



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
FOR

**METROCREST SERVICES**

September 30, 2017 and 2016



MOSSADAMS

## Table of Contents

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	PAGE
<b>Report of Independent Auditors</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-22

## Report of Independent Auditors

To the Board of Directors  
Metrocrest Services

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Metrocrest Services, which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metrocrest Services as of September 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Dallas, Texas  
January 8, 2018

**Metrocrest Services**  
**Statements of Financial Position**

	September 30,	
	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 151,807	\$ 208,031
Investments, current	333,132	381,367
Support receivables	147,496	161,057
Inventories	191,646	151,949
Prepaid expenses and deposits	31,282	28,510
Total current assets	855,363	930,914
PROPERTY AND EQUIPMENT, net	143,890	158,228
INVESTMENTS, long term	319,313	278,496
SECURITY DEPOSITS	12,819	12,819
Total assets	\$ 1,331,385	\$ 1,380,457
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 31,757	\$ 71,848
Payroll and related liabilities	49,868	41,053
Deferred revenue	88,000	58,904
	169,625	171,805
<b>NET ASSETS</b>		
Unrestricted	438,053	465,957
Temporarily restricted	510,165	549,153
Permanently restricted	213,542	193,542
Total net assets	1,161,760	1,208,652
Total liabilities and net assets	\$ 1,331,385	\$ 1,380,457

**Metrocrest Services**  
**Statement of Activities**  
**Year Ended September 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 1,151,945	1,183,219	\$ 20,000	\$ 2,355,164
Resale store operations, including \$578,653 of donated goods	1,155,539	-	-	1,155,539
Program service revenue	49,780	-	-	49,780
Special event revenue	163,661	-	-	163,661
Donated goods and services - other	1,883,750	-	-	1,883,750
Investment income, net	6,001	19,266	-	25,267
Net assets released from restrictions	1,241,473	(1,241,473)	-	-
Total revenues and support	<u>5,652,149</u>	<u>(38,988)</u>	<u>20,000</u>	<u>5,633,161</u>
<b>EXPENSES</b>				
Programs - resale store operations	1,099,406	-	-	1,099,406
Programs - other	3,887,744	-	-	3,887,744
Supporting services	333,998	-	-	333,998
Fundraising	358,905	-	-	358,905
Total expenses	<u>5,680,053</u>	<u>-</u>	<u>-</u>	<u>5,680,053</u>
<b>CHANGE IN NET ASSETS</b>	(27,904)	(38,988)	20,000	(46,892)
NET ASSETS, beginning of year	<u>465,957</u>	<u>549,153</u>	<u>193,542</u>	<u>1,208,652</u>
NET ASSETS, end of year	<u>\$ 438,053</u>	<u>\$ 510,165</u>	<u>\$ 213,542</u>	<u>\$ 1,161,760</u>

**Metrocrest Services**  
**Statement of Activities**  
**Year Ended September 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 1,009,341	\$ 1,100,163	\$ 120,000	\$ 2,229,504
Resale store operations, including \$558,233 of donated goods	1,116,523	-	-	1,116,523
Program service revenue	66,627	-	-	66,627
Special event revenue	149,666	-	-	149,666
Donated goods and services - other	1,495,546	-	-	1,495,546
Investment income, net	3,911	9,239	-	13,150
Miscellaneous income	6,626	-	-	6,626
Net assets released from restrictions	751,647	(751,647)	-	-
<b>Total revenues and support</b>	<b>4,599,887</b>	<b>357,755</b>	<b>120,000</b>	<b>5,077,642</b>
<b>EXPENSES</b>				
Programs - resale store operations	1,011,697	-	-	1,011,697
Programs - other	3,308,799	-	-	3,308,799
Supporting services	269,784	-	-	269,784
Fundraising	348,184	-	-	348,184
<b>Total expenses</b>	<b>4,938,464</b>	<b>-</b>	<b>-</b>	<b>4,938,464</b>
<b>CHANGE IN NET ASSETS</b>	<b>(338,577)</b>	<b>357,755</b>	<b>120,000</b>	<b>139,178</b>
<b>NET ASSETS, beginning of year</b>	<b>804,534</b>	<b>191,398</b>	<b>73,542</b>	<b>1,069,474</b>
<b>NET ASSETS, end of year</b>	<b>\$ 465,957</b>	<b>\$ 549,153</b>	<b>\$ 193,542</b>	<b>\$ 1,208,652</b>

