

MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

SAN ANTONIO METROPOLITAN MINISTRY, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND FEDERAL AWARDS REPORTS

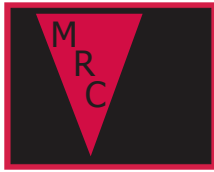
September 30, 2016

San Antonio Metropolitan Ministry, Inc.

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CONSOLIDATED AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SAMMinistries
San Antonio, TX

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of San Antonio Metropolitan Ministry, Inc. (a nonprofit organization) (SAMMinistries) and affiliate, which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U. S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SAMMinistries and its affiliate as of September 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior-Year Summarized Comparative Information

The prior year summary consolidated financial statements of SAMMinistries as of September 30, 2015 and for the year then ended were derived from SAMMinistries consolidated financial statements that were audited by other auditors whose report dated February 1, 2016 expressed an unmodified opinion on those consolidated financial statements.

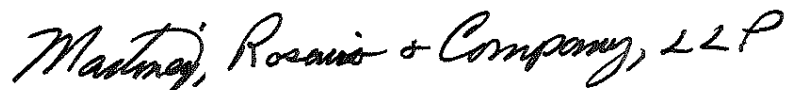
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of San Antonio Metropolitan Ministry, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Antonio Metropolitan Ministry, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Martinez, Rosario & Company, LLP". The signature is written in a cursive, flowing style.

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

January 13, 2017

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of September 30, 2016
With Summarized Financial Information as of September 30, 2015

	<u>SAMMinistries</u>	<u>Furniture For A Cause</u>	<u>2016 Total</u>	<u>2015 Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 585,483	\$ 30,822	\$ 616,305	\$ 655,412
Accounts Receivable, Net	138,297	2,580	140,877	480,038
Pledges Receivable, Current Portion, Net:				
Due from related parties	-	-	-	66,070
Due from others	421,612	-	421,612	702,345
Inventory	-	192,047	192,047	215,736
Prepaid Expenses	<u>103,923</u>	<u>810</u>	<u>104,733</u>	<u>69,252</u>
Total Current Assets	1,249,315	226,259	1,475,574	2,188,853
Other Assets:				
Pledges Receivable, Net of Current Portion:				
Due from related parties	-	-	-	-
Due from others	97,924	-	97,924	-
Investments	2,471,621	-	2,471,621	2,966,331
Deposits and Other Assets	19,533	-	19,533	19,533
Real Estate with Grantor Life Estate	<u>154,000</u>	<u>-</u>	<u>154,000</u>	<u>116,010</u>
Total Other Assets	2,743,078	-	2,743,078	3,101,874
Fixed Assets, Net of Accumulated Depreciation	<u>4,184,300</u>	<u>32,885</u>	<u>4,217,185</u>	<u>3,784,548</u>
TOTAL ASSETS	<u>\$ 8,176,693</u>	<u>\$ 259,144</u>	<u>\$ 8,435,837</u>	<u>\$ 9,075,275</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 650,899	\$ 83,212	\$ 734,111	\$ 550,903
Unearned Advances	184,450	-	184,450	-
Note Payable	<u>55,000</u>	<u>78,744</u>	<u>133,744</u>	<u>42,893</u>
TOTAL LIABILITIES	890,349	161,956	1,052,305	593,796
NET ASSETS				
Unrestricted	3,400,676	97,188	3,497,864	4,541,670
Temporarily Restricted	1,438,706	-	1,438,706	1,492,847
Permanently Restricted	<u>2,446,962</u>	<u>-</u>	<u>2,446,962</u>	<u>2,446,962</u>
TOTAL NET ASSETS	<u>7,286,344</u>	<u>97,188</u>	<u>7,383,532</u>	<u>8,481,479</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,176,693</u>	<u>\$ 259,144</u>	<u>\$ 8,435,837</u>	<u>\$ 9,075,275</u>

The notes to the consolidated financial statements are an integral part of these financial statements.

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016
With Summarized Financial Information For the Year Ended of September 30, 2015

