

MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

SAN ANTONIO METROPOLITAN MINISTRY, INC.

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS
AND
FEDERAL AND STATE AWARDS REPORTS**

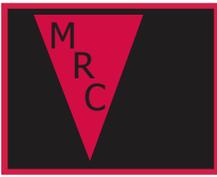
September 30, 2018

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 subsidiary, which comprise the consolidated statement of financial position as of September 30, 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 auditing standards generally accepted in the United States 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 subsidiary as of September 30, 2018, 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 Summarized Comparative Information

We have previously audited the SAMMinistries' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

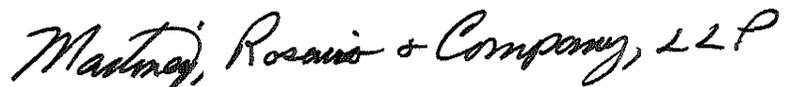
Other Matters

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 and state 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, State of Texas Single Audit Circular* and other grant regulations, 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 March 25, 2019, on our consideration of SAMMinistries' 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 SAMMinistries' 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

March 25, 2019

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of September 30, 2018
With Summarized Financial Information as of September 30, 2017

	<u>SAMMinistries</u>	<u>Furniture For A Cause</u>	<u>2018 Total</u>	<u>2017 Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 461,972	\$ -	\$ 461,972	\$ 437,935
Accounts Receivable, Net	518,755	-	518,755	340,645
Pledges Receivable, Net	324,862	-	324,862	305,309
Inventory	-	-	-	170,678
Prepaid Expenses	110,713	-	110,713	105,211
Total Current Assets	1,416,302	-	1,416,302	1,359,778
Other Assets:				
Investments	2,539,547	-	2,539,547	2,467,735
Security Deposits	13,091	-	13,091	29,533
Real Estate with Grantor Life Estate	170,710	-	170,710	167,680
Total Other Assets	2,723,348	-	2,723,348	2,664,948
Fixed Assets, Net of Accumulated Depreciation	3,561,025	-	3,561,025	3,966,469
TOTAL ASSETS	\$ 7,700,675	\$ -	\$ 7,700,675	\$ 7,991,195
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 554,221	\$ -	\$ 554,221	\$ 686,318
Unearned Advances	27,372	-	27,372	-
Deferred Liability	2,923	-	2,923	-
Line of Credit	625,737	-	625,737	432,928
Total Current Liabilities	1,210,253	-	1,210,253	1,119,246
Deferred Liability	75,517	-	75,517	-
TOTAL LIABILITIES	1,285,770	-	1,285,770	1,119,246
NET ASSETS				
Unrestricted	3,191,049	-	3,191,049	3,182,397
Temporarily Restricted	776,894	-	776,894	1,242,590
Permanently Restricted	2,446,962	-	2,446,962	2,446,962
TOTAL NET ASSETS	6,414,905	-	6,414,905	6,871,949
TOTAL LIABILITIES AND NET ASSETS	\$ 7,700,675	\$ -	\$ 7,700,675	\$ 7,991,195

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, 2018
With Summarized Financial Information For the Year Ended of September 30, 2017

