

Memorial Assistance Ministries

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

Memorial Assistance Ministries

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2023 and 2022	3
Statement of Activities for the year ended December 31, 2023	4
Statement of Activities for the year ended December 31, 2022	5
Statements of Cash Flows for the years ended December 31, 2023 and 2022	6
Statement of Functional Expenses for the year ended December 31, 2023	7
Statement of Functional Expenses for the year ended December 31, 2022	8
Notes to Financial Statements for the years ended December 31, 2023 and 2022	9

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, 2023 and 2022, 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, 2023 and 2022, 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 2, 2024

Memorial Assistance Ministries

Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Operating cash and cash equivalents <i>(Note 4)</i>	\$ 2,726,850	\$ 3,062,170
Prepaid expenses and other receivables	16,129	21,490
Resale store inventory	584,993	482,077
Operating contributions receivable, net <i>(Note 5)</i>	901,111	488,642
Investments – board-designated endowment <i>(Notes 6 and 9)</i>	1,322,114	1,174,194
Cash and cash equivalents restricted for capital projects <i>(Note 4)</i>	1,368,531	
Investments restricted for capital projects <i>(Note 6)</i>	985,475	
Contributions receivable restricted for capital projects, net <i>(Note 5)</i>	4,760,547	
Operating lease right-of-use assets, net <i>(Note 8)</i>	232,013	103,678
Property, net <i>(Note 7)</i>	<u>5,754,955</u>	<u>5,960,990</u>
TOTAL ASSETS	<u>\$ 18,652,718</u>	<u>\$ 11,293,241</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 80,498	\$ 27,599
Accrued payroll expenses	22,056	72,020
Operating lease liabilities <i>(Note 8)</i>	<u>233,184</u>	<u>105,793</u>
Total liabilities	<u>335,738</u>	<u>205,412</u>
Net assets:		
Without donor restrictions <i>(Note 9)</i>	9,217,374	9,642,131
With donor restrictions <i>(Note 10)</i>	<u>9,099,606</u>	<u>1,445,698</u>
Total net assets	<u>18,316,980</u>	<u>11,087,829</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,652,718</u>	<u>\$ 11,293,241</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Financial assets	\$ 1,597,080	\$ 9,996,309	\$11,593,389
Nonfinancial assets <i>(Note 11)</i>	2,203,208		2,203,208
Special event	867,214		867,214
Direct donor benefits provided	(68,264)		(68,264)
Resale store sales	2,086,532		2,086,532
Cost of donated goods sold	(1,954,480)		(1,954,480)
Program fees	82,063		82,063
Net investment return	<u>226,296</u>		<u>226,296</u>
Total revenue	5,039,649	9,996,309	15,035,958
Net assets released from restrictions:			
Program expenditures	2,157,902	(2,157,902)	
Capital campaign expenditures	<u>184,499</u>	<u>(184,499)</u>	
Total	<u>7,382,050</u>	<u>7,653,908</u>	<u>15,035,958</u>
EXPENSES:			
Program services:			
Dynamic workforce	2,476,509		2,476,509
Stable families	1,962,329		1,962,329
Resale store	1,469,435		1,469,435
Vibrant communities	<u>650,760</u>		<u>650,760</u>
Total program services	6,559,033		6,559,033
Management and general	377,168		377,168
Fundraising	<u>870,606</u>		<u>870,606</u>
Total expenses	<u>7,806,807</u>		<u>7,806,807</u>
CHANGES IN NET ASSETS	(424,757)	7,653,908	7,229,151
Net assets, beginning of year	<u>9,642,131</u>	<u>1,445,698</u>	<u>11,087,829</u>
Net assets, end of year	<u>\$ 9,217,374</u>	<u>\$ 9,099,606</u>	<u>\$18,316,980</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Other financial assets	\$ 1,878,874	\$ 1,268,494	\$ 3,147,368
Nonfinancial assets <i>(Note 11)</i>	2,016,356		2,016,356
Special event	769,701		769,701
Direct donor benefits provided	(47,340)		(47,340)
Resale store sales	1,931,134		1,931,134
Cost of donated goods sold	(1,901,416)		(1,901,416)
Program fees	76,513		76,513
Net investment return	<u>(237,658)</u>	<u> </u>	<u>(237,658)</u>
Total revenue	4,486,164	1,268,494	5,754,658
Net assets released from restrictions:			
Expiration of time restrictions			
Program expenditures	<u>1,834,854</u>	<u>(1,834,854)</u>	<u> </u>
Total	<u>6,321,018</u>	<u>(566,360)</u>	<u>5,754,658</u>
EXPENSES:			
Program services:			
Dynamic workforce	2,242,641		2,242,641
Stable families	2,162,462		2,162,462
Resale store	1,272,837		1,272,837
Vibrant communities	<u>344,461</u>		<u>344,461</u>
Total program services	6,022,401		6,022,401
Management and general	487,351		487,351
Fundraising	<u>719,318</u>		<u>719,318</u>
Total expenses	<u>7,229,070</u>		<u>7,229,070</u>
CHANGES IN NET ASSETS	(908,052)	(566,360)	(1,474,412)
Net assets, beginning of year	<u>10,550,183</u>	<u>2,012,058</u>	<u>12,562,241</u>
Net assets, end of year	<u>\$ 9,642,131</u>	<u>\$ 1,445,698</u>	<u>\$11,087,829</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 7,229,151	\$ (1,474,412)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	327,391	280,898
Contributions restricted for capital projects	(7,309,852)	
Net realized and unrealized (gain) loss on investments	(226,296)	265,259
Amortization of operating right-of-use assets	149,459	112,154
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	5,361	770
Resale store inventory	(102,916)	(3,648)
Operating contributions receivable	(412,469)	727,216
Accounts payable	52,899	9,853
Accrued payroll expenses	(49,964)	31,351
Operating lease liabilities	<u>(150,403)</u>	<u>(110,039)</u>
Net cash used by operating activities	<u>(487,639)</u>	<u>(160,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(894,103)	(1,039,111)
Proceeds from sale of investments	37,405	1,006,568
Change in money market mutual funds held as investments	(50,401)	5,640
Purchases of property	<u>(121,356)</u>	<u>(189,348)</u>
Net cash used by investing activities	<u>(1,028,455)</u>	<u>(216,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital	<u>2,549,305</u>	
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,033,211	(376,849)
Cash and cash equivalents, beginning of year	<u>3,062,170</u>	<u>3,439,019</u>
Cash and cash equivalents, end of year	<u>\$ 4,095,381</u>	<u>\$ 3,062,170</u>
<i>Reconciliation of cash and cash equivalents:</i>		
Cash and cash equivalents restricted for capital projects	\$ 1,368,531	
Operating cash	<u>2,726,850</u>	
Total cash and cash equivalents	<u>\$ 4,095,381</u>	
<i>Supplemental disclosure of cash flow information:</i>		
Lease right-of-use assets financed by new lease liabilities	\$277,794	