**Metrocrest Services**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2017**

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	Programs - Resale Store Operations	Programs - Other	Supporting Services	Fundraising	Total
Salaries and wages	\$ 272,319	\$ 772,924	\$ 114,181	\$ 185,541	\$ 1,344,965
Payroll taxes	20,034	56,737	8,189	12,720	97,680
Fringe Benefits	64,099	74,531	64,786	18,138	221,554
Contracted services	21,872	40,991	57,187	22,679	142,729
Supplies general	7,347	26,426	12,463	3,939	50,175
Postage and shipping	258	22,665	1,576	16,516	41,015
Vehicle expense	18,201	123,015	740	2,240	144,196
Program specific costs	-	646,255	174	992	647,421
In-kind expenses	572,352	1,851,095	-	-	2,423,447
Occupancy costs	105,825	159,164	14,157	10,834	289,980
Telephone and internet	3,575	17,510	1,452	1,167	23,704
Equipment costs	1,581	34,392	21,585	7,335	64,893
Depreciation	2	31,609	30,054	95	61,760
Business insurance	3,355	7,265	509	-	11,129
Marketing	20	18,734	128	57,481	76,363
Bank and credit card fees	8,034	900	5,357	5,472	19,763
Other	532	3,531	1,460	13,756	19,279
	<u>532</u>	<u>3,531</u>	<u>1,460</u>	<u>13,756</u>	<u>19,279</u>
Total expenses	<u>\$ 1,099,406</u>	<u>\$ 3,887,744</u>	<u>\$ 333,998</u>	<u>\$ 358,905</u>	<u>\$ 5,680,053</u>



**Metrocrest Services**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2016**

	Programs - Resale Store Operations	Programs - Other	Supporting Services	Fundraising	Total
Salaries and wages	\$ 228,381	\$ 710,248	\$ 107,313	\$ 206,453	\$ 1,252,395
Payroll taxes	17,684	53,459	7,746	15,320	94,209
Fringe Benefits	48,640	65,372	26,688	19,865	160,565
Contracted services	14,953	40,987	31,795	5,730	93,465
Supplies general	6,576	33,090	13,794	12,002	65,462
Postage and shipping	4,356	18,940	1,463	26,705	51,464
Vehicle expense	21,143	117,081	929	2,266	141,419
Program specific costs	3,176	579,376	-	-	582,552
In-kind expenses	552,816	1,465,273	-	-	2,018,089
Occupancy costs	90,751	127,318	12,599	9,569	240,237
Telephone and internet	4,441	13,072	1,033	864	19,410
Equipment costs	1,471	13,979	17,708	3,377	36,535
Depreciation	3,441	38,983	26,391	163	68,978
Business insurance	2,641	7,275	8,422	-	18,338
Marketing	1,090	18,868	20	42,311	62,289
Bank and credit card fees	8,997	37	7,095	2,097	18,226
Other	1,140	5,441	6,788	1,462	14,831
<b>Total expenses</b>	<b>\$ 1,011,697</b>	<b>\$ 3,308,799</b>	<b>\$ 269,784</b>	<b>\$ 348,184</b>	<b>\$ 4,938,464</b>

## Metrocrest Services

### Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (46,892)	\$ 139,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	61,760	68,978
Net investment income	(25,267)	(13,150)
Loss of disposal of fixed assets	-	4,869
Changes in assets and liabilities:		
Support receivables	13,561	(51,680)
Inventories	(39,697)	(30,523)
Other assets	(2,772)	9,142
Accounts payable	(40,091)	34,817
Accrued liabilities	8,815	(45,323)
Deferred revenue	29,096	30,374
Net cash (used) provided by operating activities	<u>(41,487)</u>	<u>146,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(47,422)	(49,686)
Proceeds from redemption of investments	127,685	25,000
Purchases of investments	<u>(95,000)</u>	<u>(220,000)</u>
Net cash used in investing activities	<u>(14,737)</u>	<u>(244,686)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(56,224)	(98,004)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>208,031</u>	<u>306,035</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 151,807</u>	<u>\$ 208,031</u>

