



Report of Independent Auditors  
and Financial Statements for

**METROCREST SERVICES**

September 30, 2016 and 2015

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

## **CONTENTS**

---

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
FINANCIAL STATEMENTS	
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	9-20

## 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 statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

**MOSS ADAMS** LLP

***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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter – Prior Period Financial Statements***

The financial statements of Metrocrest Services for the year ended September 30, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on February 17, 2016.

*Moss Adams LLP*

Dallas, Texas  
January 16, 2017

**METROCREST SERVICES**  
**STATEMENTS OF FINANCIAL POSITION**

	September 30,	
	2016	2015
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 208,031	\$ 306,035
Investments, current	381,367	302,671
Support receivables	161,057	109,377
Inventories	151,949	121,426
Prepaid expenses and deposits	28,510	37,652
Total current assets	930,914	877,161
PROPERTY AND EQUIPMENT, net	158,228	182,389
INVESTMENTS, long term	278,496	149,042
SECURITY DEPOSITS	12,819	12,819
Total assets	\$ 1,380,457	\$ 1,221,411
<b><u>LIABILITIES AND NET ASSETS</u></b>		
CURRENT LIABILITIES		
Accounts payable	\$ 71,848	\$ 37,031
Payroll and related liabilities	41,053	86,376
Deferred revenue	58,904	28,530
Total current liabilities	171,805	151,937
NET ASSETS		
Unrestricted	475,196	804,534
Temporarily restricted	539,914	191,398
Permanently restricted	193,542	73,542
Total net assets	1,208,652	1,069,474
Total liabilities and net assets	\$ 1,380,457	\$ 1,221,411

**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	13,150	-	-	13,150
Miscellaneous income	6,626	-	-	6,626
Net assets released from restrictions	751,647	(751,647)	-	-
<b>Total revenues and support</b>	<u>4,609,126</u>	<u>348,516</u>	<u>120,000</u>	<u>5,077,642</u>
<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>	<u>4,938,464</u>	<u>-</u>	<u>-</u>	<u>4,938,464</u>
<b>CHANGE IN NET ASSETS</b>	(329,338)	348,516	120,000	139,178
<b>NET ASSETS, beginning of year</b>	<u>804,534</u>	<u>191,398</u>	<u>73,542</u>	<u>1,069,474</u>
<b>NET ASSETS, end of year</b>	<u>\$ 475,196</u>	<u>\$ 539,914</u>	<u>\$ 193,542</u>	<u>\$ 1,208,652</u>

**METROCREST SERVICES**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 1,135,283	\$ 858,006	\$ -	\$ 1,993,289
Resale store operations, including \$549,092 of donated goods	1,089,584	-	-	1,089,584
Program service revenue	73,193	-	-	73,193
Special event revenue	228,380	-	-	228,380
Donated goods and services - other	1,110,844	-	-	1,110,844
Investment loss, net	(2,102)	-	-	(2,102)
Net assets released from restrictions	899,179	(899,179)	-	-
Total revenues and support	<u>4,534,361</u>	<u>(41,173)</u>	<u>-</u>	<u>4,493,188</u>
<b>EXPENSES</b>				
Programs - resale store operations	888,462	-	-	888,462
Programs - other	2,807,590	-	-	2,807,590
Supporting services	260,491	-	-	260,491
Fundraising	286,647	-	-	286,647
Total expenses	<u>4,243,190</u>	<u>-</u>	<u>-</u>	<u>4,243,190</u>
CHANGE IN NET ASSETS	291,171	(41,173)	-	249,998
NET ASSETS, beginning of year	<u>513,363</u>	<u>232,571</u>	<u>73,542</u>	<u>819,476</u>
NET ASSETS, end of year	<u>\$ 804,534</u>	<u>\$ 191,398</u>	<u>\$ 73,542</u>	<u>\$ 1,069,474</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
Employee benefits	48,640	65,372	26,688	19,865	160,565
Contracted services	14,953	40,987	31,795	5,730	93,465
Supplies	6,576	33,090	13,794	12,002	65,462
Printing and shipping	4,356	18,940	1,463	26,705	51,464
Transportation	21,143	117,081	929	2,266	141,419
Specific assistance	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
Communications	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
Insurance	2,641	7,275	8,422	-	18,338
Public relations	1,090	18,868	20	42,311	62,289
Other	10,137	5,478	13,883	3,559	33,057
<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**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Programs - Resale Store Operations	Programs - Other	Supporting Services	Fundraising	Total
Salaries and wages	\$ 180,929	\$ 639,612	\$ 114,554	\$ 168,935	\$ 1,104,030
Payroll taxes	13,478	45,375	5,190	9,251	73,294
Employee benefits	31,255	53,236	13,217	19,723	117,431
Contracted services	2,737	28,180	42,241	7,901	81,059
Supplies	3,205	19,777	11,812	3,868	38,662
Printing and shipping	390	38,496	9,236	15,151	63,273
Transportation	18,943	104,098	673	1,882	125,596
Specific assistance	46	555,430	-	-	555,476
In-kind expenses	534,058	1,114,430	400	-	1,648,888
Occupancy costs	82,117	122,997	7,825	9,740	222,679
Communications	2,893	13,875	1,934	457	19,159
Equipment costs	-	9,614	17,582	-	27,196
Depreciation	3,735	50,557	13,967	174	68,433
Insurance	3,626	2,659	10,570	-	16,855
Public relations	3,472	5,341	248	45,313	54,374
Other	7,578	3,913	11,042	4,252	26,785
<b>Total expenses</b>	<b>\$ 888,462</b>	<b>\$ 2,807,590</b>	<b>\$ 260,491</b>	<b>\$ 286,647</b>	<b>\$ 4,243,190</b>