	SAMMinistries			Total	Furniture For A Cause		2018 Totals	2017 Comparative Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		Unrestricted	Eliminations		
PUBLIC SUPPORT AND REVENUE								
Public Support:								
Governmental	\$ 4,154,883	\$ -	\$ -	\$ 4,154,883	\$ -	\$ -	\$ 4,154,883	\$ 4,074,342
Contributions	1,547,398	746,072	15,000	2,308,470	-	-	2,308,470	2,439,536
Other Grants	1,801,940	-	-	1,801,940	-	-	1,801,940	1,963,301
TOTAL PUBLIC SUPPORT	7,504,221	746,072	15,000	8,265,293	-	-	8,265,293	8,477,179
Revenue:								
Furniture Sales of Donated Goods, Net of Direct Costs	-	-	-	-	(360,827)	-	(360,827)	(188,503)
Furniture Sales of Purchased Goods, Net of Direct Costs	-	-	-	-	(158,369)	-	(158,369)	(461,695)
Special Events, Net of expenses of \$104,911	188,247	-	-	188,247	-	-	188,247	45,883
Rentals	-	-	-	-	46,294	(46,294)	-	2,850
Loss on Discontinued Operations	-	-	-	-	(3,427)	-	(3,427)	-
Realized Gains on Sales of Transitional Houses	952,416	-	-	952,416	-	-	952,416	752,067
Unrealized Gains on Investments	-	17,647	-	17,647	-	-	17,647	37,971
Realized Gains on Sales of Investments	-	71,348	-	71,348	-	-	71,348	67,916
Interest and Dividends	-	63,931	-	63,931	-	-	63,931	58,023
In-Kind Contributions	1,774,663	-	-	1,774,663	-	-	1,774,663	1,724,075
Other Income	99,635	-	-	99,635	12,135	-	111,770	239,138
TOTAL REVENUE	3,014,961	152,926	-	3,167,887	(464,194)	(46,294)	2,657,399	2,277,725
TOTAL PUBLIC SUPPORT AND REVENUE	10,519,182	898,998	15,000	11,433,180	(464,194)	(46,294)	10,922,692	10,754,904
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfaction of Program Restrictions	1,379,694	(1,364,694)	(15,000)	-	-	-	-	-
TOTAL CONTRIBUTED SUPPORT AND EARNED REVENUE	11,898,876	(465,696)	-	11,433,180	(464,194)	(46,294)	10,922,692	10,754,904
EXPENSES								
Program Services	9,906,439	-	-	9,906,439	-	(36,322)	9,870,117	9,967,824
Management and General	514,405	-	-	514,405	-	(3,907)	510,498	387,213
Fundraising	1,005,186	-	-	1,005,186	-	(6,065)	999,121	911,450
TOTAL EXPENSES	11,426,030	-	-	11,426,030	-	(46,294)	11,379,736	11,266,487
Change in Net Assets	472,846	(465,696)	-	7,150	(464,194)	-	(457,044)	(511,583)
NET ASSETS AT BEGINNING OF YEAR	3,119,515	1,242,590	2,446,962	6,809,067	62,882	-	6,871,949	7,383,532
TRANSFERS OF NET ASSETS	(401,312)	-	-	(401,312)	401,312	-	-	-
NET ASSETS AT END OF YEAR	\$ 3,191,049	\$ 776,894	\$ 2,446,962	\$ 6,414,905	\$ -	\$ -	\$ 6,414,905	\$ 6,871,949

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, 2018
With Summarized Financial Information For the Year Ended of September 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>Comparative 2017 Total</u>
Salaries, Taxes and Benefits	\$ 2,917,531	\$ 370,680	\$ 534,273	\$ 3,822,484	\$ 3,791,394
Advertising and Promotion	7,657	448	168,993	177,098	155,605
Bad Debt Expense	5,479	-	18,250	23,729	47,588
Client Services	3,447,210	-	-	3,447,210	3,521,022
Client Services, Pass Through	1,749,925	17,717	5,621	1,773,263	1,724,075
Small Equipment and Leases	97,151	17,577	23,026	137,754	143,952
Contract and Professional	139,767	12,144	42,025	193,936	150,762
Insurance	21,311	1,165	-	22,476	28,235
Maintenance and Repair	135,492	373	10	135,875	220,138
Travel	52,441	553	2,792	55,786	46,664
Utilities and Communications	256,593	-	8,147	264,740	269,027
Printing and Postage	27,056	936	30,657	58,649	42,151
Direct Mail	260,343	-	101,362	361,705	440,163
Rent	230,429	24,788	38,473	293,690	56,947
Resources	21,899	1,737	3,201	26,837	32,285
Security	104,052	29	477	104,558	133,891
Vehicle	22,761	1,340	-	24,101	23,775
Interest	30,015	8,986	9,107	48,108	21,906
Investment Fees	-	24,689	-	24,689	22,910
Miscellaneous	30,074	15,575	8,057	53,706	53,235
TOTAL EXPENSES BEFORE DEPRECIATION	9,557,186	498,737	994,471	11,050,394	10,925,725
Depreciation	312,931	11,761	4,650	329,342	340,762
TOTAL EXPENSES	\$ 9,870,117	\$ 510,498	\$ 999,121	\$ 11,379,736	\$ 11,266,487