**Note 1 – Description of Operations and Summary of Significant Accounting Policies**

**Description of Operations**

Metrocrest Services (Agency) was established in 1977 as a Texas nonprofit corporation that provides emergency assistance to low-income individuals and families as well as supportive services, information and advocacy for residents aged 60 and older and their families. The Agency is a United Way service provider. Specific assistance, as reflected on the statement of functional expenses, includes distribution of food, clothing, household products, baby products, medical costs, rent and utility payments, transportation and employment. The program goals include supporting the independent functioning and quality of life of older adults. These goals are accomplished through direct services to individuals and education activities directed at the community as a whole. The agency operates a resale store containing donated merchandise that is sold to the public. The Agency's primary sources of revenue include contributions and donated supplies from various donors and special events. The Agency also receives support from the municipal governments of Addison, Carrollton, Coppell, and Farmers Branch, Texas as well as certain other governmental entities.

The accompanying financial statements classify case management, home repairs, information and referral, transportation, one-to-one outreach and other direct services as direct aid.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses are recognized in the period in which they are incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Agency and/or the passage of time.

*Permanently restricted net assets* – Those funds limited by the donor(s) for permanent investment of principal and use of income.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Agency considers all currency on hand, demand deposits with banks or financial institutions, and highly liquid short-term investments with original maturities of three months or less to be cash and cash equivalents.

# **Metrocrest Services**

## **Notes to Financial Statements**

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### **Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)**

#### **Investments**

Investments consist primarily of certificates of deposit and are valued at fair value within the statement of financial position. Unrealized gains and losses are included in the change in net assets. Interest income and realized gains and losses related to the certificates of deposit are included in investment income and reported as increases or decreases in unrestricted net assets.

The remaining investments consist of endowment funds. See Note 5 for additional information regarding the Agency's endowment funds.

#### **Contributions Receivable and Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

The Agency uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance has been deemed necessary at September 30, 2017 and 2016, respectively.

#### **Inventories**

Consisting primarily of food, household products, school supplies, furniture and clothing, is carried at cost or estimated fair value at the date of donation. Inventories are valued based on the first-in first-out method.

The Agency receives contributions of goods and materials and processes these contributions as merchandise available for sale in its resale store. The merchandise available for sale in its resale store consists mainly of clothing and household items.

The Agency also receives contributions of food, hygiene items, cleaning products and household supplies which are distributed without charge to qualifying clients.

Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Contributions should be measured at their fair value. The agency believes that the inventory of contributed goods and materials does not possess an attribute that is easily measureable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale. The Agency considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, transportation, sorting and pricing expenses) in its estimate of the fair value of inventories.

**Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)**

**Property and Equipment**

Property and equipment in excess of \$1,000 is capitalized at cost or estimated fair market value of donated assets at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance charges are expensed as incurred. Repairs that materially extend the life of an asset are capitalized.

The estimated useful lives of property and equipment are as follows:

	<u>Estimated Useful Lives</u>
Trucks and vans	5 years
Computers and equipment	3-5 years
Furniture and fixtures	5-7 years
Leasehold improvements	7 years

**Deferred Revenue**

The Agency receives payments for special events and programs in advance of the period in which those services are performed and activities are conducted.

**Income Taxes**

The Agency is a nonprofit Agency that is publicly supported as described in Internal Revenue Code (IRS) Section 501(c)(3) and accordingly, is exempt from federal income taxes under Internal Revenue Code Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Agency applies the provision of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 740-10, Accounting for Uncertainty in Income Taxes, relating to accounting for uncertain tax positions. The Agency recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC No. 740-20 would be immaterial to the financial statements and do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position as of and for the years ended September 30, 2017 and 2016.

