54,406		54,406
Net investment return	<u>124,887</u>		<u>124,887</u>
Total revenue	4,467,442	4,284,396	8,751,838
Net assets released from restrictions:			
Expiration of time restrictions	20,000	(20,000)	
Program expenditures	<u>4,630,089</u>	<u>(4,630,089)</u>	
Total	<u>9,117,531</u>	<u>(365,693)</u>	<u>8,751,838</u>
EXPENSES:			
Program services:			
Stable families	4,055,985		4,055,985
Dynamic workforce	1,969,526		1,969,526
Vibrant communities	312,577		312,577
Resale store	<u>1,212,046</u>		<u>1,212,046</u>
Total program services	7,550,134		7,550,134
Management and general	482,169		482,169
Fundraising	<u>754,607</u>		<u>754,607</u>
Total expenses	<u>8,786,910</u>		<u>8,786,910</u>
CHANGES IN NET ASSETS	330,621	(365,693)	(35,072)
Net assets, beginning of year	<u>10,219,562</u>	<u>2,377,751</u>	<u>12,597,313</u>
Net assets, end of year	<u>\$10,550,183</u>	<u>\$ 2,012,058</u>	<u>\$12,562,241</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Non-government grants	\$ 1,510,592	\$ 6,976,539	\$ 8,487,131
Government grants		43,373	43,373
In-kind contributions (<i>Note 10</i>)	2,008,317		2,008,317
Special event	437,264		437,264
Direct donor benefits provided	(1,000)		(1,000)
Resale store sales	1,103,084		1,103,084
Cost of donated goods sold	(1,089,591)		(1,089,591)
Program fees	57,048		57,048
Net investment return	<u>105,380</u>		<u>105,380</u>
Total revenue	4,131,094	7,019,912	11,151,006
Net assets released from restrictions:			
Expiration of time restrictions	95,000	(95,000)	
Program expenditures	<u>6,027,107</u>	<u>(6,027,107)</u>	
Total	<u>10,253,201</u>	<u>897,805</u>	<u>11,151,006</u>
EXPENSES:			
Program services:			
Stable families	6,399,490		6,399,490
Dynamic workforce	1,712,526		1,712,526
Vibrant communities	234,539		234,539
Resale store	<u>1,094,371</u>		<u>1,094,371</u>
Total program services	9,440,926		9,440,926
Management and general	412,079		412,079
Fundraising	<u>553,253</u>		<u>553,253</u>
Total expenses	<u>10,406,258</u>		<u>10,406,258</u>
CHANGES IN NET ASSETS	(153,057)	897,805	744,748
Net assets, beginning of year	<u>10,372,619</u>	<u>1,479,946</u>	<u>11,852,565</u>
Net assets, end of year	<u>\$10,219,562</u>	<u>\$ 2,377,751</u>	<u>\$12,597,313</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (35,072)	\$ 744,748
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	274,433	246,963
Contribution of donated land		(797,731)
Net realized and unrealized gain on investments	(113,181)	(92,948)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	38,162	35,483
Resale store inventory	(54,290)	(60,611)
Contributions receivable	(441,495)	339,874
Accounts payable	(7,063)	(151,210)
Accrued payroll expenses	40,669	
Refundable advances	<u>(773,654)</u>	<u>773,654</u>
Net cash provided (used) by operating activities	<u>(1,071,491)</u>	<u>1,038,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(135,377)	(641,270)
Proceeds from sale of investments	130,558	616,255
Change in money market mutual funds held as investments	(6,372)	13,238
Proceeds from sale of donated land		797,731
Purchases of property	<u>(910,142)</u>	<u>(154,444)</u>
Net cash provided (used) by investing activities	<u>(921,333)</u>	<u>631,510</u>
NET CHANGE IN CASH	(1,992,824)	1,669,732
Cash, beginning of year	<u>5,431,843</u>	<u>3,762,111</u>
Cash, end of year	<u>\$ 3,439,019</u>	<u>\$ 5,431,843</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2021

EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		TOTAL EXPENSES
	STABLE FAMILIES	DYNAMIC WORKFORCE	VIBRANT COMMUNITIES	RESALE STORE	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 1,036,433	\$ 1,434,995	\$ 239,120	\$ 801,163	\$ 3,511,711	\$ 330,095	\$ 640,890	\$ 4,482,696
Flexible and other direct assistance	2,802,672	173,123	14,916		2,990,711			2,990,711
Professional services	86,970	86,683	48,000	54,170	275,823	84,207	17,735	377,765
Depreciation	63,335	54,579	4,321	134,071	256,306	9,401	8,726	274,433
Equipment rental	8,042	127,543		3,252	138,837			138,837
Repairs and maintenance	11,433	19,262	924	51,060	82,679	4,268	1,571	88,518
Utilities	14,139	11,610	1,143	51,581	78,473	2,286	1,943	82,702
Supplies	10,525	22,022	452	28,407	61,406	5,833	9,787	77,026
Insurance	7,801	8,701	697	29,906	47,105	10,594	1,172	58,871
Communications	11,598	19,476	1,772	3,127	35,973	15,143	2,430	53,546
Bank charges		1,349		29,121	30,470	3,980	12,967	47,417
Marketing		917		11,046	11,963		30,022	41,985
Printing and postage	1,188	2,202	132	522	4,044	243	22,066	26,353
Professional development	223	1,082	1,037	714	3,056	14,540	1,186	18,782
Other	1,626	5,982	63	13,906	21,577	1,579	4,112	27,268
Total expenses	<u>\$ 4,055,985</u>	<u>\$ 1,969,526</u>	<u>\$ 312,577</u>	<u>\$ 1,212,046</u>	<u>\$ 7,550,134</u>	<u>\$ 482,169</u>	<u>\$ 754,607</u>	8,786,910
Cost of donated goods sold								1,650,976
Direct donor benefits provided								40,204
Total								<u>\$10,478,090</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2020

EXPENSES	PROGRAM SERVICES				TOTAL	SUPPORTING SERVICES		TOTAL EXPENSES
	STABLE FAMILIES	DYNAMIC WORKFORCE	VIBRANT COMMUNITIES	RESALE STORE		MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 995,256	\$ 1,340,682	\$ 181,779	\$ 766,138	\$ 3,283,855	\$ 311,716	\$ 475,090	\$ 4,070,661
Flexible and other direct assistance	5,186,536	96,138			5,282,674			5,282,674
Professional services	104,902	60,333	44,551	35,914	245,700	48,397	7,331	301,428
Depreciation	50,970	42,007	3,442	134,037	230,456	8,875	7,632	246,963
Equipment rental	7,583	123,497		3,386	134,466		69	134,535
Repairs and maintenance	7,462	7,116	603	25,954	41,135	1,207	1,026	43,368
Utilities	11,232	7,946	908	37,634	57,720	1,816	1,544	61,080
Supplies	15,367	6,791	55	17,031	39,244	10,107	8,062	57,413
Insurance	7,361	8,587	740	30,860	47,548	5,130	1,231	53,909
Communications	4,148	6,883	1,061	543	12,635	597	590	13,822
Bank charges	1,101	2,022		18,356	21,479	3,018	17,541	42,038
Marketing	50			8,536	8,586	1,919	26,278	36,783
Printing and postage	3,158	3,179		1,626	7,963	781	5,380	14,124
Professional development	938	2,721	1,136	49	4,844	850		5,694
Other	3,426	4,624	264	14,307	22,621	17,666	1,479	41,766
Total expenses	<u>\$ 6,399,490</u>	<u>\$ 1,712,526</u>	<u>\$ 234,539</u>	<u>\$ 1,094,371</u>	<u>\$ 9,440,926</u>	<u>\$ 412,079</u>	<u>\$ 553,253</u>	10,406,258
Cost of donated goods sold								1,089,591
Direct donor benefits provided								<u>1,000</u>
Total								<u>\$11,496,849</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Notes to Financial Statements for the years ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION

Organization – Memorial Assistance Ministries (MAM) is a non-profit organization in northwest Houston whose mission is *building stable families, a dynamic workforce, and vibrant communities... together*. What started in 1983 as a faith-based effort to help families meet their most basic needs has blossomed into a multi-faceted, community-driven catalyst for hope and transformation. Today, families come to MAM not only for short-term assistance, but to develop new skills, knowledge, and confidence that lead to long-term stability and ability to thrive. MAM now operates in multiple locations throughout its 17-zip code service area to better support the diverse communities it serves.

