

**SAN ANTONIO
METROPOLITAN
MINISTRY, INC. dba
SAMMINISTRIES**

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS AND SINGLE AUDIT
REPORTS**

SEPTEMBER 30, 2023



ADKF

CERTIFIED PUBLIC ACCOUNTANTS

SAN ANTONIO METROPOLITAN MINISTRY, INC.
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September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Antonio Metropolitan Ministry, Inc.
San Antonio, Texas

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of San Antonio Metropolitan Ministry, Inc. dba SAMMinstries (the Organization), which comprise the consolidated statements of financial position as of September 30, 2023, and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SAMMinstries as of September 30, 2023, and 2022, and its activities, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

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

Responsibilities of Management for the Consolidated 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, and for 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.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards for the year ended September 30, 2023, 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 (Uniform Guidance)*, 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 U. S. generally accepted auditing standards. 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 reports dated November 30, 2024 on our consideration of the Organization'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 those reports is solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
November 30, 2024

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Consolidated Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 64,499	\$ 7,181
Accounts receivable, net	1,602,560	1,119,748
Pledges receivable, net	1,277,893	789,891
Prepaid expenses	72,215	95,526
Total current assets	<u>3,017,167</u>	<u>2,012,346</u>
Other Assets:		
Investments, at fair value	2,338,403	2,619,344
Deposits and other assets	47,772	7,276
Real estate with grantor retained life estate	231,679	210,617
Operating lease right-of-use assets	148,859	-
Total other assets	<u>2,766,713</u>	<u>2,837,237</u>
Property and equipment, net	<u>12,129,680</u>	<u>12,160,315</u>
Total Assets	<u><u>\$ 17,913,560</u></u>	<u><u>\$ 17,009,898</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,343,804	\$ 179,462
Accrued expenses	748,174	831,459
Deferred revenue	156,076	838,979
Note Payable	91,016	100,932
Operating lease right-of-use assets, current portion	146,993	-
Total current liabilities	<u>2,486,063</u>	<u>1,950,832</u>
Non-Current Liabilities:		
Notes payable, non-current portion	9,825,035	8,191,882
Operating lease right-of-use assets, noncurrent	8,592	-
Total liabilities	<u>12,319,690</u>	<u>10,142,714</u>
Net Assets:		
Without donor restrictions	633,735	3,378,552
With donor restrictions	4,960,135	3,488,632
Total net assets	<u>5,593,870</u>	<u>6,867,184</u>
Total Liabilities and Net Assets	<u><u>\$ 17,913,560</u></u>	<u><u>\$ 17,009,898</u></u>

See notes to audited consolidated financial statements.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Consolidated Statements of Activities
Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Government grants	\$ 8,385,786	\$ -	\$ 8,385,786	\$ 7,953,122	\$ -	\$ 7,953,122
Contributions	1,248,891	2,915,464	4,164,355	2,682,873	1,379,795	4,062,668
Special events, net of expense	326,490	-	326,490	225,591	-	225,591
Other grants	2,457,791	-	2,457,791	1,858,423	-	1,858,423
Total public support	12,418,958	2,915,464	15,334,422	12,720,009	1,379,795	14,099,804
Revenue						
Rental income	769,427	-	769,427	627,625	-	627,625
Gain on disposal of long-term assets	-	-	-	500	-	500
Investment earnings (loss), net of expense:	273,773	-	273,773	(610,658)	-	(610,658)
Interest and dividends	86,837	-	86,837	85,207	-	85,207
In-kind contributions	1,172,166	-	1,172,166	1,812,107	-	1,812,107
Other income	179,135	-	179,135	147,156	-	147,156
Total revenue	2,481,338	-	2,481,338	2,061,937	-	2,061,937
Total public support and revenue	14,900,296	2,915,464	17,815,760	14,781,946	1,379,795	16,161,741
Expenses						
Program services	15,488,910	-	15,488,910	14,930,344	-	14,930,344
Management and general	1,962,147	-	1,962,147	1,813,518	-	1,813,518
Fundraising	1,638,017	-	1,638,017	1,904,589	-	1,904,589
Total expenses	19,089,074	-	19,089,074	18,648,451	-	18,648,451
Change in Net Assets	(4,188,778)	2,915,464	(1,273,314)	(3,866,505)	1,379,795	(2,486,710)
Net assets released from restrictions:	1,443,961	(1,443,961)	-	1,819,695	(1,819,695)	-
Net assets at beginning of year	3,378,552	3,488,632	6,867,184	5,425,362	3,928,532	9,353,894
Net Assets at End of Year	<u>\$ 633,735</u>	<u>\$ 4,960,135</u>	<u>\$ 5,593,870</u>	<u>\$ 3,378,552</u>	<u>\$ 3,488,632</u>	<u>\$ 6,867,184</u>