# Metrocrest Services

## Notes to Financial Statements

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### Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

#### Fair Value Measurements

The Agency has adopted the provisions of the FASB ASC 820, Fair Value Measurements and Disclosures, which provides the framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1* Quoted prices in active markets for identical assets or liabilities.
- Level 2* Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3* Unobservable inputs that are supported by little or no market activity and that are significant to the assets or liabilities.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Certificates of deposit* - Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

*Pooled assets* - The endowments held by the Agency are invested in a pooled asset fund which includes mutual funds and bonds. The fair values of the pooled assets are valued based on the value of the underlying investments allocated to endowments in the proportionate share of the total pooled asset account held by the custodian of the endowments.

#### Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)**

**Contributed Goods and Services**

Donations of noncash assets, such as contributions to the food pantry and the resale store, are recorded as contributions at their estimated fair value. The Agency also records donated rent at the estimated fair value.

A substantial number of unpaid volunteers have made significant contributions of their time (37,591 and 41,317 hours for the years ended September 30, 2017 and 2016) to develop and implement the programs of the Agency, principally the resale store, food pantry, and special programs such as the mobile meals, home repair, and transportation programs. The value of this time is not reflected in these financial statements. Revenue for these contributed services do not meet criteria described in Note 10 and has not been recognized as revenue in the financial statements.

**Advertising**

Advertising and marketing costs are expensed as incurred. Marketing expense for the years ended September 30, 2017 and 2016 were \$76,363 and \$62,289, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**New Accounting Pronouncements**

The FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14) during August 2016. ASU 2016-14 revises the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is evaluating the effect that implementation of ASU 2016-14 will have on the financial statements of the Agency.

# Metrocrest Services

## Notes to Financial Statements

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### Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

The FASB issued Accounting Standards Update 2016-02, Leases (ASU 2016-02) during February 2016. The amendments in this update affect any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that rise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of the underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight line basis over the lease term. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Management is evaluating the effect implementation of ASU 2016-02 will have on the financial statements of the Agency.

The September 30, 2017 financial statements reflect adoption of FASB Accounting Standards Update 2014-15, Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU-2014-15). ASU 2014-15 defines management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The Agency adopted this ASU and concluded there was not a substantial doubt of continued operations.

#### Reclassifications

Certain amounts from the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassifications do not affect previously recorded net assets.

#### Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Agency recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position including the estimates inherent in the process of preparing the financial statements. The Agency's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

### Note 2 – Cash and Cash Equivalents

	September 30,	
	2017	2016
Cash	\$ 33,462	\$ 91,114
Money markets	118,345	116,917
Total cash and cash equivalents	<u>\$ 151,807</u>	<u>\$ 208,031</u>



## Metrocrest Services Notes to Financial Statements

### Note 3 – Support Receivables

Support receivables consist of the following:

	September 30,	
	2017	2016
United Way	\$ 123,750	\$ 123,750
Program Services	4,746	9,172
Various Donors	19,000	28,060
Other	-	75
	\$ 147,496	\$ 161,057

### Note 4 – Fair Value Measurements

The Agency classifies its investments in accordance with the fair value hierarchy discussed in Note 1. The following table discloses by level the fair value hierarchy as of September 30:

	Investment Assets at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ -	\$ 410,398	\$ -	\$ 410,398
Pooled assets	-	242,047	-	242,047
	\$ -	\$ 652,445	\$ -	\$ 652,445

  

	Investment Assets at Fair Value as of September 30, 2016			
	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ -	\$ 457,082	\$ -	\$ 457,082
Pooled assets	-	202,781	-	202,781
	\$ -	\$ 659,863	\$ -	\$ 659,863

Net investment income for the years ended September 30, 2017 and 2016 consisted of the following:

	2017	2016
Interest income	\$ 9,695	\$ 14,307
Realized gains	4,695	5,943
Change in unrealized gains	13,799	(7,008)
Investment fees	(2,922)	(92)
Total investment income	\$ 25,267	\$ 13,150

## **Metrocrest Services**

### **Notes to Financial Statements**

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#### **Note 5 – Endowment Funds**

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, the Agency classifies as permanently restricted net assets as (1) the original value of the gift, and (2) the original value of subsequent gifts to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Agency and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Agency
- The investment policies of the Agency

The Agency has adopted investment and spending policies for endowment assets, the objective of which is to preserve and enhance the purchasing power of assets held for the benefit of the Agency while providing a stream of income to provide financial support for the Agency.