	SAMMinistries				Furniture For A Cause			2015 Comparative Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Eliminations	2016 Totals	
PUBLIC SUPPORT AND REVENUE								
Public Support:								
Governmental	\$ 3,197,359	\$ -	\$ -	\$ 3,197,359	\$ -	\$ -	\$ 3,197,359	\$ 3,233,984
Contributions	2,345,717	825,000	-	3,170,717	-	-	3,170,717	2,972,489
Other Grants	803,631	509,603	-	1,313,234	-	-	1,313,234	2,231,647
TOTAL PUBLIC SUPPORT	6,346,707	1,334,603	-	7,681,310	-	-	7,681,310	8,438,120
Revenue:								
Furniture Sales of Donated Goods, Net of Direct Costs	-	-	-	-	(43,610)	-	(43,610)	27,022
Furniture Sales of Purchased Goods, Net of Direct Costs	-	-	-	-	(444,346)	-	(444,346)	(430,396)
Special Events, Net of Expense of \$8,767	55,139	-	-	55,139	-	-	55,139	111,628
Rentals	49,160	-	-	49,160	110,938	(110,938)	49,160	53,966
Realized (Loss) of Sales of Equipment	-	-	-	-	-	-	-	(2,600)
Unrealized Gain (Loss) on Investments	35,706	48,630	-	84,336	-	-	84,336	(154,132)
Realized Gain (Loss) on Investments	(4,985)	70,886	-	65,901	-	-	65,901	57,241
Interest and Dividends	25,677	40,467	-	66,144	-	-	66,144	66,041
In-Kind Contributions	1,634,842	-	-	1,634,842	-	-	1,634,842	1,755,223
Other Income	21,151	-	-	21,151	3,390	-	24,541	29,220
TOTAL REVENUE	1,816,690	159,983	-	1,976,673	(373,628)	(110,938)	1,492,107	1,513,213
TOTAL PUBLIC SUPPORT AND REVENUE	8,163,397	1,494,586	-	9,657,983	(373,628)	(110,938)	9,173,417	9,951,333
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfaction of Program Restrictions	1,548,727	(1,548,727)	-	-	-	-	-	-
TOTAL CONTRIBUTED SUPPORT AND EARNED REVENUE	9,712,124	(54,141)	-	9,657,983	(373,628)	(110,938)	9,173,417	9,951,333
EXPENSES								
Program Services	9,079,177	-	-	9,079,177	-	(92,080)	8,987,097	8,073,019
Management and General	394,519	-	-	394,519	-	(7,767)	386,752	377,229
Fundraising	908,606	-	-	908,606	-	(11,091)	897,515	1,332,983
TOTAL EXPENSES	10,382,302	-	-	10,382,302	-	(110,938)	10,271,364	9,783,231
Change in Net Assets	(670,178)	(54,141)	-	(724,319)	(373,628)	-	(1,097,947)	168,102
NET ASSETS AT BEGINNING OF YEAR	4,353,816	1,492,847	2,446,962	8,293,625	187,854	-	8,481,479	8,313,377
TRANSFERS OF NET ASSETS	(282,962)	-	-	(282,962)	282,962	-	-	-
NET ASSETS AT END OF YEAR	\$ 3,400,676	\$ 1,438,706	\$ 2,446,962	\$ 7,286,344	\$ 97,188	\$ -	\$ 7,383,532	\$ 8,481,479

The notes to the consolidated financial statements are an integral part of these financial statements.

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2016
With Summarized Financial Information For the Year Ended of September 30, 2015

	Program Services	Management and General	Fundraising	2016 Total	Comparative 2015 Total
Salaries, Taxes and Benefits	\$ 2,677,770	\$ 219,810	\$ 528,757	\$ 3,426,337	\$ 3,306,358
Advertising and Promotion	497	180	97,566	98,243	103,324
Bad Debt Expense	25,576	189	57	25,822	12,779
Client Services	3,133,410	-	-	3,133,410	2,673,600
Client Services, Pass Through	1,534,076	93,537	1,484	1,629,097	1,755,223
Small Equipment and Leases	109,596	6,087	23,279	138,962	125,168
Contract and Professional	96,609	8,855	25,415	130,879	133,726
Insurance	27,269	1,621	-	28,890	34,247
Maintenance and Repair	145,326	106	-	145,432	151,670
Travel	49,318	1,118	4,503	54,939	33,580
Utilities and Communications	281,150	3,445	10,054	294,649	348,111
Printing and Postage	44,309	1,016	50,263	95,588	57,523
Direct Mail	327,546	-	98,264	425,810	417,015
Rent	28,130	4,124	20,622	52,876	47,506
Resources	32,216	1,985	4,414	38,615	49,320
Security	95,743	-	-	95,743	96,763
Vehicle	21,652	697	20	22,369	26,383
Miscellaneous	74,936	7,077	27,987	110,000	85,026
Investment Fees	-	24,723	-	24,723	13,160
TOTAL EXPENSES BEFORE DEPRECIATION	8,705,129	374,570	892,685	9,972,384	9,470,482
Depreciation	281,968	12,182	4,830	298,980	312,749
TOTAL EXPENSES	\$ 8,987,097	\$ 386,752	\$ 897,515	\$ 10,271,364	\$ 9,783,231

The notes to the consolidated financial statements are an integral part of these financial statements.

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2016
With Summarized Financial Information For the Year Ended of September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,097,947)	\$ 168,102
Adjustment to Reconcile Change in Net Assets to Net Cash Used For Operating Activities:		
Present Value Discount on Pledges Receivable	2,075	-
Unrealized (Gain) Loss on Investments	(84,336)	160,037
Realized (Gain) on Investments	(65,901)	(85,319)
Realized Loss on Sale of Equipment	-	2,600
Depreciation	325,393	327,517
(Increase)/Decrease in:		
Accounts Receivable	339,161	(205,202)
Pledges Receivable	248,879	118,735
Inventory	23,689	26,216
Other Assets	-	(3,580)
Prepaid Expenses	(35,481)	(2,242)
Increase/(Decrease) in:		
Accounts Payable and Accrued Expenses	183,208	(51,779)
Unearned Advances	184,450	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>23,190</u>	<u>455,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,459,219	1,252,707
Purchases of Investments	(854,337)	(1,516,769)
Proceeds from Sale of Equipment	-	700
Purchases of Property and Equipment	<u>(758,030)</u>	<u>(112,656)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(153,148)</u>	<u>(376,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on Promissory Note Payable, Net	<u>90,851</u>	<u>(9,148)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>90,851</u>	<u>(9,148)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39,107)	69,919
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>655,412</u>	<u>585,493</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 616,305</u>	<u>\$ 655,412</u>
Supplemental Data:		
Interest Paid	<u>\$ 1,440</u>	<u>\$ 2,067</u>

The notes to the consolidated financial statements are an integral part of these financial statements.