See notes to audited consolidated financial statements.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Consolidated Statement of Functional Expenses
Year Ended September 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 5,539,077	\$ 566,525	\$ 971,588	\$ 7,077,190
Advertising and promotion	10,749	99,137	78,390	188,276
Bad debt expense	101,049	-	15,000	116,049
Client services	5,229,038	6,635	3,669	5,239,342
Client services, pass through	1,172,166	-	-	1,172,166
Small equipment and leases	50,119	227,749	14,416	292,284
Contract and professional services	553,062	60,666	75,419	689,147
Insurance	34,440	208,539	-	242,979
Maintenance and repairs	356,131	44,858	91	401,080
Travel	60,747	1,753	673	63,173
Utilities and communications	290,584	199,579	-	490,163
Printing and postage	1,148	12,948	22,684	36,780
Direct mail	-	4,705	395,044	399,749
Rent	225,741	1,456	-	227,197
Resources	152,087	79,897	15,425	247,409
Security	733,205	67,355	-	800,560
Vehicle	11,527	4,759	140	16,426
Interest	163,034	208,402	-	371,436
Property taxes	151,706	77,797	-	229,503
Miscellaneous	39,741	24,114	44,022	107,877
Depreciation	613,559	65,273	1,456	680,288
	<u>\$ 15,488,910</u>	<u>\$ 1,962,147</u>	<u>\$ 1,638,017</u>	<u>\$ 19,089,074</u>
Special events costs not included above:				
Venue			\$ 20,991	
Catering			41,548	
Entertainment			2,350	
Other direct costs			<u>44,093</u>	
			<u>\$ 108,982</u>	

See notes to audited consolidated financial statements.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Consolidated Statement of Functional Expenses
Year Ended September 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 5,025,600	\$ 370,337	\$ 928,412	\$ 6,324,349
Advertising and promotion	6,782	633	193,699	201,114
Bad debt expense	278,215	2,184	3,087	283,486
Client services	5,259,290	-	-	5,259,290
Client services, pass through	1,812,107	-	-	1,812,107
Small equipment and leases	92,831	125,550	31,983	250,364
Contract and professional services	541,292	236,779	54,053	832,124
Insurance	35,180	101,839	2,365	139,384
Maintenance and repairs	419,610	56,020	4,229	479,859
Travel	54,393	2,540	1,534	58,467
Utilities and communications	318,756	104,994	25,891	449,641
Printing and postage	904	12,308	49,304	62,516
Direct mail	-	-	443,236	443,236
Rent	52,587	122,949	111,852	287,388
Resources	143,719	69,141	19,745	232,605
Security	513,321	6,437	4,662	524,420
Vehicle	2,031	8,587	6,852	17,470
Interest	-	254,436	-	254,436
Property taxes	-	43,155	-	43,155
Miscellaneous	62,265	29,972	21,110	113,347
Depreciation	311,461	265,657	2,575	579,693
	<u>\$ 14,930,344</u>	<u>\$ 1,813,518</u>	<u>\$ 1,904,589</u>	<u>\$ 18,648,451</u>
Special events costs not included above:				
Venue			\$ 14,724	
Catering			54,118	
Entertainment			3,000	
Other direct costs			<u>46,592</u>	
			<u>\$ 118,434</u>	

See notes to audited consolidated financial statements.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Consolidated Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ (1,273,314)	\$ (2,486,710)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Unrealized and realized (gain) loss	(299,997)	574,819
Non-cash operating lease expense	(148,859)	-
Depreciation	680,288	579,693
Bad debt expense	116,049	283,486
(Gain) on disposal of long-term assets	-	(500)
Change in operating assets and liabilities:		
Accounts receivable	(598,861)	1,638
Pledges receivable	(488,002)	1,198,761
Prepaid expenses	23,311	83,837
Deposits and other assets	(61,558)	(20,138)
Accounts payable and accrued expenses	1,081,057	113,175
Operating lease liabilities	155,585	-
Deferred revenue	(682,903)	625,860
Net cash (used) provided by operating activities	<u>(1,497,204)</u>	<u>953,921</u>
Investing Activities		
Net investment activity	580,938	(69,750)
Purchases of property and equipment	(649,653)	(5,474,563)
Net cash (used) by investing activities	<u>(68,715)</u>	<u>(5,544,313)</u>
Financing Activities		
Borrowings on notes payable and line of credit	1,993,900	5,128,373
Principal payments on notes payable and line of credit	(370,663)	(860,152)
Net cash provided by financing activities	<u>1,623,237</u>	<u>4,268,221</u>
Net change in cash and cash equivalents	57,318	(322,171)
Cash and cash equivalents, beginning of year	<u>7,181</u>	<u>329,352</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 64,499</u></u>	<u><u>\$ 7,181</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ 371,436	\$ 254,436
Cash paid for income taxes	-	-

See notes to audited consolidated financial statements.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE A – ORGANIZATION

Organization: San Antonio Metropolitan Ministry, Inc. dba 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.

HUDSAMM SH, LLC (HUDSAMM) was organized in November 2021 to hold title and purchase a multi-family apartment complex, The Hudson Apartments, for the benefit of the clients of SAMMinistries.

ADM Real Estate, LLC (ADM) was formed in 2019 to hold title and purchase the administration building and offices of SAMMinistries.

These financial statements include the operations of SAMMinistries, HUDSAMM and ADM (collectively, the "Organization"), and are therefore referred to as "consolidated". Intercompany transactions have been eliminated from these financial statements.

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

Street Outreach: SAMMinistries' Street Outreach Program works with many of our community's most vulnerable individuals. Staff connect directly with unsheltered individuals on the streets, in vehicles, and in encampments. Efforts focus on establishing relationships that build trust and foster engagement in often desperately needed physical and mental health care services, with the ultimate goal of helping every individual secure safe, permanent housing. In 2023, SAMMinistries served 370 unduplicated individuals who, on average, had experienced 13 months of homelessness.