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2023

EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		TOTAL EXPENSES
	DYNAMIC WORKFORCE	STABLE FAMILIES	RESALE STORE	VIBRANT COMMUNITIES	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 1,787,221	\$ 879,155	\$ 954,836	\$ 482,937	\$ 4,104,149	\$ 298,081	\$ 560,717	\$ 4,962,947
Flexible and other direct assistance	152,362	833,072		19,050	1,004,484			1,004,484
Professional services	138,729	94,224	58,802	106,850	398,605	43,034	205,048	646,687
Depreciation	68,290	64,499	169,130	4,930	306,849	11,472	9,070	327,391
Equipment and lease costs	162,510	7,196	30,436		200,142			200,142
Supplies	79,120	10,381	29,085	1,013	119,599	1,265	12,164	133,028
Utilities	19,921	24,570	57,156	1,961	103,608	4,903	3,481	111,992
Insurance	13,327	15,277	45,087	1,554	75,245	3,715	2,663	81,623
Bank charges	1,804		40,165		41,969	5,776	12,651	60,396
Repairs and maintenance	9,821	12,507	31,332	998	54,658	2,497	1,772	58,927
Marketing	20	29	27,631	171	27,851	6	20,715	48,572
Communications	25,457	10,759	5,389	1,571	43,176	2,356	2,179	47,711
Printing and postage	1,567	3,246	2,761	182	7,756	208	18,560	26,524
Professional development	6,855	2,785	1,172	2,191	13,003	1,036	2,498	16,537
Other	9,505	4,629	16,453	27,352	57,939	2,819	19,088	79,846
Total expenses	<u>\$ 2,476,509</u>	<u>\$ 1,962,329</u>	<u>\$ 1,469,435</u>	<u>\$ 650,760</u>	<u>\$ 6,559,033</u>	<u>\$ 377,168</u>	<u>\$ 870,606</u>	7,806,807
Direct donor benefits provided								68,264
Cost of donated goods sold								<u>1,954,480</u>
Total								<u>\$ 9,829,551</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Statement of Functional Expenses for the year ended December 31, 2022