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, 2018
With Summarized Financial Information For the Year Ended of September 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (457,044)	\$ (511,583)
Adjustment to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Present Value Discount on Pledges Receivable	-	(2,075)
Unrealized Gains on Investments	(17,647)	(37,971)
Realized Gains on Sales of Investments	(71,348)	(67,916)
Realized Gains on Sales of Transitional Houses	(952,416)	(752,067)
Loss on Discontinued Operations	3,426	-
Depreciation	333,661	365,912
(Increase)/Decrease in:		
Accounts Receivable	(178,110)	(199,768)
Pledges Receivable	(19,553)	214,227
Inventory	170,678	21,369
Prepaid Expenses	(5,502)	(478)
Security Deposits	16,442	(10,000)
Increase/(Decrease) in:		
Accounts Payable and Accrued Expenses	(132,107)	(47,793)
Unearned Advances	27,372	(184,450)
Deferred Liability	78,440	-
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,203,708)</u>	<u>(1,212,593)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,173,424	755,615
Purchases of Investments	(1,159,271)	(711,105)
Proceeds from Sale of Transitional Houses	1,121,267	910,880
Purchases of Property and Equipment	(100,484)	(220,351)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,034,936</u>	<u>735,039</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	571,059	399,184
Repayments on Line of Credit	(378,250)	(100,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>192,809</u>	<u>299,184</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,037	(178,370)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>437,935</u>	<u>616,305</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 461,972</u>	<u>\$ 437,935</u>
Supplemental Data:		
Interest Paid	<u>\$ 48,108</u>	<u>\$ 31,816</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, 2018**

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 802 households and prevented almost 1,979 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.

Rapid ReHousing (RRH) Services: RRH targets homeless families and individuals and assists them in rapidly obtaining permanent housing. Credit/criminal history, lack of income/employment, disabilities, or substance use does not limit participation. Housed families are offered individualized case management services to assist them in integrating in their neighborhood, accessing needed mental/physical health services and securing income/benefits for which they are eligible. All participants have access to educational assistance provided by SAMMinistries, including financial assistance with educational and vocational programs and/or college scholarships. SAMMinistries housed 257 households made up of 705 formerly homeless individuals this fiscal year.

Transitional Services: SAMMinistries, at the Transitional Living and Learning Center, provided residential services, comprehensive case management, life skills training, and job skills/education training for 64 families (223 individuals) this fiscal year.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE A: ORGANIZATION – Continued

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 129 households made up of 363 formerly homeless individuals this fiscal year.

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. SAMMinistries served 107 households made up of 404 individuals during this fiscal year.

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.

On February 28, 2018, FFAC ceased operations. All assets related to its operations were disposed and all liabilities were assumed by SAMMinistries. The discontinued operations resulted in a loss of \$3,427.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

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, 2017, 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.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2018 and 2017, 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.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 \$0 was required at September 30, 2018 and 2017, 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 SAMMinistries.

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.

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).

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 14,355 in 2018 and 15,961 hours in 2017. 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 \$194,139 in 2018 and \$193,272 in 2017.