Emergency Shelter: SAMMinistries administers an Emergency Shelter Program for single adult individuals who are living on the street or in another place not meant for human habitation and have connected with a community street outreach worker. Individuals unable to be housed at other local shelters due to significant mental and/or physical health barriers making larger congregate settings inappropriate are referred to SAMMinistries' Emergency Shelter by community outreach workers. While in the Emergency Shelter Program, individuals are able to access physical and mental health care, including psychiatric care, on-site. All individuals are assisted to complete necessary assessments ensuring their placement on the community's housing program waitlist, and are helped with identification recovery, public benefits assistance applications, education and employment connection. Individuals served receive all of their basic necessities including food, clothing, and personal hygiene products while at the Emergency Shelter, and receive intensive case management services, assistance with entering substance use treatment and/or detoxification programs, and other supportive services promoting stabilization. Transportation assistance is also available, to include transportation to critical appointments by staff and/or through provision of bus passes and rideshare. In 2023, 180 unduplicated individuals were housed in the Emergency Shelter; 65% enrolled in one or more core services; and 42% exited to permanent housing.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE A – ORGANIZATION – continued

Homeless Prevention Program: SAMMinistries provides homeless prevention services for individuals and families in Bexar County to prevent evictions and/or utility disconnections. Short-term (up to 4 months) financial assistance and case management services are provided to households at risk of immediate homelessness. SAMMinistries served 780 households and prevented 1,830 individuals from becoming homeless in 2023. Ninety-four percent of those assisted maintained housing for at least 12 months after financial assistance was provided. SAMMinistries has become the community's largest provider of homeless prevention services and continues to be a leader in this area, with expertise utilizing and maximizing multiple public and private streams of funding to offer services that prevent individuals and families from falling into homelessness.

Rapid Re-Housing (RRH) Services: SAMMinistries' RRH Program targets homeless families and individuals and assists them in rapidly securing and maintaining permanent housing. Credit/criminal history, inadequate income, disabilities, and behavioral health disorders do not impact individuals' ability to receive services in this program. Case managers assist households in locating apartments that meet HUD housing quality standards, help them with applying to lease, and provide assistance with security and/or utility deposits. Once housed, SAMMinistries provides rental assistance typically for a period of 12-18 months, while individuals and families are offered intensive case management services to assist them in addressing challenges that impacted their housing stability. Program clients are helped with integrating into their neighborhoods, accessing needed mental/physical health and employment services, securing income/benefits for which they are eligible, and accessing an array of other services. All participants have access to SAMMinistries' Adult Education Program, which offers financial and other assistance for individuals working to further their education and/or to engage in vocational training programs. SAMMinistries successfully housed 247 households consisting of 478 formerly homeless adults and children in 2023. Ninety-three percent of those assisted maintained housing for at least 12 months after financial assistance and services concluded.

Transitional Housing Program: SAMMinistries provides transitional housing services for 40 families with children at its Transitional Living and Learning Center (TLLC). The TLLC serves families in a residential services model. Families residing at the TLLC enter the program following stays in community emergency shelters. While at the TLLC, all families receive intensive case management services and have access to an array of services and supports on-site. These include licensed child care for children ages 18 months through 12 years in SAMMinistries' Children's Enrichment Center, individual and group therapy, specialized groups and services for families impacted by domestic violence and other crimes, life skills classes, primary medical and dental care, connection to employment, adult education programming and financial assistance for adults seeking to advance their education and/or employment skills, and various social and wellness activities. Families may remain in the program for up to 24 months as they stabilize financially, emotionally, and physically and are prepared to secure and maintain permanent housing. In 2023, the TLLC served 70 families comprised of 87 adults and 180 children. Eighty-five percent of households exited the program to permanent housing and 96% of former residents maintained their permanent housing for two years after exiting the TLLC Program.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE A – ORGANIZATION – continued

Permanent Supportive Housing Program (PSH): Permanent Supportive Housing services target individuals and families impacted by physical and/or mental health disabilities and periods of long-term (more than 12 months) of homelessness. SAMMinistries operates San Antonio’s largest PSH Program, aiding to quickly house individuals and families, and providing long-term rental subsidy and ongoing intensive case management to help those served access services to address mental and physical health care needs, substance use treatment, education and employment services, and life skills education. Households must have a member with a documented physical and/or mental health disability and must have experienced homelessness for a period of at least 12 months to qualify for PSH Program services. SAMMinistries’ PSH Program clients are housed in apartment complexes across San Antonio with whom the organization has formal partnerships. The Hudson Apartments, acquired by the Organization in December 2021, began serving as a home for clients in SAMMinistries’ first *Site-Based* Permanent Supportive Housing program in 2023.

Permanent Housing (Affordable): SAMMinistries provides case management and service connection support for 100 Opportunity Home (formerly the San Antonio Housing Authority) Section 8 “Homeless Set-Aside” voucher recipient families. SAMMinistries staff assists homeless families in need of affordable housing with locating and securing housing with their voucher and provides monthly case management services to support these families with maintaining housing. After families are housed for one year, SAMMinistries staff remain available to assist as service needs arise. SAMMinistries served 115 households made up of 490 individuals and 96% maintained housing stability during 2023.