SAN ANTONIO METROPOLITAN MINISTRY, INC.

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SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE A: ORGANIZATION

San Antonio Metropolitan Ministry, Inc., SAMMinistries is an interfaith ministry, the mission of which is to help the homeless, and those at risk of becoming homeless, to attain self-sufficiency by offering, with dignity and compassion, shelter, housing, and services. SAMMinistries' purpose also includes helping impoverished and homeless people progress from crisis to self-sufficiency through a "Continuum of Care" model to break the cycle of homelessness.

The specific programs and services provided by SAMMinistries include the following:

Emergency Services: SAMMinistries administers rapid re-housing and homeless prevention services, including rent and utility assistance on-site at the Haven for Hope campus.

Prevention Services: SAMMinistries provides homeless prevention services to Bexar and surrounding counties. By providing financial assistance and case management services to individuals and families at risk of immediate homelessness, SAMMinistries served and prevented almost 3,657 individuals from becoming homeless this fiscal year. With a combination of private and public funding, SAMMinistries has become the largest provider and community leader in the area of homeless prevention services.

Transitional Services: SAMMinistries, at the Transitional Living and Learning Center, as well as 25 home sites throughout San Antonio, provided residential services, comprehensive case management, life skills training, and job skills/education training for 99 families (348 individuals) this fiscal year.

Permanent Supportive Housing Program (SHP): SHP is an innovative program whose goal is to provide a supportive environment for homeless families while helping them attain the highest level of self-sufficiency. To meet eligibility requirements, the family must be homeless and come from places not meant for human habitation, such as cars, parks, sidewalks and abandoned buildings; an emergency shelter; or a transitional housing program for homeless persons that originally came from the streets or emergency shelter. In addition, only homeless families with one of its members having a qualifying disability are eligible for the SHP program. SAMMinistries housed 91 households made up of 306 formerly homeless individuals this fiscal year.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE A: ORGANIZATION – Continued

Permanent Housing (Affordable): SAMMinistries has a Homeless Set-A-Side Voucher Program where it manages 100 Housing Vouchers in partnership with the San Antonio Housing Authority (SAHA). SAMMinistries provides case management services to homeless families in need of affordable housing opportunities in the private rental market.

These programs serve families and individuals working to attain self-sufficiency through employment and/or job training and education.

SAMMinistries Social Enterprises, Inc., Furniture For A Cause (FFAC) is a 100% owned subsidiary. FFAC operates a retail outlet on Blanco Road for new and gently used furniture and accessories and serves as a training area for our clients in our employment services program. Net proceeds are used to support the programs and operations of SAMMinistries.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Transactions between SAMMinistries and FFAC have been eliminated in consolidation. Net assets, support and revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. Assets restricted solely through actions of the Board are reported as unrestricted net assets.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations, that are more restrictive than the Organization's mission and purpose, and that will be met by actions of SAMMinistries and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that the assets be maintained permanently by SAMMinistries. Generally, the donors of these assets permit the use of all or part of the income earned for general and administrative purposes.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior Year Summarized Financial Information: The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with SAMMinistries' audited financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Revenue Recognition: Gifts of cash and other assets are recorded as revenue when received or unconditionally pledged. They are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Non-cash gifts are recorded at fair value on the date of the gift. Donations received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support in the same reporting year.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Grants from Government Agencies: Grants from governmental agencies are earned and recorded as revenue when qualifying expenses that meet grant requirements are incurred. Amounts received but not yet earned on continuing contracts, are recorded as unearned advances; amounts payable to the grantor as a result of unexpended funds on hand at program completion are recorded as accounts payable; expenditures incurred in excess of receipts are reported as grants or accounts receivable.

Functional Allocation of Expenses: The costs of providing the services and other activities of SAMMinistries have been summarized on a functional basis as a supplemental schedule to the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Special Events: Costs associated with special events are netted against the related revenue.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents: Cash and cash equivalents consist of cash-on-hand, and deposits held by financial institutions with maturities of three months or less.

Accounts Receivable: Accounts receivable is reported at outstanding principal, net of an allowance for doubtful accounts of \$0 and \$0 at September 30, 2016 and 2015, respectively. The allowance is generally determined based on an account-by-account review and historical trends. Accounts are charged off when collection efforts have failed and the account is deemed uncollectible. Interest is generally not charged on the receivables.