EXPENSES	PROGRAM SERVICES				TOTAL	SUPPORTING SERVICES		TOTAL EXPENSES
	DYNAMIC WORKFORCE	STABLE FAMILIES	RESALE STORE	VIBRANT COMMUNITIES		MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 1,656,310	\$ 885,131	\$ 790,735	\$ 261,472	\$ 3,593,648	\$ 350,832	\$ 559,165	\$ 4,503,645
Flexible and other direct assistance	111,616	1,074,914		13,300	1,199,830			1,199,830
Professional services	120,117	62,575	79,232	40,555	302,479	104,641	68,529	475,649
Depreciation	58,906	67,902	132,775	4,193	263,776	8,893	8,229	280,898
Equipment and lease costs	145,547	7,697	6,263		159,507			159,507
Supplies	63,551	6,685	41,577	1,842	113,655	4,317	14,438	132,410
Utilities	15,562	15,934	59,877	1,288	92,661	2,576	2,189	97,426
Insurance	11,060	9,536	41,387	1,001	62,984	4,948	1,657	69,589
Bank charges	1,336		33,554		34,890	3,619	13,434	51,943
Repairs and maintenance	17,177	13,791	57,978	1,115	90,061	2,230	1,895	94,186
Marketing	3,475	200	15,062	3,199	21,936		22,066	44,002
Communications	29,155	11,838	2,277	1,728	44,998	1,596	2,398	48,992
Printing and postage	1,678	1,276	208	5	3,167	117	21,172	24,456
Professional development	1,434	2,121	796	549	4,900	1,040	1,169	7,109
Other	5,717	2,862	11,116	14,214	33,909	2,542	2,977	39,428
Total expenses	<u>\$ 2,242,641</u>	<u>\$ 2,162,462</u>	<u>\$ 1,272,837</u>	<u>\$ 344,461</u>	<u>\$ 6,022,401</u>	<u>\$ 487,351</u>	<u>\$ 719,318</u>	7,229,070
Direct donor benefits provided								47,340
Cost of donated goods sold								<u>1,901,416</u>
Total								<u>\$ 9,177,826</u>

See accompanying notes to financial statements.

Memorial Assistance Ministries

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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 the 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 2023, MAM supported 18,474 clients from 15,146 families, impacting 28,387 lives in the following focus areas:

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.

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.

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.

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.

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

Resale store inventory is carried at the lower of cost or net realizable value. Donated resale store goods are valued at estimated fair value at the date of gift.

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.

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.

Resale store sales and program fees 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.

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.

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>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 4,095,381	\$ 3,062,170
Other receivables	10,897	10,073
Contributions receivable, net	5,661,658	488,642
Investments	<u>2,307,589</u>	<u>1,174,194</u>
Total financial assets	12,075,525	4,735,079
Less financial assets not available for general expenditure:		
Cash, investments and contributions receivable restricted for capital projects	(7,114,553)	
Board-designated endowment	<u>(1,322,114)</u>	<u>(1,174,194)</u>
Total financial assets available for general expenditure	<u>\$ 3,638,858</u>	<u>\$ 3,560,885</u>

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

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 444,350	\$ 2,513,389
Money market mutual funds	2,547,360	
U. S. Treasury notes	<u>1,103,671</u>	<u>548,781</u>
Total cash and cash equivalents	<u>\$ 4,095,381</u>	<u>\$ 3,062,170</u>

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

During 2023, MAM began the quiet phase of a new capital campaign with a goal of \$17.3 million for a campus expansion.

Contributions receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Total contributions receivable	\$ 5,946,806	\$ 493,642
Discount to net present value at 3.84%	(280,148)	
Allowance for uncollectible receivables	<u>(5,000)</u>	<u>(5,000)</u>
Contributions receivable, net	5,661,658	488,642
Contributions receivable restricted for capital projects, net	<u>(4,760,547)</u>	<u> </u>
Operating contributions receivable, net	<u>\$ 901,111</u>	<u>\$ 488,642</u>

Contributions receivable at December 31, 2023 are expected to be collected as follows:

Receivable in less than one year	\$ 906,111
Receivable in one to five years	<u>5,040,695</u>
Total contributions receivable	<u>\$ 5,946,806</u>

Five donors represent 51% of contributions receivable at December 31, 2023 and two donors represent 74% of contributions receivable at December 31, 2022.

Conditional contributions – At December 31, 2023, MAM had received conditional contributions from United Way of Greater Houston of approximately \$779,000 that had not been recognized because they are contingent upon performance by MAM and available resources of the donor.

NOTE 6 – 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, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
U. S. Treasury bills and notes		\$ 985,475		\$ 985,475
Mutual funds:				
Strategic income	\$ 449,586			449,586
Large-cap value	134,024			134,024
Global infrastructure and real estate	127,824			127,824
International growth	83,372			83,372
Money market	71,087			71,087
Exchange-traded funds:				
Equity growth	137,336			137,336
Strategic income	132,968			132,968
International blend	80,625			80,625
Large-cap blend	67,823			67,823
Commodities	<u>37,469</u>			<u>37,469</u>
Total assets measured at fair value	<u>\$ 1,322,114</u>	<u>\$ 985,475</u>	<u>\$ 0</u>	<u>\$ 2,307,589</u>