Joint Costs: Special event expenses totaled \$104,911 in 2018 and \$10,148 in 2017 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, 2018

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 \$18,500, plus \$5,500 for participants aged 50 and over, of their compensation to the Plan. SAMMinistries provided matching and discretionary contributions of \$111,363 in 2018 and \$103,041 in 2017 for SAMMinistries, and \$0 in 2018 and \$9,158 in 2017 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.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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>2018</u>	<u>2017</u>
Pledges receivable in less than one year	\$ 324,862	\$ 305,309
Pledges receivable in one to five years	<u>-</u>	<u>-</u>
Total Pledges Receivable	324,862	305,309
Less: Allowance for uncollectible pledges	-	-
Less: Present value discount	<u>-</u>	<u>-</u>
Pledges Receivable, Net	<u>\$ 324,862</u>	<u>\$ 305,309</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.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE D: REAL ESTATE WITH GRANTOR LIFE ESTATE - Continued

Subsequent changes to that estimated value are also recorded as temporarily restricted gains or losses. The change in the valuation resulted in a \$3,030 and \$11,740 net gain in 2018 and 2017, respectively. The asset is recorded at its fair value of \$170,710 and \$167,680 at September 30, 2018 and 2017, 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 \$50,457 and \$52,019 in 2018 and 2017, 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%.

NOTE E: PROPERTY AND EQUIPMENT

	<u>SAMMinistries</u>	<u>FFAC</u>	<u>Total</u>
September 30, 2018			
Land	\$ 631,863	\$ -	\$ 631,863
Buildings and Improvements	5,419,175	-	5,419,175
Transitional Housing	176,982	-	176,982
Leasehold Improvements	352,336	-	352,337
Furniture, Equipment, and Software	2,283,650	-	2,283,650
Vehicles	<u>134,024</u>	<u>-</u>	<u>134,024</u>
Total Property and Equipment	8,998,030	-	8,998,030
Less: Accumulated Depreciation	<u>(5,437,005)</u>	<u>-</u>	<u>(5,437,005)</u>
Property and Equipment, Net	<u>\$ 3,561,025</u>	<u>\$ -</u>	<u>\$ 3,561,025</u>
	<u>SAMMinistries</u>	<u>FFAC</u>	<u>Total</u>
September 30, 2017			
Land	\$ 631,863	\$ -	\$ 631,863
Buildings and Improvements	5,419,175	-	5,419,175
Transitional Housing	695,692	-	695,692
Leasehold Improvements	324,469	446,761	771,230
Furniture, Equipment, and Software	2,225,523	50,058	2,275,581
Vehicles	<u>134,024</u>	<u>79,375</u>	<u>213,399</u>
Total Property and Equipment	9,430,746	576,194	10,006,940
Less: Accumulated Depreciation	<u>(5,472,012)</u>	<u>(568,459)</u>	<u>(6,040,471)</u>
Property and Equipment, Net	<u>\$ 3,958,734</u>	<u>\$ 7,735</u>	<u>\$ 3,966,469</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE F: LINE OF CREDIT

SAMMinistries and FFAC have a \$1,000,000 line of credit with a financial institution. The line of credit has a 6% interest rate and matured on December 4, 2018. The line of credit was renewed and is effective until December 10, 2019 with an interest rate of 3 points over prime. The outstanding balance was \$625,737 at September 30, 2018 and \$432,928 at September 30, 2017. The line of credit is secured by the bank's right of offset against SAMMinistries' accounts with the bank.

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, 2018

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, 2018	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	\$ 70,832	\$ -	\$ -	\$ 70,832
Certificates of Deposit	100,020	-	-	100,020
Mutual Funds:				
Short-term Bond	75,374	-	-	75,374
Intermediate-term Bond	-	-	-	-
Diversified Emerging Markets	-	-	-	-
Multialternative	21,210	-	-	21,210
Bank Loans	-	-	-	-
Corporate Bonds	-	357,706	-	357,706
Municipal Bonds	-	408,849	-	408,849
Corporate Fixed Income	-	312,323	-	312,323
Federal Treasury Notes	25,209	-	-	25,209
Exchange Traded Funds	247,611	-	-	247,611
Equity Securities	912,425	-	-	912,425
REIT	7,988	-	-	7,988
	<u>1,460,669</u>	<u>1,078,878</u>	<u>-</u>	<u>2,539,547</u>
Real estate with grantor-retained life estate	<u>-</u>	<u>-</u>	<u>170,710</u>	<u>170,710</u>
TOTAL	\$ <u>1,460,669</u>	\$ <u>1,078,878</u>	\$ <u>170,710</u>	\$ <u>2,710,257</u>