Pledges Receivable: Pledges receivable are recorded at outstanding principal, net of an allowance for doubtful accounts and discount to present value, if considered necessary for long-term pledges. Discounts to present value are amortized and reported in contribution revenue. An allowance for uncollectible pledges of \$0 and \$11,424 was required at September 30, 2016 and 2015, respectively.

Inventory: Inventory consists of furniture and accessories donated to FFAC as well as purchased inventory.

For donated items, inventory is stated at cost using the FIFO method, or estimated wholesale fair value at date of donation. Purchased inventory is stated at the lower of cost (FIFO method) or market.

Investments: Investments in equity securities with readily determinable fair value, and all debt securities, are reported at their fair value. Gains and losses (realized and unrealized) are included in the changes in net assets in the accompanying consolidated statement of activities. All securities are classified as non-current on the accompanying consolidated statement of financial position. Investments are held by Morgan Stanley and Fidelity Investments and are monitored by the Finance Committee of SAM Ministries.

Property and Equipment: All acquisitions of property and equipment in excess of \$1,000, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets, are capitalized. Property and equipment is valued at historical cost or estimated fair value at date of donation. Expenditures for improvements that materially extend the useful life of an asset are capitalized.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally three to ten years for furniture, equipment and vehicles and 15 to 30 years for buildings and improvements) or the remaining term of the lease (see Note E).

Donated Services: Donated services (excluding professional and similar type services) generally are not valued or recorded in these financial statements because they do not meet the accounting requirements of GAAP. However, a substantial number of volunteers donate significant amounts of time to SAMMinistries' programs. Volunteer hours are estimated at 17,314 in 2016 and 15,900 hours in 2015. Professional services, advertising and other services that can be measured and meet certain other requirements are recorded in the financial statements as in-kind contributions and expenses of a similar amount.

Income Taxes: SAMMinistries and FFAC are not-for-profit organizations exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and are not "private foundations" within the meaning of Section 509(a). Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Organizations are not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns for the last five years remain subject to examination by the Internal Revenue Service.

SAMMinistries is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. SAMMinistries has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Advertising: Advertising costs are expensed as incurred and totaled approximately \$142,390 in 2016 and \$145,000 in 2015.

Joint Costs: Special event expenses totaled \$8,767 in 2016 and \$50,301 in 2015 and are considered joint costs. Special event expenses are netted against special event revenue as allowed under U.S. generally accepted accounting principles.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Retirement Plan: SAMMinistries provides a 401(k) plan (the Plan) for its fulltime staff members. To be eligible to participate, each employee must be employed for at least one year and have worked 1,000 hours or more in the Plan year. Employees may elect to contribute up to \$17,500, plus \$5,500 for participants aged 50 and over, of their compensation to the Plan. SAMMinistries provided matching and discretionary contributions of \$68,127 in 2016 and \$111,761 in 2015 for SAMMinistries, and \$20,992 in 2016 and \$16,754 in 2015 for FFAC.

Concentrations of Credit Risk: Financial instruments that potentially subject SAMMinistries to concentrations of credit risk consist principally of cash, investments, and pledges receivable. SAMMinistries maintains cash deposits with major banks which, from time to time, may exceed federally insured limits. SAMMinistries periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal. Concentration of credit risk with respect to its investments is reduced as a result of the diversity of the underlying securities. SAMMinistries also has concentrations of credit risk with respect to pledges receivable due to it soliciting primarily in the South Texas area.

Commitments and Contingencies: SAMMinistries participates in several state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that SAMMinistries has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. Management does not believe there are any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these consolidated financial statements.

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C: PLEDGES RECEIVABLE

Pledges receivable are as follows at September 30:

	<u>2016</u>	<u>2015</u>
Pledges receivable in less than one year	\$ 421,612	\$ 785,532
Pledges receivable in one to five years	<u>100,000</u>	<u>-</u>
Total Pledges Receivable	521,612	785,532
Less: Allowance for uncollectible pledges	-	(11,424)
Less: Present value discount	<u>(2,076)</u>	<u>(5,693)</u>
Pledges Receivable, Net	<u>\$ 519,536</u>	<u>\$ 768,415</u>

NOTE D: REAL ESTATE WITH GRANTOR LIFE ESTATE

During 2007, an individual established a retained life estate gift for the benefit of SAMMinistries. Under the terms of the split-interest agreement, the donor has donated her home, while retaining the right to live in it for the rest of her life. After the donor's death, SAMMinistries may use the house in its operations, or rent or sell the property. The portion of the gift measured as the present value of the future benefit to be received by SAMMinistries was recorded in the statement of activities as a temporarily restricted contribution in the period the gift was made.