The YASS (Young Adult Stability and Support) Center: SAMMinistries’ YASS Center opened to serve young adults (18-24) experiencing homelessness in April 2022. The YASS Center operates as a “Drop-In” Center for young adults needing housing and supportive services. It is a place where young adults can access case management services; physical and mental health care; daily meals (lunch and dinner); showers; adult education services including high school completion and assistance with entering post-secondary education; vocational training; assistance with securing employment; connection to emergency shelter and longer-term housing options; computers/Wi-Fi/printers; identification recovery; recreational and social activities; and life skills instruction. The YASS Center operates in space at Travis Park Church and on-site partners include Corazon San Antonio and SA Youth. Seventy-two unduplicated individuals were served at the YASS Center in 2023 and during the six months it was open, 21 gained jobs, 10 earned their high school diploma, 11 found temporary shelter, and 4 found permanent housing.

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

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. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered “restricted” under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent.

With Donor Restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions that are more restrictive than SAMMinistries’ mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: Revenue from government grants consist of cost reimbursable federal and state contracts grants, which are generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position. Revenue from rental income is recognized based on the terms of the rental agreement and are recognized when the lessee is contractually obligated to the Organization.

Contributions: Gifts of cash and other assets are recorded as revenue when received or unconditionally pledged and are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Non-cash contributions are recorded at fair value on the date of the contribution.

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.

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 receivables are reported at outstanding principal, net of an allowance for doubtful accounts. No allowance for doubtful accounts was required at September 30, 2023 and 2022. 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. Accounts receivable at October 1, 2021, beginning of the year, totaled \$1,119,748.

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. No allowance for uncollectible pledges was required at September 30, 2023 and 2022. All pledges receivable at September 30, 2023 and 2022 are due in less than one year.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 statement of activities. All securities are classified as non-current on the accompanying statement of financial position. Investments are held by Morgan Stanley and Broadway Bank 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 3 to 10 years for furniture, equipment and vehicles and 15 to 39 years for buildings and improvements) or the remaining term of the lease.

Deferred Revenue: Deferred revenue consists of amounts received from awarding agencies prior to incurring qualifying expenditures under cost-reimbursement grants, and from donations received for professional advertising services, which will be recognized as revenue when the advertising occurs.

Special Events: Costs associated with special events are netted against the related revenue. There are no joint costs associated with these special events.

Donated Volunteer Services: Donated volunteer 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 9,762 in 2023 and 8,252 hours in 2022. 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 is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and is not a "private foundation" 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 Organization is 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 four years remain subject to examination by the Internal Revenue Service.

HUDSAMM SH, LLC and ADM Real Estate, LLC are limited liability companies. For federal tax purposes, they are considered disregarded entities and, therefore, do not file a federal tax return as its net income is passed directly to its parent, SAMMinistries. The Organizations are subject to the Texas margin tax.

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. Expenses are allocated on a basis of time and effort (such as salaries and benefits) as well as on a square footage or other reasonable basis (such as depreciation, office and occupancy).

Advertising: Advertising costs are expensed as incurred.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement Plan: SAMMinistries provides a 401(k) plan (the Plan) for its full and parttime staff members age 21 and above. Employees are eligible to participate immediately upon hire. SAMMinistries provided matching and discretionary contributions of \$96,214 in 2023 and \$83,873 in 2022.

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.

Recently Adopted Accounting Pronouncement: The FASB issued Accounting Standards Update No. 2020-07 *Not-for-Profit: Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* was adopted by the Organization effective October 1, 2021. The standard increased the transparency of contributed non-financial assets by enhancing the presentation and disclosures. The adoption of this standard had no impact to the financial statements, other than additional disclosures.

In February 2016, FASB issued ASU No. 2016-02, "Leases (Topic 842)," for reporting periods beginning after December 15, 2021. A lessee is required to recognize on the statement of financial position right-of-use assets, representing the right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the new standard using the modified retrospective transition approach effective October 1, 2022, the first day of the lease standard implementation date. The new standard applied to leases that have commenced as of the effective date, October 1, 2022, with a cumulative effect adjustment recorded as of that date. The Organization also elected to apply the package of practical expedients allowed in ASC 842-10-65-1 whereby the Organization need not reassess whether any expired or existing contracts are or contain leases, the Organization need not reassess the lease classification for any expired or existing leases, and the Organization need not reassess initial direct costs for any existing leases. The Organization's adoption of the ASU resulted in the addition of operating lease right-of-use assets on the balance sheet for the right to use the underlying assets of operating leases. The Organization elected to use hindsight for transition when considering judgments and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset. In addition, the corresponding liability for the remaining balance of the operating leases is included in the liability section of the balance sheet. For all asset classes, the Organization elected to not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. The adoption of this ASU did not have a material adjustment to the statement of activities. At October 1, 2022, the Organization recognized initial right of use assets of \$148,859, a corresponding lease liability of \$155,585, and a cumulative effect adjustment to retained earnings of \$6,726. See Note E.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates: The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no effect on the previously reported change in net assets.