September 30, 2017	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	\$ 91,978	\$ -	\$ -	\$ 91,978
Certificates of Deposit	200,692	-	-	200,692
Mutual Funds:				
Short-term Bond	71,115	-	-	71,115
Intermediate-term Bond	-	-	-	-
Diversified Emerging Markets	-	-	-	-
Multialternative	21,015	-	-	21,015
Bank Loans	49,570	-	-	49,570
Corporate Bonds	-	521,416	-	521,416
Municipal Bonds	-	455,276	-	455,276
Exchange Traded Funds	95,931	-	-	95,931
Equity Securities	955,274	-	-	955,274
REIT	5,468	-	-	5,468
	<u>1,491,043</u>	<u>976,692</u>	<u>-</u>	<u>2,467,735</u>
Real estate with grantor-retained life estate	<u>-</u>	<u>-</u>	<u>167,680</u>	<u>167,680</u>
TOTAL	\$ <u>1,491,043</u>	\$ <u>976,692</u>	\$ <u>167,680</u>	\$ <u>2,635,415</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018

NOTE G: FAIR VALUE MEASUREMENTS – Continued

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

		Real Estate with Grantor-Retained Life Estate
Balance at October 1, 2017:	\$	154,000
Realized gains/(losses)		-
Unrealized gain/(loss) relating to instruments held at year-end		13,680
Purchases, sales, issuances, and settlements (net)		<u>-</u>
Balance at September 30, 2017:		167,680
Realized gains/(losses)		-
Unrealized gain/(loss) relating to instruments held at year-end		3,030
Purchases, sales, issuances, and settlements (net)		<u>-</u>
Balance at September 30, 2018:	\$	<u><u>170,710</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:

	2018	2017
Member congregation donations	\$ 109,567	\$ 113,839
Business Donations	383,263	376,487
Individual Donations	1,547,398	1,828,213
Bequests	15,000	2,000
United Way	<u>253,242</u>	<u>118,997</u>
Total	\$ <u><u>2,308,470</u></u>	\$ <u><u>2,439,536</u></u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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>2018</u>	<u>2017</u>
Clothing, blankets, food, etc.	\$ 1,107,346	\$ 1,111,514
Professional services	17,717	895
Housing and utility assistance	614,730	561,502
Other	<u>34,870</u>	<u>50,164</u>
Total	\$ <u>1,774,663</u>	\$ <u>1,724,075</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>2018</u>	<u>2017</u>
U.S. Department of Housing and Urban Development (HUD):		
Direct Funding	\$ 2,201,421	\$ 2,198,391
Passed Through:		
City of San Antonio (Emergency Solutions Grant Program)	149,724	174,724
City of San Antonio (General Fund Monies)	98,011	247,959
Texas Department of Housing and Community Affairs (Emergency Solutions Grant Program)	601,113	677,554
U.S. Department of Homeland Security (UHS):		
Emergency Food and Shelter Program (Phase 34)	41,000	24,500
Texas Veterans Commission (Series XV-A General Assistance)	627,012	603,221
State of Texas Governor's Office (Veterans Program)	133,161	124,069
Bexar County (Emergency Solutions Grant Program)	58,514	23,924
City of San Antonio (Department of Human Services - General Funds)	<u>244,927</u>	<u>-</u>
Total	\$ <u>4,154,883</u>	\$ <u>4,074,342</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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>2018 Total</u>	<u>2017 Total</u>
Sales	\$ 122,474	\$ 178,866	\$ 301,340	\$ 834,071
In-kind donations	192,924	-	192,924	396,274
Total	315,398	178,866	494,264	1,230,345
Less:				
Cost of goods sold	-	129,347	129,347	268,721
Value of donated inventory sales	309,648	-	309,648	413,909
Total	309,648	129,347	438,995	682,630
Gross Profit	5,750	49,519	55,269	547,715
Salaries, taxes, and benefits	207,208	117,510	324,718	576,157
Advertising and promotion	10,874	6,167	17,041	37,668
Small equipment and leases	7,308	4,144	11,452	34,587
Contract and professional services	16,207	9,191	25,398	17,510
Insurance	2,372	1,345	3,717	9,617
Interest	1,548	878	2,426	9,910
Maintenance and repair	2,151	1,220	3,371	9,814
Travel	257	146	403	620
Utilities and communications	23,442	13,294	36,736	94,149
Printing and postage	1,450	823	2,273	3,697
Direct mail	14,387	8,159	22,546	53,792
Rent	69,777	39,571	109,348	276,928
Resources	2,817	1,598	4,415	3,024
Security	1,440	816	2,256	5,396
Vehicle	2,582	1,464	4,047	13,144
Miscellaneous	-	-	-	26,750
Depreciation and amortization	2,756	1,563	4,319	25,150
Total direct costs	366,577	207,888	574,466	1,197,913
Net Operating Results	\$ (360,827)	\$ (158,369)	\$ (519,197)	\$ (650,198)