Assets measured at fair value at December 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Mutual funds:				
Strategic income	\$ 438,620			\$ 438,620
Large-cap value	118,880			118,880
Global infrastructure and real estate	118,209			118,209
International growth	74,607			74,607
Money market	20,686			20,686
Exchange-traded funds:				
Equity growth	110,976			110,976
Strategic income	120,606			120,606
International blend	76,996			76,996
Large-cap blend	57,632			57,632
Commodities	<u>36,982</u>			<u>36,982</u>
Total assets measured at fair value	<u>\$ 1,174,194</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,174,194</u>

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

- *U. S. Treasury bills and notes* are valued using prices obtained from active inter-dealer brokers in conjunction with independent quotation bureaus that use computerized valuation formulas to calculate fair values.
- *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 7 – PROPERTY

Property consists of the following:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 1,642,878	\$ 1,642,878
Buildings	6,365,555	6,365,555
Equipment, furniture, and fixtures	975,948	865,391
Leasehold improvements	163,525	
Construction in progress	<u>10,800</u>	<u>163,525</u>
Total property, at cost	9,158,706	9,037,349
Accumulated depreciation	<u>(3,403,751)</u>	<u>(3,076,359)</u>
Property, net	<u>\$ 5,754,955</u>	<u>\$ 5,960,990</u>

NOTE 8 – OPERATING LEASES

Operating lease right-of-use assets and lease liabilities include a real estate lease for office space in Houston, a real estate lease for retail space in Houston, and a lease for copier equipment. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

MAM has adopted the following accounting policy elections:

- *Short-term leases* – MAM elected to not recognize right-of-use assets and liabilities for leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – MAM elected to use a risk-free discount rate when the rate implicit in a lease is not readily determinable.

Operating lease costs for the years ended December 31, 2023 and 2022 were \$135,788 and \$131,195. Cash paid for amounts included in the measurement of lease liabilities during the years ended December 31, 2023 and 2022 was \$151,677 and \$128,780.

The weighted-average term and discount rate for the operating leases outstanding are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term	27 months	13 months
Risk-free discount rate	2%	2%

Undiscounted cash flows related to operating lease liabilities as of December 31, 2023 are as follows:

2024	\$ 123,977
2025	<u>113,586</u>
Total undiscounted cash flows	237,563
Less present value discount	<u>(4,379)</u>
Total present value of lease liabilities	<u>\$ 233,184</u>

NOTE 9 – BOARD-DESIGNATED ENDOWMENT

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

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

	WITHOUT DONOR RESTRICTIONS
Endowment net assets, December 31, 2021	\$ 1,412,550
Net investment return	<u>(238,356)</u>
Endowment net assets, December 31, 2022	1,174,194
Net investment return	<u>147,920</u>
Endowment net assets, December 31, 2023	<u>\$ 1,322,114</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 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 7,125,353	
Employment services	608,610	\$ 226,592
Young adult employment program	400,257	504,528
Benefit application assistance	270,000	88,500
Financial coaching	226,623	300,000
Direct assistance	190,221	157,154
Economic empowerment	135,676	102,201
Mental health counseling	114,257	16,235
Literacy Advance programs		35,000
Other	<u>28,609</u>	<u>15,488</u>
Total net assets with donor restrictions	<u>\$ 9,099,606</u>	<u>\$ 1,445,698</u>

NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS

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 as determined from recent sales. Resale Store contributed nonfinancial assets are reported as inventory when received and cost of donated goods sold when sold. MAM also receives items for use in its programs which are recognized at their estimated fair value at the date of receipt based on current rates for similar items in the market and reported as program expenses when distributed. Contributed nonfinancial assets recognized during 2023 and 2022 were not restricted by donors.

Contributed nonfinancial assets were recognized as follows:

	<u>2023</u>	<u>2022</u>
Resale Store donated inventory	\$ 2,036,534	\$ 1,884,783
Other program services:		
Clothing, hygiene and other items	125,243	78,591
Christmas Share program supplies	36,932	48,985
Other	<u>4,499</u>	<u>3,997</u>
Total contributed nonfinancial assets	<u>\$ 2,203,208</u>	<u>\$ 2,016,356</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 41,000 in 2023 and 40,000 in 2022. The Independent Sector and Bureau of Labor Statistics estimated the value of one hour of volunteer service in the United States at \$31.80 in 2023 and \$29.95 in 2022. Using these rates, the estimated value of volunteer services not recognized in these financial statements is approximately \$1,303,800 for 2023 and \$1,198,000 for 2022.

NOTE 12 – CONTRIBUTED NONFINANCIAL ASSETS 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 fair value of these contributions is based on the estimated fair market value for rental of comparable properties. The estimated value of the facilities provided by MAM was \$16,182 in both 2023 and 2022.

NOTE 13 – 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 \$67,233 in 2023 and \$67,965 in 2022.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 2, 2024, 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.