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 financial statements.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 941,683	\$ 941,683
Buildings and improvements	14,938,197	14,536,034
Leasehold improvements	88,626	88,626
Furniture, equipment, and software	1,396,100	1,219,217
Vehicles	390,940	320,334
Construction in progress	<u>108,512</u>	<u>108,512</u>
Total fixed assets	17,864,058	17,214,406
Less: accumulated depreciation	<u>(5,734,378)</u>	<u>(5,054,091)</u>
Fixed assets, net	<u><u>\$ 12,129,680</u></u>	<u><u>\$ 12,160,315</u></u>

NOTE D – REAL ESTATE WITH GRANTOR RETAINED 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 gains or losses. The change in the valuation resulted in a gain of \$21,062 and \$19,147 in 2023 and 2022, respectively. The asset is recorded at its fair value of \$231,679 and \$210,617 at September 30, 2023 and 2022, as real estate with grantor-retained life estate in the statement of financial position. The asset’s present value liability was \$66,8511 and \$50,641 at September 30, 2023 and 2022, respectively, to make required tax distributions to the donor, which are calculated utilizing actuarial assumptions that take into account the donor’s life expectancy and a discount rate of 7.4%.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE E – LEASES

The Organization determines if an arrangement is an operating lease or financing lease at commencement. The Organization has determined that it has no finance lease arrangements at September 30, 2023 or 2022. Lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Organization generally uses its incremental borrowing rate, which is based on information available at the lease commencement date, to determine the present value of lease payments

The Organization has third-party and related party operating leases for buildings. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. The lease terms extend through 2024. Lease expense associated with the non-cancellable operating lease agreements approximated \$220,005 in 2023 and 2022.

On September 30, 2023, the weighted-average remaining lease term of third-party leases was 0.87 years, and the weighted-average discount rate was 3.38%

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ 146,993
2025	<u>8,592</u>
Total	\$ 155,585
Less: Imputed Interest	<u>(23,365)</u>
Present value of lease liability	<u><u>\$ 132,220</u></u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE F – LONG-TERM DEBT AND LINES OF CREDIT

	<u>2023</u>	<u>2022</u>
Note payable with Broadway Bank, with interest at 4.21%, monthly payments of \$18,235 plus interest, secured by the building, maturing January 2045.	\$ 3,077,171	\$ 3,164,441
Revolving line of credit with Jefferson Bank, with interest at 2.85% until March 28, 2027 when rate may change based on prime rate multiplied by .90, due March 28, 2032, secured by a multi-family apartment complex. See <i>Revolving Line of Credit</i> note below.	4,845,000	5,100,000
Operating line of credit with Frost Bank, with interest at 3% above prime, monthly interest only payments and outstanding principal due October 2024, secured by SAMMinistries assets. See <i>Operating Line of Credit</i> note below.	<u>1,993,880</u>	<u>28,373</u>
	<u>\$ 9,916,051</u>	<u>\$ 8,292,814</u>

Maturities of long-term debt will result in the following principal requirements:

<u>Year Ending September 30.</u>	
2024	\$ 346,016
2025	2,343,822
2026	353,996
2027	358,245
Thereafter	<u>6,513,972</u>
	<u>\$ 9,916,051</u>

Operating Line of Credit – Frost Bank: SAMMinistries has a line of credit of \$2,000,000. The line of credit is effective until October 23, 2024, with interest at 3% over prime rate. There was an outstanding balance of \$1,993,900 as of September 30, 2023 and \$0 as of September 30, 2022. This line of credit is secured by the bank’s right of offset against SAMMinistries’ accounts with the bank. SAMMinistries is negotiating the extension of this line subsequent to year end.

Revolving Line of Credit – Jefferson Bank: HUDSAMM SH, LLC is the primary borrower of a revolving line of credit held with Jefferson Bank. The outstanding principal balance of \$5,100,000 on the original note payable which matured in November 2022 was transferred to the revolving line of credit account. The maximum amount of the revolving line of credit is \$5,100,000 through September 28, 2024. The maximum amount is reduced by \$255,000 on March 28th annually, beginning 2023, through its maturity on March 28, 2032. Outstanding balance as of September 30, 2023 is \$4,844,980.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Education, other	\$ 206,230	\$ 165,206
Children-related expenditures	290,000	230,000
Families and Housing Prevention	76,872	25,000
Time restricted - life estate, net of related liability	216,865	159,976
TLLC Building renovations	418,795	425,221
Youth Adult Stability and Support Center	113,872	10,000
Veterans Affairs	22,342	-
Health and wellness	1,029,268	-
EIP program	25,702	15,000
Various programs	<u>549,099</u>	<u>134,020</u>
Total subject to expenditure for specific purpose	2,949,045	1,164,423
Donor restricted endowments, See Note L	<u>2,011,090</u>	<u>2,324,209</u>
	<u>\$ 4,960,135</u>	<u>\$ 3,488,632</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE H – 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.

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:

Money Market Funds and Certificates of Deposit: Valued at cost plus accrued interest.