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE K: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Children-related Expenditures	\$ 292,588	\$ 233,542
Education, Earnings on Endowment not Expended	162,425	214,226
Education, Other	40,170	33,711
Families and Housing Prevention	95,746	-
Senior Homeless Prevention	-	323,615
Various Programs	33,876	286,295
Time Restricted - Life Estate, Net of Related Liability	120,253	115,661
TLLC Building Renovation	<u>31,836</u>	<u>35,540</u>
Total Temporarily Restricted Net Assets	\$ <u>776,894</u>	\$ <u>1,242,590</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.

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.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE L: ENDOWMENTS – Continued

In accordance with UPMIFA, in all its endowment spending activity, SAMMinistries considers the following factors in deciding 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.

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 of perpetual duration. There were no deficiencies of this nature for September 30, 2018 or 2017.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE L: ENDOWMENTS – Continued

	Board - Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at September 30, 2016	\$ -	\$ 97,157	\$ 2,446,962	\$ 2,544,119
Contributions	-	-	-	-
Dividends and interest, net	-	36,173	-	36,173
Net appreciation	-	91,919	-	91,919
Appropriations	-	-	-	-
Reclassifications	-	(11,023)	-	(11,023)
Endowment at September 30, 2017	-	214,226	2,446,962	2,661,188
Contributions	-	-	-	-
Dividends and interest, net	-	45,948	-	45,948
Net appreciation	-	86,676	-	86,676
Appropriations	-	-	-	-
Reclassifications	-	(184,425)	-	(184,425)
Endowment at September 30, 2018	<u>\$ -</u>	<u>\$ 162,425</u>	<u>\$ 2,446,962</u>	<u>\$ 2,609,387</u>

All endowment funds are donor-restricted at September 30, 2018 and 2017.

Net assets are composed of the following:

	Board - Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2018				
Endowment funds	\$ -	\$ 162,425	\$ 2,446,962	\$ 2,609,387
Non-endowment funds	<u>3,163,491</u>	<u>614,469</u>	<u>-</u>	<u>3,777,960</u>
Total net assets	<u>\$ 3,163,491</u>	<u>\$ 776,894</u>	<u>\$ 2,446,962</u>	<u>\$ 6,387,347</u>
September 30, 2017				
Endowment funds	\$ -	\$ 214,226	\$ 2,446,962	\$ 2,661,188
Non-endowment funds	<u>3,182,397</u>	<u>1,028,364</u>	<u>-</u>	<u>4,210,761</u>
Total net assets	<u>\$ 3,182,397</u>	<u>\$ 1,242,590</u>	<u>\$ 2,446,962</u>	<u>\$ 6,871,949</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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. Lease expense totaled \$293,690 in 2018 and \$56,947 in 2017.