Subsequent changes to that estimated value are also recorded as temporarily restricted gains or losses. The change in the valuation resulted in a \$27,402 and \$4,098 gain in 2016 and 2015, respectively. The asset is recorded at its fair value of \$154,000 and \$116,010 at September 30, 2016 and 2015, as real estate with grantor-retained life estate in the consolidated statement of financial position. The asset is recorded at net of a liability of \$50,079 and \$39,491 in 2016 and 2015, respectively, to make required tax distributions to the donor, which is calculated utilizing actuarial assumptions that take into account the donor's life expectancy and a discount rate of 5.6%.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE E: PROPERTY AND EQUIPMENT

	<u>SAMMinistries</u>	<u>FFAC</u>	<u>Total</u>
September 30, 2016			
Land	\$ 631,863	\$ -	\$ 631,863
Buildings and Improvements	5,258,511	-	5,258,511
Transitional Housing	1,081,726	-	1,081,726
Leasehold Improvements	286,739	446,761	733,500
Furniture, Equipment, and Software	2,207,146	50,058	2,257,204
Vehicles	134,024	79,375	213,399
Total Property and Equipment	9,600,009	576,194	10,176,203
Less: Accumulated Depreciation	(5,415,709)	(543,309)	(5,959,018)
Property and Equipment, Net	\$ <u>4,184,300</u>	\$ <u>32,885</u>	\$ <u>4,217,185</u>
September 30, 2015			
Land	\$ 631,863	\$ -	\$ 631,863
Buildings and Improvements	4,810,319	-	4,810,319
Transitional Housing	1,076,026	-	1,076,026
Leasehold Improvements	274,345	446,761	721,106
Furniture, Equipment, and Software	1,916,517	48,943	1,965,460
Vehicles	134,024	79,375	213,399
Total Property and Equipment	8,843,094	575,079	9,418,173
Less: Accumulated Depreciation	(5,116,728)	(516,897)	(5,633,625)
Property and Equipment, Net	\$ <u>3,726,366</u>	\$ <u>58,182</u>	\$ <u>3,784,548</u>

NOTE F: LINE OF CREDIT

SAMMinistries and FFAC have a joint line of credit of \$500,000. The line of credit is effective until June 21, 2017, with a 3.50% rate of interest. The outstanding balance was \$133,744 at September 30, 2016 and \$42,893 at September 30, 2015. This line of credit is secured by the bank's right of offset against SAMMinistries' accounts with the bank.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE G: FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, SAMMinistries utilizes a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SAMMinistries has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or liability
- inputs that are derived principally from or corroborated by observable market data by correlation or other means
- if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE G: FAIR VALUE MEASUREMENTS – Continued

The following table sets forth by level, within the fair value hierarchy, SAMMinistries' investment portfolio at fair value:

September 30, 2016	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	\$ 95,836	\$ -	\$ -	\$ 95,836
Certificates of Deposit	200,671	-	-	200,671
Mutual Funds:				
Short-term Bond	51,186	-	-	51,186
Intermediate-term Bond	20,904	-	-	20,904
Diversified Emerging Markets	10,098	-	-	10,098
Multialternative	19,849	-	-	19,849
Bank Loans	48,894	-	-	48,894
Corporate Bonds	-	529,252	-	529,252
Municipal Bonds	-	440,474	-	440,474
Exchange Traded Funds	89,403	-	-	89,403
Equity Securities	954,676	-	-	954,676
REIT	10,378	-	-	10,378
	1,501,895	969,726	-	2,471,621
Real estate with grantor-retained life estate	-	-	154,000	154,000
TOTAL	\$ 1,501,895	\$ 969,726	\$ 154,000	\$ 2,625,621

September 30, 2015	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	\$ 153,466	\$ -	\$ -	\$ 153,466
Certificates of Deposit	400,284	-	-	400,284
Mutual Funds:				
Large Growth	8,563	-	-	8,563
Short-term Bond	50,569	-	-	50,569
Intermediate-term Bond	20,090	-	-	20,090
Large Blend	19,287	-	-	19,287
Corporate Bonds	-	662,118	-	662,118
Exchange Traded Funds	88,927	-	-	88,927
Equity Securities	1,146,476	-	-	1,146,476
U.S. Government Securities	416,551	-	-	416,551
	2,304,213	662,118	-	2,966,331
Real estate with grantor-retained life estate	-	-	116,010	116,010
TOTAL	\$ 2,304,213	\$ 662,118	\$ 116,010	\$ 3,082,341

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE G: FAIR VALUE MEASUREMENTS – Continued

There have been no changes in methodologies used to compute fair value. The following is a description of the valuation methodologies used for various types of assets measured at fair value:

Equity Securities, Corporate Bonds and U. S. Government Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds and Exchange Traded Funds: Valued at the net asset value (NAV).

Real Estate with Grantor-retained Life Estate: Determined by calculating the present value of the future life expectancy of the tenant based on their present age, using published life expectancy tables and a 5.60% discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SAMMinistries believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE G: FAIR VALUE MEASUREMENTS – Continued

The following table sets forth a summary of changes in the fair value of SAMMinistries' Level 3 asset:

		Real Estate with Grantor-Retained Life Estate
		<u> </u>
Balance at October 1, 2014:	\$	112,430
Realized gains/(losses)		-
Unrealized gain/(loss) relating to instruments held at year-end		3,580
Purchases, sales, issuances, and settlements (net)		<u>-</u>
Balance at September 30, 2015:		116,010
Realized gains/(losses)		-
Unrealized gain/(loss) relating to instruments held at year-end		37,990
Purchases, sales, issuances, and settlements (net)		<u>-</u>
Balance at September 30, 2016:	\$	<u><u>154,000</u></u>