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

Corporate and Municipal Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

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

Real Estate with Grantor Retained Life Estate: Valued using the asset's estimated tax appraisal. The present value of the liability is 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 Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE H – FAIR VALUE MEASUREMENTS - continued

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

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>September 30, 2023:</i>				
Investments:				
Money market funds	\$ 164,971	\$ -	\$ -	\$ 164,971
Certificates of deposit	70,401	-	-	70,401
Mutual funds	620,358	-	-	620,358
Exchange traded funds	39,015	-	-	39,015
Corporate bonds	-	142,790	-	142,790
Municipal bonds	-	154,727	-	154,727
U.S government securities	176,093	-	-	176,093
Equity securities	970,048	-	-	970,048
Total investments at fair value	<u>\$ 2,040,886</u>	<u>\$ 297,517</u>	<u>\$ -</u>	<u>\$ 2,338,403</u>
Real estate with grantor-retained life estate:				
Property, at fair value	\$ -	\$ -	\$ 231,679	\$ 231,679
Liability for expected payments	-	-	(66,851)	(66,851)
Total real estate with grantor-retained life estate, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,828</u>	<u>\$ 164,828</u>
<i>September 30, 2022:</i>				
Investments:				
Money market funds	\$ 44,287	\$ -	\$ -	\$ 44,287
Certificates of deposit	44,957	-	-	44,957
Mutual funds	718,031	-	-	718,031
Exchange traded funds	27,741	-	-	27,741
Corporate bonds	-	133,582	-	133,582
Municipal bonds	-	179,237	-	179,237
U.S government securities	188,360	-	-	188,360
Equity securities	1,283,149	-	-	1,283,149
Total investments at fair value	<u>\$ 2,306,525</u>	<u>\$ 312,819</u>	<u>\$ -</u>	<u>\$ 2,619,344</u>
Real estate with grantor-retained life estate:				
Property, at fair value	\$ -	\$ -	\$ 210,617	\$ 210,617
Liability for expected payments	-	-	(50,641)	(50,641)
Total real estate with grantor-retained life estate, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,976</u>	<u>\$ 159,976</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE H – FAIR VALUE MEASUREMENTS – continued

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

	<u>Real Estate with Grantor-Retained Life Estate</u>
Balance at October 1, 2021:	\$ 191,470
Realized gains	-
Unrealized gain relating to instruments held at year-end	19,147
Net of purchases, sales, issuances, and settlements	<u>-</u>
Balance at September 30, 2022	210,617
Realized gains	-
Unrealized gain relating to instruments held at year-end	21,062
Net of purchases, sales, issuances, and settlements	<u>-</u>
Balance at September 30, 2023	<u><u>\$ 231,679</u></u>

NOTE I – CONTRIBUTIONS

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

Cash contributions:

	<u>2023</u>	<u>2022</u>
Member congregation donations	\$ 97,006	\$ 89,545
Business and foundation donations	1,054,980	830,959
Individual donations	2,537,835	2,453,960
Bequests	121,244	343,001
United Way	<u>353,290</u>	<u>345,203</u>
Total	<u><u>\$ 4,164,355</u></u>	<u><u>\$ 4,062,668</u></u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE J – IN-KIND CONTRIBUTIONS

In-kind contributions in 2023 and 2022 consist of donated goods including clothing, supplies, food and household equipment. Donated goods are received and used for the Organization’s programs and have no donor restrictions. In valuing the donated goods and services, the Organization estimates the fair value on the basis of values that would be received for selling similar products in the United States and for receiving paid professional services. In-kind contributions of materials and services consist of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Clothing, blankets, food, etc.	\$ 871,491	\$ 1,055,702
Housing and utility assistance	<u>300,675</u>	<u>756,405</u>
Total	<u>\$ 1,172,166</u>	<u>\$ 1,812,107</u>

NOTE K – GOVERNMENT GRANTS

SAMMinistries receives funding from various federal, state, and local governments for reimbursement of operating expenses. Government grants consisted of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
U.S. Department of Housing and Urban Development (HUD):		
Direct funding	\$ 5,343,459	\$ 4,135,593
Passed Through:		
City of San Antonio (Emergency Solutions Grant Program)	1,336,889	1,415,227
City of San Antonio (Community Development Block Grants)	237,108	837,931
Bexar County	144,553	82,583
Texas Department of Housing and Community Affairs (Emergency Solutions Grant Program)	92,028	272,124
U.S. Department of Treasury:		
State and Local Fiscal Recovery	18,471	-
U.S. Department of Homeland Security:		
Emergency Food and Shelter Program	44,850	342,470
Homeless Prevention	612,670	
Texas Veterans Commission (Series XV-A General Assistance)	-	341,432
State of Texas Governor's Office (Victims of Crime Program)	555,758	455,520
Bexar County (General Fund)	-	28,442
Health and Human Services (Community Mental Health)	-	41,800
Total	<u>\$ 8,385,786</u>	<u>\$ 7,953,122</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE L – ENDOWMENTS

SAMMinistries' endowments, included in Investments, consists of three individual funds established for operations and education. These endowments include donor-restricted endowment contributions. The donor-restricted endowment funds 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 funds.

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 net assets with donor restrictions: (a) the original value of gifts to the endowment (the corpus) to be held in perpetuity, (b) the original value of subsequent gifts to be held in perpetuity, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion classified as net assets with donor restriction are released as described in the donor agreement. In accordance with UPMIFA, 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy: Distributions from the endowment funds are made at the discretion of the Board of Directors.