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

<u>Year Ended September 30</u>	<u>Amount:</u>
2019	\$ 337,099
2020	343,946
2021	332,518
2022	340,192
2023	<u>230,205</u>
Total	<u>\$ 1,583,960</u>

On March 1, 2018 SAMMinistries commenced a new office space lease agreement which provided for free rent of the initial three months of the lease. In accordance with GAAP the lease cost was straight-lined over the sixty-three months period term of the lease and a deferred liability was recognized. Deferred liability as of September 30, 2018 amounted to \$78,440.

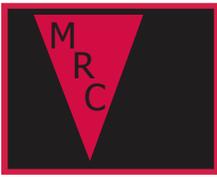
NOTE N: UNRELATED BUSINESS INCOME

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 2018 or 2017 because net sales of purchased goods resulted in a net loss.

FFAC had taxable losses of \$158,369 and \$461,695 for the years ended September 30, 2018 and 2017, respectively. FFAC has operating loss carryforwards of approximately \$5,432,873 that start 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.

SINGLE AUDITS SECTION



**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, 2018, 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 March 25, 2019.

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.

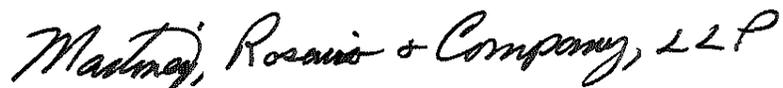
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

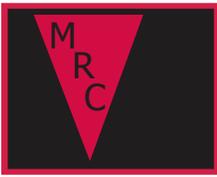
Purpose of this Report

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

March 25, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
OR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE OF TEXAS SINGLE AUDIT
CIRCULAR***

To the Board of Directors of
SAMMinistries
San Antonio, Texas

Report on Compliance for Each Major Federal or State 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* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of SAMMinistries major federal or state programs for the year ended September 30, 2018. SAMMinistries major federal or state 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 and state statutes, regulations, and the terms and conditions of its federal or state awards applicable to its federal or state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SAMMinistries major federal or state 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; 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) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance and the State of Texas Single Audit Circular 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 or state 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 or state program. However, our audit does not provide a legal determination of SAMMinistries compliance.

Opinion on Each Major Federal or State 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 or state programs for the year ended September 30, 2018.

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 or state 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 or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, 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 or state 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 or state 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 or state 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 and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Martinez, Rosario & Company, LLP

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

March 25, 2019

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>FEDERAL PROGRAMS:</u>				
U.S. Department of Housing and Urban Development (HUD)				
Continuum of Care Program(Housing First)	14.267	TX0012L6J001609	\$ -	\$ 916,476
Continuum of Care Program(Housing First)	14.267	TX0012L6J001710	-	171,302
Continuum of Care Program(Transitional Services)	14.267	TX0019L6J001609	-	446,407
Continuum of Care Program(Transitional Services)	14.267	TX0019L6J001710	-	41,042
Continuum of Care Program(Rapid Re-housing)	14.267	TX0358L6J001502	-	42,918
Continuum of Care Program(Rapid Re-housing)	14.267	TX0358L6J001603	-	81,965
Continuum of Care Program(Permanent Supportive Housing)	14.267	TX0279L6J001604	-	233,329
Continuum of Care Program(Permanent Supportive Housing)	14.267	TX0279L6J001705	-	6,903
Continuum of Care Program(Permanent Supportive Housing)	14.267	TX0434L6J001600	-	231,830
Continuum of Care Program(Permanent Supportive Housing)	14.267	TX0434L6J001701	-	15,185
Continuum of Care Program(Permanent Supportive Housing)	14.267	TX0484L6J001700	-	14,064
Total for CFDA 14.267			-	2,201,421
Pass-through programs from:				
City of San Antonio:				
Community Development Block Grant	14.218	28-0430046	-	98,011
Emergency Solutions Grant Program -SAMMinistries	14.231	4600015856	-	149,724
Pass-through programs from:				
Bexar County:				
Emergency Solutions Grant Program -SAMMinistries	14.231	E-17UC-48-0500	-	58,414
Pass-through programs from:				
Texas Department of Housing and Community Affairs:				
Emergency Solutions Grant Program -SAMMinistries	14.231	42170002831	-	190,611
San Antonio Food Bank			108,000	108,000
Saint Vincent de Paul			108,000	108,000
Haven For Hope			98,102	98,102
			314,102	504,713
Emergency Solutions Grant Program -SAMMinistries	14.231	42160002561	-	26,400
San Antonio Food Bank			-	-
Saint Vincent de Paul			12,500	12,500
Haven For Hope			-	-
			12,500	38,900
Emergency Solutions Grant Program -SAMMinistries	14.231	42160002901	-	22,685
San Antonio Food Bank			12,000	12,000
Saint Vincent de Paul			12,000	12,000
Haven For Hope			10,815	10,815
			34,815	57,500
Total for CFDA 14.231			361,417	809,251
Total U.S. Department of Housing and Urban Development			361,417	3,108,683
U. S. Department of Homeland Security	97.024	Phase 35	-	41,000
General Services Administration				
Pass-through programs from:				
Texas Facilities Commission				
Donation of Federal Surplus Personal Property	39.003	--	-	3,576
TOTAL EXPENDITURES OF FEDERAL AWARDS			361,417	3,153,259