NOTE H: CONTRIBUTIONS AND DONATED MATERIALS AND SERVICES

Contributions of cash by major category are as follows for the years ended September 30:

	2016	2015
	<u> </u>	<u> </u>
Member congregation donations	\$ 105,105	\$ 110,693
Business Donations	246,721	335,137
Individual Donations	2,601,527	2,136,301
Bequests	7,850	54,001
United Way	<u>209,514</u>	<u>336,357</u>
Total	<u><u>\$ 3,170,717</u></u>	<u><u>\$ 2,972,489</u></u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE H: CONTRIBUTIONS AND DONATED MATERIALS AND SERVICES – Continued

In-kind contributions of materials and service consist of the following for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Clothing, blankets, food, etc.	\$ 949,915	\$ 940,937
Professional services	1,008	326,888
Housing and utility assistance	546,221	487,398
Other	<u>137,698</u>	<u>-</u>
Total	\$ <u>1,634,842</u>	\$ <u>1,755,223</u>

NOTE I: GOVERNMENT GRANTS

SAMMinistries receives federal funding under the City of San Antonio, the U.S. Department of Housing and Urban Development (HUD), and the Texas Department of Housing and Community Affairs, for reimbursement of operating expenses. SAMMinistries also receives other grants to provide funding for its programs from several corporations and foundations. Government grants consisted of the following for the years ended September 30:

	<u>2016</u>	<u>2015</u>
U.S. Department of Housing and Urban Development (HUD):		
Direct Funding	\$ 2,222,309	\$ 2,094,125
Passed Through:		
City of San Antonio (Emergency Solutions Grant Program)	431,036	431,036
Texas Department of Housing and Community Affairs (Emergency Solutions Grant Program)	425,037	447,296
U.S. Department of Homeland Security (UHS):		
Emergency Food and Shelter Program (Phase 32)	-	30,845
Emergency Food and Shelter Program (Return of Phase 31)	-	(10,925)
Emergency Food and Shelter Program (Phase 33)	15,000	-
Texas Veterans Commission (Series XV-A General Assistance)	79,250	219,812
Bexar County (Childcare Center - General Funds)	<u>24,727</u>	<u>21,795</u>
Total	\$ <u>3,197,359</u>	\$ <u>3,233,984</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE J: FURNITURE SALES

Through its subsidiary, FFAC, SAMMinistries sells donated and purchased furniture to the general public. Results of operations of FFAC, which are included in the accompanying consolidated statement of activities, are summarized below:

	<u>Donated</u>	<u>Purchased</u>	<u>2016 Total</u>	<u>2015 Total</u>
Sales	\$ 421,598	\$ 692,897	\$ 1,114,495	\$ 1,309,938
In-kind donations	<u>489,229</u>	<u>-</u>	<u>489,229</u>	<u>582,237</u>
Total	910,827	692,897	1,603,724	1,892,175
Less:				
Cost of goods sold	-	384,579	384,579	456,697
Value of donated inventory sales	<u>496,447</u>	<u>-</u>	<u>496,447</u>	<u>572,422</u>
Total	<u>496,447</u>	<u>384,579</u>	<u>881,026</u>	<u>1,029,119</u>
Gross Profit	414,380	308,318	722,698	863,056
Salaries, taxes, and benefits	230,830	379,346	610,176	651,393
Advertising and promotion	16,701	27,447	44,148	49,118
Small equipment and leases	7,525	12,366	19,891	19,115
Contract and professional services	6,806	11,185	17,991	24,028
Insurance	3,634	5,972	9,606	8,000
Interest	560	919	1,479	2,393
Maintenance and repair	7,196	11,827	19,023	16,549
Travel	649	1,066	1,715	2,162
Utilities and communications	33,127	54,442	87,569	88,695
Direct Mail	2,967	4,876	7,843	41,243
Printing and postage	15,931	26,182	42,113	5,968
Rent	102,874	169,064	271,938	263,621
Resources	1,741	2,862	4,603	7,811
Security	1,875	3,081	4,956	6,172
Vehicle	4,875	8,012	12,887	11,826
Miscellaneous	10,707	17,596	28,303	42,963
Depreciation and amortization	<u>9,992</u>	<u>16,421</u>	<u>26,413</u>	<u>25,373</u>
Total direct costs	<u>457,990</u>	<u>752,664</u>	<u>1,210,654</u>	<u>1,266,430</u>
Net Operating Results	<u>\$ (43,610)</u>	<u>\$ (444,346)</u>	<u>\$ (487,956)</u>	<u>\$ (403,374)</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE K: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Children-related Expenditures	\$ 194,081	\$ 164,777
Education, Earnings on Endowment not Expended	97,157	131,935
Education, Other	95,406	107,208
Equipment Purchases	306	306
Senior Homeless Prevention	691,313	1,000,000
Various Programs	46,420	12,102
Time Restricted - Life Estate, Net of Related Liability	103,921	76,519
Private Homeless Prevention	82,149	-
TLLC Building Renovation	127,953	-
Total Temporarily Restricted Net Assets	\$ <u>1,438,706</u>	\$ <u>1,492,847</u>