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.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE L – ENDOWMENTS – continued

Below is a schedule of the endowment funds and related investments earnings or deficit at September 30:

	<u>2023</u>	<u>2022</u>
Donor endowments, corpus	\$ 2,446,962	\$ 2,446,962
Net activity	<u>(435,872)</u>	<u>(122,753)</u>
 Total endowment funds	 <u>\$ 2,011,090</u>	 <u>\$ 2,324,209</u>

All endowment funds are donor-restricted at September 30, 2023 and 2022. A rollforward of the endowment funds is as follows:

Endowments at September 30, 2021	\$ 2,874,698
Contributions	-
Dividends and interest, net	(2,270)
Net (depreciation)	(493,835)
Appropriations (withdrawals)	<u>(54,384)</u>
Endowments at September 30, 2022	2,324,209
Contributions	171,263
Dividends and interest, net	56,644
Net appreciation	244,893
Appropriations (withdrawals)	<u>(785,919)</u>
Endowments at September 30, 2023	<u>\$ 2,011,090</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Audited Consolidated Financial Statements
September 30, 2023 and 2022

NOTE M – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

SAMMinistries has approximately \$2.9 million of financial assets available to meet cash needs for general expenditures within one year. This consists of cash, accounts receivable, and pledges receivable. The pledges receivable are subject to implied time restrictions but are expected to be collected within one year based on normal operations. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. The Organization also has a line of credit in the amount of \$2 million which is available for operations and unanticipated liquidity needs.

SAN ANTONIO METROPOLITAN MINISTRY, INC.

Single Audit Reports

September 30, 2023



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

To the Board of Directors
San Antonio Metropolitan Ministry, Inc.
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 financial statements of San Antonio Metropolitan Ministry, Inc. dba SAMMinistries (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2024.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of control does not allow management or employees, in a 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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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Report on 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 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*.

SAMMinistries' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on SAMMinistries' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. SAMMinistries' response was not subjected to the auditing procedures applied in the audit of consolidated financial statements and, accordingly, we express no opinion on it.

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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
November 30, 2024



ADKF

with you
all the way

Member of the AICPA & TXCPA.

Registered with Public Company
Accounting Oversight Board.

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

To the Board of Directors
San Antonio Metropolitan Ministry, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Antonio Metropolitan Ministry, Inc. dba SAMMinistries' compliance with the types of compliance requirements identified as subject to audit 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, 2023. SAMMinistries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion of Each Major Federal Program

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 (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SAMMinistries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on SAMMinistries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SAMMinistries' federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SAMMinistries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with general accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about SAMMinistries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SAMMinistries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SAMMinistries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SAMMinistries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control Over Compliance – continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
November 30, 2024

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Federal Grant/Pass-Through Grant/ Program or Cluster Title	Assistance Listing Number	Pass-Through Grant or Grant Number	Federal Expenditures
<i>FEDERAL AWARDS</i>			
<u>U.S. Department of Housing and Urban Development:</u>			
Continuum of Care Program			
Permanent Supportive Housing	14.267	TX0279L6J002109 TX0279L6J002210	\$ 293,004
Housing First (Families)	14.267	TX0012L6J002114 TX0012L6J002215	1,266,546
Housing First CH Singles	14.267	TX0434L6J002105 TX0434L6J002206	1,366,981
Housing First CH Singles II	14.267	TX0609L6J002100	306,514
Transitional Services	14.267	TX0019L6J002114 TX0019L6J002115	481,259
DV Transitional Housing Rapid Re-Housing	14.267	TX0610D6J002100	510,766
Rapid Re-housing	14.267	TX0358L6J002007 TX0358L6J002108	149,216
SAMM YHDP (Frmlly. Roy Mass) YASS Center	14.267	TX0605Y6J001800	659,018
Youth Rapid Re-Housing (Oasis-Providence Place Transfer)	14.267	TX0582Y6J002101	16,483
Total Assistance Listing Number 14.267			<u>5,049,787</u>
Emergency Solutions Grant Program			
Pass-through from:			
City of San Antonio:			
Emergency Solutions Grant Program - Cares Rapid Re-Housing	14.231	4600020951	270,946
Emergency Solutions Grant Program - Cares Street Outreach	14.231		97,664
Emergency Solutions Grant Program - High Acuity Hotel	14.231		480,978
Emergency Solutions Grant Program - Outreach on the Streets	14.231		487,299
			<u>1,336,887</u>
Texas Department of Housing and Community Affairs:			
TDHCA - Rapid Re-Housing	14.231	4222500004	84,169
TDHCA - Rapid Re-Housing	14.231	42195000051	7,859
			<u>92,028</u>
Bexar County:			
Bexar County Economic and Community Development (ECD) - Homeless Prevention	14.231	E22-UW-48-0500	9,877
Bexar County Prevention	14.231		134,676
Total Assistance Listing Number 14.231			<u>1,573,468</u>
Community Development Block Grants/Entitlement Grants			
Pass-through from:			
City of San Antonio:			
Community Development Block Grant - Outreach on the Streets	14.218	4600020951	65,596
Community Development Block Grant - Rapid Re-Housing & Homelessness Prevention	14.218	4600020951	73,755
Community Development Block Grant - High Acuity Hotel	14.218	4600020951	97,757
Total Assistance Listing Number 14.218			<u>237,108</u>
Total U.S. Department of Housing and Urban Development			<u>6,860,363</u>

See Notes to Schedule of Expenditures of Federal Awards

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

U.S. Department of Treasury

Pass-through from:

City of San Antonio			
State and Local Fiscal Recovery Funds COVID - Integrated Health & Wellness	21.027	4600023276	<u>18,471</u>

Total U.S. Department of Treasury			<u>18,471</u>
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U.S. Department of Homeland Security:

Pass-through from:

United Way of San Antonio & Bexar County:			
Homeless Prevention ARPA-R		ARPAR-7886-00 002 E1	475,863
Homeless Prevention Phase 39		39-7886-00 002 E9	136,807
Emergency Shelter Phase 40	97.024	40-788600-002	<u>44,850</u>