In order to achieve this objective, the Agency selects one or more investment advisors and instructs those advisors as to the proper allocation of the assets under their individual management. In general, assets are allocated among stocks, mutual funds, bonds and cash or cash equivalents.

The Agency has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, the Agency considers the long-term expected return on its endowment. This is consistent with the Agency's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

**Metrocrest Services**  
**Notes to Financial Statements**

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**Note 5 – Endowment Funds (continued)**

Endowment net asset composition by type of fund as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 28,505	\$ 213,542	\$ 242,047
Total	<u>\$ -</u>	<u>\$ 28,505</u>	<u>\$ 213,542</u>	<u>\$ 242,047</u>

Changes in endowment net assets for the fiscal year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 9,239	\$ 193,542	\$ 202,781
Investment return	-	2,574	-	2,574
Net appreciation (realized and unrealized)	-	16,692	-	16,692
Total investment return	-	19,266	-	19,266
Contributions	-	-	20,000	20,000
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 28,505</u>	<u>\$ 213,542</u>	<u>\$ 242,047</u>

## Metrocrest Services

### Notes to Financial Statements

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#### Note 5 – Endowment Funds (continued)

Endowment Net Asset Composition by Type of Fund as of September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 9,239	\$ 193,542	\$ 202,781
Total	<u>\$ -</u>	<u>\$ 9,239</u>	<u>\$ 193,542</u>	<u>\$ 202,781</u>

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ (2,057)</u>	<u>\$ -</u>	<u>\$ 73,542</u>	<u>\$ 71,485</u>
Designation of unrestricted-undesignated funds to cover deficiencies of perpetual endowments	<u>2,057</u>	<u>(2,057)</u>	<u>-</u>	<u>-</u>
Investment return	<u>-</u>	<u>9,883</u>	<u>-</u>	<u>9,883</u>
Net appreciation (realized and unrealized)	<u>-</u>	<u>1,413</u>	<u>-</u>	<u>1,413</u>
Total investment return	<u>-</u>	<u>11,296</u>	<u>-</u>	<u>11,296</u>
Contributions	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 9,239</u>	<u>\$ 193,542</u>	<u>\$ 202,781</u>

#### Note 6 – Inventories

At September 30, 2017 and 2016, inventories consisted of the following:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Resale store	\$ 39,531	\$ 49,732
Food pantry	152,115	69,569
School supplies	<u>-</u>	<u>32,648</u>
Total	<u>\$ 191,646</u>	<u>\$ 151,949</u>

## Metrocrest Services Notes to Financial Statements

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### Note 7 – Property and Equipment

At September 30, 2017 and 2016, property and equipment at cost consist of the following:

	September 30,	
	<u>2017</u>	<u>2016</u>
Trucks and vans	\$ 343,657	\$ 318,308
Computers and equipment	197,007	262,797
Furniture and fixtures	18,459	29,027
Leasehold improvements	<u>37,053</u>	<u>40,357</u>
	596,176	650,489
Accumulated depreciation	<u>(452,286)</u>	<u>(492,261)</u>
	<u>\$ 143,890</u>	<u>\$ 158,228</u>

Depreciation expense was \$61,760 and \$68,978 for the years ended September 30, 2017 and 2016, respectively.

### Note 8 – Lease Commitments

The Agency leases various buildings and equipment under noncancellable operating agreements through 2020. Future minimum lease payments required under these agreements are as follows:

2018	\$ 83,475
2019	61,333
2020	<u>56,222</u>
	<u>\$ 201,030</u>

Lease expense was \$289,980 and \$240,237 for the years ended September 30, 2017 and 2016, respectively, including the in-kind contribution detailed in Note 10.