See Notes to Schedule of Expenditures of Federal and State Awards.

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued
For The Year Ended September 30, 2018

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>STATE PROGRAMS:</u>				
Texas Veterans Commission (TVC)				
Series XV-A General Assistance	N/A	FVA-17-0436	-	269,272
Series HT-X Housing for Texas Heroes	N/A	HTX-17-0463	-	357,740
			-	627,012
State of Texas Governors' Office (OOG)				
Victims of Crime Act (VOCA)	N/A	3064602	-	133,161
TOTAL EXPENDITURES OF STATE AWARDS			-	760,173
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 361,417	\$ 3,913,432

See Notes to Schedule of Expenditures of Federal and State Awards.

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2018

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes federal and state grant activity of SAMMinistries under programs of the federal and state government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Because the Schedule presents only a selected portion of the operations of SAMMinistries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SAMMinistries.

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 and state regulations*, 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 and state awards programs are reported in the SAMMinistries’ financial statements as follows:

	<u>Amount</u>
Public Support: Governmental Grants	\$ 4,154,883
Less: Non-Federal and State grants	(245,027)
Plus: In-Kind Contributions - Federal	<u>3,576</u>
Total Expenditures of Federal and State Awards	\$ <u><u>3,913,432</u></u>

SAN ANTONIO METROPOLITAN MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS -
Continued
For the Year Ended September 30, 2018

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Emergency Solutions Grants Program CFDA #14.231 and the Continuum of Care Grants Program CFDA #14.267 require SAMMinistries to contribute non-Federal funds (matching funds) to support the Federally-funded programs. SAMMinistries 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, SAMMinistries provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided To Subrecipients</u>
Emergency Solutions Grant Program:	14.231	
San Antonio Food Bank		\$ 120,000
Saint Vincent de Paul		132,500
Haven For Hope		<u>108,917</u>
	TOTAL	\$ <u>361,417</u>

**SAN ANTONIO METROPOLITAN MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

Type of auditor's 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 and State Awards:

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:

*Unmodified - HUD ESGP - Federal
Unmodified - TVC Series XV-A GA - State
Unmodified - TVC Series HT-X Housing
for Texas Heroes - State*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance of the *State of Texas Single Audit Circular*?

_____ Yes No

Identification of major federal programs:

Name of Federal Program or Cluster	CFDA Number
HUD Emergency Solution Grant Program	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.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2018**

FEDERAL PROGRAMS:

There were no prior year audit findings.

STATE PROGRAMS:

Prior year audit findings not applicable. SAMMinistries state programs did not meet the dollar threshold required to be audited in the previous two years.