**METROCREST SERVICES**  
**STATEMENTS OF CASH FLOWS**

	Year Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 139,178	\$ 249,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,978	68,433
Net investment (income) loss	(13,150)	4,982
Loss of disposal of fixed assets	4,869	-
Changes in assets and liabilities:		
Support receivables	(51,680)	(19,088)
Inventories	(30,523)	(10,157)
Other assets	9,142	(9,014)
Accounts payable	34,817	17,812
Accrued liabilities	(45,323)	16,792
Deferred revenue	30,374	10,800
Net cash provided by operating activities	146,682	330,558
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(49,686)	(51,093)
Proceeds from redemption of investments	25,000	142,231
Purchases of investments	(220,000)	(372,510)
Net cash used in investing activities	(244,686)	(281,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(98,004)	49,186
CASH AND CASH EQUIVALENTS, beginning of year	306,035	256,849
CASH AND CASH EQUIVALENTS, end of year	\$ 208,031	\$ 306,035

## METROCREST SERVICES NOTES TO FINANCIAL STATEMENTS

---

### 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.

**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 are included in investment income and reported as increases or decreases in unrestricted net assets.

## METROCREST SERVICES

### NOTES TO FINANCIAL STATEMENTS

---

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

**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, 2016 and 2015, 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 by 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.

**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

## METROCREST SERVICES

### NOTES TO FINANCIAL STATEMENTS

---

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

**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, 2016 and 2015.

**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.

## METROCREST SERVICES NOTES TO FINANCIAL STATEMENTS

---

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

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 include 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.

**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 (41,317 and 41,035 hours for the years ended September 30, 2016 and 2015) 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, 2016 and 2015 were \$62,288 and \$54,374, 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 ASU2016-14 will have on the financial statements of the Agency.

**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.

**METROCREST SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**

---

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

**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,	
	2016	2015
Cash	\$ 91,114	\$ 159,805
Money markets	116,917	146,230
Total cash and cash equivalents	<u>\$ 208,031</u>	<u>\$ 306,035</u>

**Note 3 – Support Receivables**

Support receivables consist of the following:

	September 30,	
	2016	2015
United Way	\$ 123,750	\$ 82,500
Program Services	9,172	13,994
Various Donors	28,060	12,883
Other	75	-
	<u>\$ 161,057</u>	<u>\$ 109,377</u>

**METROCREST SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**

**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, 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
	Investment Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ -	\$ 378,171	\$ -	\$ 378,171
Pooled assets	-	73,542	-	73,542
	\$ -	\$ 451,713	\$ -	\$ 451,713

Net investment income (loss) for the years ended September 30, 2016 and 2015 consisted of the following:

	2016	2015
Interest income	\$ 14,307	\$ 4,715
Realized gains	5,943	430
Change in unrealized gains	(7,008)	(5,412)
Investment fees	(92)	(1,835)
Total investment (loss) income	\$ 13,150	\$ (2,102)

**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.



## METROCREST SERVICES NOTES TO FINANCIAL STATEMENTS

---

### Note 5 - Endowment Funds (continued)

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.