## Metrocrest Services

### Notes to Financial Statements

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#### Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
United Way	\$ 123,750	\$ 113,750
Transportation - Medical Rides	102,483	-
Social Services	90,493	58,000
Endowment Related	28,505	9,239
Disaster Relief	26,952	35,910
EFSP-FEMA	26,529	-
Housing Assistance	26,333	-
Lifeline & Senior Security	21,142	33,358
Utilities Assistance	17,428	37,706
Financial Education	16,728	-
School Supplies and Shoes	15,535	16,041
Medical Assistance	14,287	27,540
Weekend Backpacks	-	105,973
Sack Summer Hunger	-	55,363
Technology	-	49,543
Eye Glasses and Eye Exams	-	5,595
Holiday Programs	-	1,135
	<u>\$ 510,165</u>	<u>\$ 549,153</u>

## Metrocrest Services Notes to Financial Statements

### Note 9 – Temporarily Restricted Net Assets (continued)

Net assets released from restrictions during the years ended September 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Pantry	\$ 358,316	\$ 49,531
United Way	155,000	123,750
Weekend Backpacks	106,624	34,030
Sack Summer Hunger	104,330	103,340
Transportation	103,676	40,299
EFSP-FEMA	91,471	5,060
Utilities Assistance	49,778	37,681
Technology	49,543	60,457
Social Services	47,397	115,215
Financial Education	43,272	25,000
School Supplies and Shoes	34,358	32,518
Holiday Programs	29,778	40,947
Housing Assistance	23,667	-
Lifeline & Senior Security	17,216	42,738
Medical Assistance	13,253	830
Disaster Relief	8,958	2,924
Eye Glasses and Eye Exams	3,095	5,225
Home Repair	1,604	2,102
Home Delivered Meals	137	-
Employment	-	30,000
	<u>\$ 1,241,473</u>	<u>\$ 751,647</u>

### Note 10 – Contributed Goods and Services

Donated goods and services are recognized as contributions in accordance with U.S. GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency.

The Agency received \$2,363,497 and \$1,977,289 of in-kind food pantry, resale store, school supplies, rent, and holiday store items during the years ended September 30, 2017 and 2016, respectively, that met the accounting requirement for recognition in the financial statements. In addition, the Agency received \$98,906 and \$75,622 of donated rent for warehouse space for the years ended September 30, 2017 and 2016, respectively.

## **Metrocrest Services**

### **Notes to Financial Statements**

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#### **Note 10 – Contributed Goods and Services (continued)**

For the years ended September 30, 2017 and 2016, numerous volunteers contributed over 37,500 and 41,000 to the Agency in the resale store, food pantry, and special programs. These volunteer hours did not meet the criteria for recording in the financial statements.

#### **Note 11 – 401(k) Plan**

The Agency has a 401(k) defined contribution retirement plan covering all eligible employees. The plan features automatic enrollment of employees at a deferral rate of 6% of eligible wages. The Agency contributes 50% of employee elective deferral contributions up to the employee contribution of 6%. Employer contributions were \$27,528 and \$34,907 for the years ended September 30, 2017 and 2016, respectively.

#### **Note 12 – Economic Dependency**

The Agency is supported primarily through donor contributions and grants, municipal assistance, and retail operations. Sales from retail operations were approximately 10% and 11%, municipal assistance represented approximately 12% and 13%, and in-kind donations were approximately 44% and 41% of the Agency's support and revenue for the years September 30 2017 and 2016, respectively. One donor represented 84% and 77% of the supports receivables as of September 30, 2017 and 2016, respectively.

The Agency is dependent on future support and revenue in order to meet its obligations as they become due and continue its current level of operations. While no formal long-term arrangements exist, this support is expected to be received from external sources.

#### **Note 13 – Concentration of Credit Risk**

The Agency maintains its cash balances in national financial institution branches located in Frisco, Texas. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and at times they exceed depository insurance limits, and therefore expose the Agency to credit risk. Management does not believe that these funds are at risk.

#### **Note 14 – Subsequent Events**

The management of Metrocrest Services evaluated subsequent events through January 8, 2018, which is the date that the financial statements were available to be issued.