NOTE L: ENDOWMENTS

SAMMinistries' endowment, included with Investments, consists of three individual funds established for operations and education. This endowment includes donor-restricted endowment contributions. The donor-restricted endowment fund falls under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the State of Texas with an effective date of September 1, 2007. This policy defines SAMMinistries' interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE L: ENDOWMENTS – Continued

Interpretation of Relevant Law: The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SAMMinistries classifies as permanently restricted net assets the original value of gifts to the permanent endowment (the Principal). The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SAMMinistries in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, in all its endowment spending activity, SAMMinistries considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of SAMMinistries and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of SAMMinistries, and
- 7) The investment policies of SAMMinistries

Return Objectives and Risk Parameters: Endowment investments are managed under the direction of the Board of Directors of SAMMinistries. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, SAMMinistries relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SAMMinistries has placed the funds with various investment managers so that the investment dollars are diversified to maximize their investment income.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE L: ENDOWMENTS – Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy: SAMMinistries has a policy of appropriating for distribution each year amounts in excess of the original value of the donations to the permanent endowment.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SAMMinistries to retain as a fund or perpetual duration. There were no deficiencies of this nature for September 30, 2016 or 2015.

	Board - Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at September 30, 2014 \$	-	\$ 187,999	\$ 2,446,962	\$ 2,634,961
Contributions	-	-	-	-
Dividends and interest, net	-	60,128	-	60,128
Net appreciation	-	(93,997)	-	(93,997)
Appropriations	-	-	-	-
Reclassifications	-	(22,195)	-	(22,195)
Endowment at September 30, 2015	-	131,935	2,446,962	2,578,897
Contributions	-	-	-	-
Dividends and interest, net	-	40,467	-	40,467
Net appreciation	-	119,516	-	119,516
Appropriations	-	-	-	-
Reclassifications	-	(194,761)	-	(194,761)
Endowment at September 30, 2016 \$	<u>-</u>	<u>\$ 97,157</u>	<u>\$ 2,446,962</u>	<u>\$ 2,544,119</u>

All endowment funds are donor-restricted at September 30, 2016 and 2015.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE L: ENDOWMENTS – Continued

Net assets are composed of the following:

	Board - Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Septemebr 30, 2016				
Endowment funds	\$ -	\$ 97,157	\$ 2,446,962	\$ 2,544,119
Non-endowment funds	<u>3,400,676</u>	<u>1,341,549</u>	<u>-</u>	<u>4,742,225</u>
Total net assets	<u>\$ 3,400,676</u>	<u>\$ 1,438,706</u>	<u>\$ 2,446,962</u>	<u>\$ 7,286,344</u>
Septemebr 30, 2015				
Endowment funds	\$ -	\$ 131,935	\$ 2,446,962	\$ 2,578,897
Non-endowment funds	<u>4,541,670</u>	<u>1,360,912</u>	<u>-</u>	<u>5,902,582</u>
Total net assets	<u>\$ 4,541,670</u>	<u>\$ 1,492,847</u>	<u>\$ 2,446,962</u>	<u>\$ 8,481,479</u>

NOTE M: OPERATING LEASES

SAMMinistries leases office space at the Haven for Hope facility as well as office space for its administrative operations. Additionally, SAMMinistries leases various pieces of office equipment. Estimates of the minimum payments outlined below under SAMMinistries' leases are based on the present monthly rate.

The minimum payments and duration for these lease agreements are as follows:

<u>Year Ended September 30</u>	<u>Amount:</u>
2017	\$ 113,638
2018	50,580
2019	-
2020	-

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE M: OPERATING LEASES – Continued

FFAC renewed the lease agreement on March 1, 2011 to lease retail space for its furniture store and the administrative offices of SAMMinistries. The term of the lease is seven years. Monthly lease payments of \$10,396 began March 1, 2011, and increase by \$415 per month each anniversary date. Lease payments totaled \$255,445 in 2016 and \$263,622 in 2015.

Future minimum lease payments that are required under the operating lease are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2017	\$ 260,851
2018	109,380
2019	-
2020	-

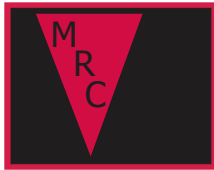
NOTE N: UNRELATED BUSINESS INCOME

FFAC is subject to federal income tax (unrelated business income) on the sale of merchandise purchased to resell in its furniture store. The tax is calculated as a percentage of net income from sales at a statutory 30% rate. Net taxable sales are calculated as gross revenues less cost of goods sold and other allocated costs. No unrelated business income tax was incurred in 2016 or 2015 because net sales of purchased goods resulted in a net loss.

FFAC had taxable losses of \$444,346 and \$430,396 for the years ended September 30, 2016 and 2015, respectively. FFAC has operating loss carryforwards of approximately \$4,800,000 expiring in the year 2026. This amount is available to offset future taxable income until the loss carryforward period expires.

A deferred income tax asset from the loss carryforward is offset by a like amount of allowance, as FFAC conservatively estimates that future income is not assured, in order to utilize the loss carryforward.