In 2021, MAM supported 16,095 clients from 13,081 families, impacting 29,445 lives in the following focus areas:

Stable Families: Creating opportunities for families to become financially stable, maintain safe housing, access healthy food and other necessities, and plan for the future. Services include: Navigation, Financial Assistance, Financial Coaching and Education, Benefits Enrollment Assistance, and Disaster Assistance.

During 2021 and 2020, MAM provided direct Flexible Assistance payments to eligible families impacted by the pandemic, allowing them to address their most pressing needs. The Lost Loved One Bereavement Fund provided flexible financial assistance and grief counselling to eligible families who suffered the loss of a direct family member to COVID-19.

Dynamic Workforce: Building a stronger workforce through education, training, and support that results in stable employment and livable wages. Services include: Job Readiness, Job Coaching, Vocational Trainings, Pathways for Young Adults; Immigration Legal Services; and Literacy Advance Services comprising English as a Second Language (ESL), Citizenship, and Digital Literacy.

Vibrant Communities: Supporting communities and their residents in becoming healthy, connected, resilient, and engaged. Services include: Mental Health Counseling, Medical Assistance (health, dental, optical, and prescription assistance), and Social Fabric initiatives like Voter Registration, Getting Ahead, Back to School, and Christmas Share.

MAM Resale: Sale of donated goods to provide a low-cost source of clothing, furniture, books, toys, and household goods to the community. Vouchers are provided to clients to access clothing, furniture, and other household items at no cost.

Volunteers bring MAM's mission to life, investing their time and skills in their neighbors' lives through coaching, teaching English classes, inputting data, working in MAM Resale, and a variety of other roles.

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.

Cash equivalents held for long-term purposes are grouped with investments and are excluded from cash for purposes of cash flow.

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

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of the expected future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible amounts is provided when management believes balances may not be collected in full based upon historical experience and analysis of individual balances.

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 *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before MAM is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances. MAM will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are 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.

Program fees and retail store sales revenue are recognized when goods or services are provided to a customer, in an amount that reflects the consideration that 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.

Special event revenue includes elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefits provided represents the cost of goods or services provided to attendees of the event.

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.

Reclassifications – In 2021, MAM restructured the categories used to report on and manage the various programs they provide to the community. The information reported in the statement of functional expenses for the year ended December 31, 2020 was reclassified to be consistent with the current year presentation. These reclassifications had no effect on the reported total expenses. Additionally, the *with donor restrictions* categories for 2020 were changed to be consistent with the categories used for describing donor restrictions at December 31, 2021.

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. This ASU is effective for fiscal year ending December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. This ASU is effective for fiscal year ending December 31, 2022 and will be applied on a retrospective basis. Upon adoption, management expects to expand the disclosures related to contributed nonfinancial assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 3,439,019	\$ 5,431,843
Other receivables	6,088	7,888
Contributions receivable, net	1,215,858	774,363
Investments	<u>1,412,550</u>	<u>1,288,178</u>
Total financial assets	6,073,515	7,502,272
Less financial assets not available for general expenditure:		
Contributions receivable due in more than one year		(70,966)
Board-designated endowment	<u>(1,412,550)</u>	<u>(1,288,178)</u>
Total financial assets available for general expenditure	<u>\$ 4,660,965</u>	<u>\$ 6,143,128</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.

In April 2020, MAM received \$701,600 under the Small Business Administration's (SBA) Paycheck Protection Program. The loan was fully forgiven in March 2021 and was recognized as contribution revenue.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 1,220,858	\$ 779,363
Allowance for uncollectible receivables	<u>(5,000)</u>	<u>(5,000)</u>
Contributions receivable, net	<u>\$ 1,215,858</u>	<u>\$ 774,363</u>

All contributions receivable at December 31, 2021 are expected to be collected within one year.

Two donors represent 91% of contributions receivable at December 31, 2021 and 68% of contributions receivable at December 31, 2020.