Total U.S. Department of Homeland Security			<u>657,520</u>
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U.S. Department of Justice:

Pass-through from:

Governor's Criminal Justice Division			
Crime Victim Assistance (VOCA)	16.575	3534603	<u>555,758</u>

Total U.S. Department of Justice			<u>555,758</u>
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Total Expenditures of Federal Awards			<u><u>\$ 8,092,112</u></u>
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See Notes to Schedule of Expenditures of Federal Awards

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of San Antonio Metropolitan Ministry, Inc. dba SAMMinistries under programs of the federal government for the year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

All of SAMMinistries' federal awards were in the form of cash assistance for the year ended September 30, 2023. SAMMinistries had no federal funded insurance programs or loan guarantees during the year ended September 30, 2023.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

SAMMinistries has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – RECONCILIATION TO AUDITED FINANCIAL STATEMENTS

Total expenditures of federal awards	\$ 8,092,112
Non-federal awards revenue	<u>293,674</u>
Total Government grants per Statement of Activities	<u>\$ 8,385,786</u>

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

<u>Section I - Summary of Auditors' Results</u>	<u>Description</u>
<i>Financial Statements</i>	
Type of independent auditor's report	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified	Yes
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	No
Type of independent auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance?	No
Major Federal Programs:	
<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing #</u>
Continuum of Care Program	14.267
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section II – Financial Statement Findings

Finding 2022-001: Accounting Reconciliations and Monthly Close Procedures

Type of Finding: Material Weakness

Criteria: The preparation of accurate and timely financial statements are an integral part of internal controls of an organization. This information is needed by management to make informed management decisions, as well as reporting to outside stakeholders, such as federal grantors, funders and other organizations.

Condition: We noted several issues with accounting and reporting matters. We also noted instances where the Organization's application of accounting policies were not consistent with accounting principles generally accepted in the United States of America (U.S. GAAP), or were not consistently applied. The specific issues identified and/or observations included numerous material adjustments identified subsequent to the receipt of the original trial balance.

Cause: The Organization experienced substantial turnover in its accounting department during the year, including the CFO position. Financial reporting and day-to-day accounting procedures were not formally documented, and reconciliations were not reviewed timely for accurate accounting records, which prevented the Organization to accurately close the general ledger and finalize the consolidated financial statements in a timely manner for the audit. The Organization contracted an outsourced accounting firm to assist in reconciliations of the various balance sheet accounts including cash, investments, accounts receivable, pledges receivable, accounts payable, debt, and net assets. The Organization also transitioned to a new accounting software during the fiscal year which further contributed to the lack of consistency in the application of policies and procedures, as the employees did not have expertise in using the various functions of the new software for recording transactions or reconciling the bank accounts.

Effect or Potential Effect: Not having timely or accurate financial information can negatively impact management's decision-making process. Additionally, there is increased risk of material errors to the financial statements or misappropriation of assets that would not be detected by management in a timely manner.

Repeat Finding: Yes

Recommendation: We recommend the Organization commit to evaluating and formally documenting appropriate internal control procedures for all major transaction cycles, including the posting of transactions to the proper grants within the accounting system and timely review of balance sheet and cash reconciliations. We also recommend the Organization establish a process to ensure every balance sheet account is accurately reconciled on a timely basis. We also recommend the Organization invest in not-for-profit financial training for all accounting personnel using the new accounting system.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. See Corrective Action Plan.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Finding 2022-002: Controls Over Preparation of the Schedule of Federal Awards (SEFA)
Type of Finding: Significant Deficiency

Criteria: Per 2 CFR Subpart F—Audit Requirements, the auditee must: (b) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with 2 CFR Section 200.510 Financial Statements.

Condition: We noted a deficiency in internal control over financial reporting as related to the preparation of the SEFA. Specifically, we noted that the SEFA prepared by the Organization was not reviewed to ensure correct amounts were listed for several grants. The Organization's government grant expenditures were not properly tracked in the accounting software, resulting in differences between revenues and expenses billed for several cost-reimbursable grants and material adjustments to accounts receivable for duplicate invoices in the system.

Cause: Lack of management review of the SEFA for accuracy and completeness. The Organization experienced substantial turnover in its accounting department during the year, including the CFO position. The Organization also transitioned to a new accounting software during the fiscal year which further contributed to not properly tracking grant expenditures into the respective grant codes.

Effect or Potential Effect: Lack of controls over financial reporting related to the preparation of the fiscal year SEFA could result in missed major programs or inaccurate program information, and lack of compliance with a Federal Single Audit.

Repeat Finding: Yes

Recommendation: We recommend the Organization's employees responsible for federal grants have adequate training of the SEFA reporting process and requirements. We recommend that the SEFA be reviewed by management and ensure all cost-reimbursable grant revenues and expenditures agree. Further, training on properly recording and tracking grant expenditures in the accounting software should be performed.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. See Corrective Action Plan.

SAN ANTONIO METROPOLITAN MINISTRY, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section III – Federal Award Findings

None

Summary of Prior Audit Findings

Finding 2022- 01 - Accounting Reconciliations and Monthly Close Procedures

Finding 2022- 02 - Controls Over Preparation of the Schedule of Federal Awards (SEFA)