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>

**METROCREST SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**

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

Changes in endowment net assets for the fiscal year ended September 30, 2016:

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

Endowment Net Asset Composition by Type of Fund as of September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (2,057)	\$ -	\$ 73,542	\$ 71,485
Total	<u>\$ (2,057)</u>	<u>\$ -</u>	<u>\$ 73,542</u>	<u>\$ 71,485</u>

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 2,665	\$ 73,542	\$ 76,207
Designation of unrestricted-undesignated funds to cover deficiencies of perpetual endowments	(2,057)	2,057	-	-
Investment return	-	2,496	-	2,496
Net appreciation (depreciation) (realized and unrealized)	-	(7,218)	-	(7,218)
Total investment return	-	(4,722)	-	(4,722)
Contributions	-	-	-	-
Endowment net assets, end of year	<u>\$ (2,057)</u>	<u>\$ -</u>	<u>\$ 73,542</u>	<u>\$ 71,485</u>

**METROCREST SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 6 - Inventories**

At September 30, 2016 and 2015, inventories consisted of the following:

	September 30,	
	2016	2015
Resale store	\$ 49,732	\$ 39,153
Food pantry	69,569	40,337
School supplies	32,648	41,936
Total	\$ 151,949	\$ 121,426

**Note 7 - Property and Equipment**

At September 30, 2016 and 2015, property and equipment at cost consist of the following:

	September 30,	
	2016	2015
Trucks and vans	\$ 318,308	\$ 313,610
Computers and equipment	262,797	233,646
Furniture and fixtures	29,027	29,027
Leasehold improvements	40,357	40,357
	650,489	616,640
Accumulated depreciation	(492,261)	(434,251)
	\$ 158,228	\$ 182,389

Depreciation expense was \$68,978 and \$68,433 for the years ended September 30, 2016 and 2015, 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:

2017	\$ 127,390
2018	83,475
2019	61,333
2020	56,222
	\$ 328,420

Lease expense was \$240,236 and \$219,157 for the years ended September 30, 2016 and 2015, respectively, including the in-kind contribution detailed in Note 10.

**METROCREST SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 9 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at September 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
United Way	\$ 113,750	\$ 82,500
Weekend Backpacks	105,973	-
Senior Specialist S&W + benefits	58,000	-
Sack summer hunger	55,363	-
Technology	49,543	-
Utilities assistance	37,706	29,409
Disaster relief	35,910	38,769
Lifeline & Senior Security	33,358	-
Prescriptions and other medical assistance	27,540	5,870
School supplies and shoes	16,041	9,809
Eye glasses and eye exams	5,595	5,820
Holiday programs	1,135	14,161
EFSP-FEMA	-	5,060
	<u>\$ 539,914</u>	<u>\$ 191,398</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, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
United Way	\$ 123,750	\$ 65,000
Social services	115,215	1,900
Sack summer hunger	103,340	88,628
Technology	60,457	-
Pantry	49,531	54,548
Lifeline & senior security	42,738	-
Holiday programs	40,947	19,140
Transportation	40,299	248,417
Utilities assistance	37,681	65,171
Weekend backpacks	34,030	-
School supplies and shoes	32,518	35,551
Employment	30,000	23,000
Financial education	25,000	67,157
Eye glasses and eye exams	5,225	2,090
EFSP-FEMA	5,060	74,394
Disaster relief	2,924	88,447
Home repair	2,102	1,838
Prescriptions and other medical assistance	830	475
Merger assistance	-	25,334
Rent and mortgage assistance	-	25,000
GED program	-	4,799
Home delivered meals	-	4,081
Utilities and clothing for children	-	3,209
Miscellaneous social services	-	1,000
	<u>\$ 751,647</u>	<u>\$ 899,179</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.

During the year ended September 30, 2016, the Agency received \$1,977,289 and \$1,574,512 of in-kind food pantry, resale store, school supplies, rent, and holiday store items during the years ended September 30, 2016 and 2015, respectively, that met the accounting requirement for recognition in the financial statements. In addition, the Agency received \$75,622 and \$89,592 of donated rent for warehouse space for the years ended September 30, 2016 and 2015, respectively.

**Note 10 - Contributed Goods and Services (continued)**

For the years ended September 30, 2016 and 2015, numerous volunteers contributed over 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. Employer contributions were \$34,907 for the year ended September 30, 2016, with no contributions being made for the year ended September 30, 2015.

**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 11% and 12%, municipal assistance represented approximately 13% and 16%, and in-kind donations were approximately 41% and 37% of the Agency's support and revenue for the years September 30 2016 and 2015, respectively. One donor represented 77% and 75% of the supports receivables as of September 30, 2016 and 2015, 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. Deposit amounts in excess of insured limits were \$250,000 at September 30, 2016. Management does not believe that these funds are at risk.

**Note 14 - Subsequent Events**

The management of Metrocrest Services evaluated subsequent events through January 16, 2017, which is the date that the financial statements were available to be issued.