Conditional contributions – At December 31, 2021, MAM had received conditional contributions of approximately \$1,557,000 that had not been recognized because they are contingent upon performance by MAM and available resources of the donor.

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, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
Corporate bond	\$ 308,440			\$ 308,440
Strategic income	304,972			304,972
International growth	168,769			168,769
Large-cap value	168,489			168,489
Equity growth	140,287			140,287
Global infrastructure and real estate	86,186			86,186
Global real estate	75,642			75,642
Emerging markets equity	52,043			52,043
Money market	26,326			26,326
TIPS bond exchange-traded fund	<u>81,396</u>			<u>81,396</u>
Total assets measured at fair value	<u>\$ 1,412,550</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,412,550</u>

Assets measured at fair value at December 31, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
Corporate bond	\$ 293,650			\$ 293,650
Strategic income	292,170			292,170
International growth	156,837			156,837
Large-cap value	154,438			154,438
Equity growth	129,213			129,213
Global infrastructure and real estate	138,313			138,313
Emerging markets equity	52,220			52,220
Money market	19,954			19,954
International equity exchange-traded funds	<u>51,383</u>			<u>51,383</u>
Total assets measured at fair value	<u>\$ 1,288,178</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,288,178</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.
- *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>2021</u>	<u>2020</u>
Land and improvements	\$ 1,642,878	\$ 790,105
Buildings	6,347,355	6,347,355
Equipment, furniture, and fixtures	<u>857,768</u>	<u>800,398</u>
Total property, at cost	8,848,001	7,937,858
Accumulated depreciation	<u>(2,795,461)</u>	<u>(2,521,027)</u>
Property, net	<u>\$ 6,052,540</u>	<u>\$ 5,416,831</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 3,085,093	\$ 3,514,553
Property, net	6,052,540	5,416,831
Board-designated endowment	<u>1,412,550</u>	<u>1,288,178</u>
Total net assets without donor restrictions	<u>\$ 10,550,183</u>	<u>\$ 10,219,562</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:

	<u>WITHOUT DONOR RESTRICTIONS</u>
Endowment net assets, December 31, 2019	\$ 1,183,453
Net investment return	<u>104,725</u>
Endowment net assets, December 31, 2020	1,288,178
Net investment return	<u>124,372</u>
Endowment net assets, December 31, 2021	<u>\$ 1,412,550</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 a set asset allocation target of 70% equity securities, 25% fixed-income securities, and 5% 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. Although withdrawals are at the Board's discretion, 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>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Young adult employment program	\$ 481,345	\$ 494,447
Economic empowerment	400,000	
Direct assistance	310,327	1,166,300
Benefit application assistance	268,500	2,487
Employment services	170,002	258,338
Navigation services	161,047	
Mental health counseling	76,378	81,100
Community engagement	53,050	106,100
Literacy Advance programs	35,200	207,954
Other	56,209	41,025
Subject to passage of time for future operation periods	<u> </u>	<u>20,000</u>
Total net assets with donor restrictions	<u>\$ 2,012,058</u>	<u>\$ 2,377,751</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>2021</u>	<u>2020</u>
Resale Store donated inventory	\$ 1,693,349	\$ 1,133,669
Other program services:		
Clothing, hygiene and other items	101,386	51,465
Christmas Share program supplies	26,274	24,330
Other	4,415	1,122
Donated land (sold during 2020)	<u> </u>	<u>797,731</u>
Total in-kind contributions	<u>\$ 1,825,454</u>	<u>\$ 2,008,317</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 37,500 in 2021 and 33,839 in 2020. The Independent Sector and Bureau of Labor Statistics estimated the value of one hour of volunteer service in the United States at \$28.54 in 2021 and \$27.20 in 2020. Using these rates, the estimated value of volunteer services not recognized (in these financial statements) is approximately \$1,070,000 for 2021 and \$920,000 for 2020.

NOTE 11 – IN-KIND FACILITIES PROVIDED TO PARTNERS

MAM provides the use of its facilities to various not-for-profit and other partners who provide services to people in the community. The estimated value of the facilities provided by MAM was \$9,300 in 2021 and \$17,000 in 2020.

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 \$64,915 in 2021 and \$58,032 in 2020.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 20, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.