FEDERAL AWARDS REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
SAMMinistries
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of San Antonio Metropolitan Ministry, Inc. (a nonprofit organization) (SAMMinistries), which comprise the consolidated statement of financial position as of September 30, 2016 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered SAMMinistries internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAMMinistries' internal control. Accordingly, we do not express an opinion on the effectiveness of SAMMinistries' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

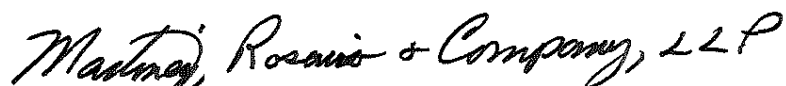
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAMMinistries consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SAMMinistries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SAMMinistries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Martinez, Rosario & Company, LLP". The signature is written in a cursive, flowing style.

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

January 13, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Board of Directors of
SAMMinistries
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited San Antonio Metropolitan Ministry, Inc. (a nonprofit organization) (SAMMinistries) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SAMMinistries major federal programs for the year ended September 30, 2016. SAMMinistries major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SAMMinistries major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SAMMinistries compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SAMMinistries compliance.

Opinion on Each Major Federal Program

In our opinion, SAMMinistries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

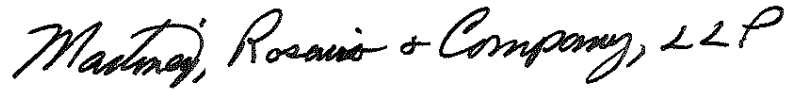
Report on Internal Control Over Compliance

Management of SAMMinistries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SAMMinistries internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SAMMinistries internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Martinez, Rosario & Company, LLP". The script is cursive and fluid.

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

January 13, 2017

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S Department of Housing and Urban Development</u>				
Continuum of Care Program(Woodhill Plus)	14.267	TX0315L6J001302	\$ -	\$ 58,134
Continuum of Care Program(Housing First Woodhill)	14.267	TX0012L6J001407	-	847,004
Continuum of Care Program(Housing First Woodhill)	14.267	TX0012L6J001508	-	187,507
Continuum of Care Program(Transitional Services)	14.267	TX0019L6J001407	-	664,275
Continuum of Care Program(Transitional Services)	14.267	TX0019L6J001508	-	66,314
Continuum of Care Program(Rapid Re-housing)	14.267	TX0358L6J001300	-	39,909
Continuum of Care Program(Rapid Re-housing)	14.267	TX0358L6J001401	-	111,039
Continuum of Care Program(Permanent Supportive Housing)	14.267	TX0279L6J001402	-	171,632
Continuum of Care Program(Permanent Supportive Housing)	14.267	TX0279L6J001503	-	76,495
Total for CFDA 14.267			-	2,222,309
Pass-through programs from:				
City of San Antonio:				
Emergency Solutions Grant Program -	14.231	46000014976	-	431,036
Pass-through programs from:				
Texas Department of Housing and Community Affairs:				
Emergency Solutions Grant Program -SAMMinistries	14.231	42150002313	-	127,988
San Antonio Food Bank			150,000	150,000
Haven For Hope			128,235	128,235
			278,235	406,223
Emergency Solutions Grant Program -SAMMinistries	14.231		-	3,664
San Antonio Food Bank			2,730	2,730
Saint Vincent de Paul			12,420	12,420
			15,150	18,814
Total for CFDA 14.231			293,385	856,073
Total U.S. Department of Housing and Urban Development			293,385	3,078,382
U S Department of Homeland Security	97.024	Phase 33	-	15,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 293,385</u>	<u>\$ 3,093,382</u>

See Notes to Schedule of Expenditures of Federal Awards.

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activity of SAMM under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SAMM, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SAMM.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles of Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

SAMM has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through entity identifying numbers are presented where available.

Revenue Reconciliation - Federal awards programs are reported in the SAMM’s financial statements as follows:

	<u>Amount</u>
Public Support: Governmental Grants	\$ 3,197,359
Less: Non-Federal grants	<u>(103,977)</u>
Total Expenditures of Federal Awards	\$ <u>3,093,382</u>

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Match - SAMM identified non-federal matches for the Emergency Solutions Grants Program #14.231 of \$856,073 for the year ended September 30, 2016.

The Emergency Solutions Grants Program requires SAMM to contribute non-Federal funds (matching funds) to support the Federally-funded programs. SAMM has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE C: SUBRECIPIENTS

Of the federal expenditures presented in the schedule, SAMM provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amounts Provided To Subrecipients
Emergency Solutions Grant Program:	14.231	
San Antonio Food Bank		\$ 152,730
Haven For Hope		128,235
Saint Vincent de Paul		12,420
	TOTAL	\$ 293,385

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

Type of auditors' report:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported

Noncompliance material to financial statements noted?

_____ Yes ✓ No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported

Type of auditors' report issued on compliance for major programs:

Unmodified – Emergency Solutions Grant

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance?

_____ Yes ✓ No

Identification of major federal programs:

Name of Federal Program or Cluster	CFDA Number
Emergency Solutions Grant	14.231

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued
For the Year Ended September 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2016

There were no prior year audit findings.