



**Metro Dallas Homeless Alliance
And Affiliate**

**Consolidated Financial Statements
December 31, 2016 and 2015**

Metro Dallas Homeless Alliance and Affiliate

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Independent Auditors' Report

Board of Directors
Metro Dallas Homeless Alliance and Affiliate

We have audited the accompanying consolidated financial statements of Metro Dallas Homeless Alliance and Affiliate (nonprofit organizations) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metro Dallas Homeless Alliance and Affiliate as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads "Sutton Frost Cary". The signature is written in a cursive, flowing style.

A Limited Liability Partnership

Arlington, Texas
August 14, 2017

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 210,830	\$ 288,591
Grants and accounts receivable	195,331	165,325
Prepaid expenses	36,654	27,122
Property and equipment, net	27,417	21,617
Investment in joint venture	109,874	66,611
Total assets	\$ 580,106	\$ 569,266
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,195	\$ 13,186
Accrued expenses	85,343	104,704
Deferred revenue	10,410	17,145
Total liabilities	97,948	135,035
Net assets:		
Unrestricted	431,089	342,518
Temporarily restricted	51,069	91,713
Total net assets	482,158	434,231
Total liabilities and net assets	\$ 580,106	\$ 569,266

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions and grant revenue:			
Corporations	\$ 1,177	\$ 2,000	\$ 3,177
Foundations	148,985	114,741	263,726
Governments	726,919	-	726,919
Organizations	17,210	9,262	26,472
Individuals	30,871	45	30,916
In-kind	85,339	-	85,339
Net assets released from restriction	166,692	(166,692)	-
Total contributions and grant revenue	1,177,193	(40,644)	1,136,549
Program income	200,653	-	200,653
Membership fees	5,650	-	5,650
Other	35,391	-	35,391
Total revenue and support	1,418,887	(40,644)	1,378,243
Other income:			
Income from joint venture	43,263	-	43,263
Interest income	26	-	26
Total other income	43,289	-	43,289
Total revenue, support and other income	1,462,176	(40,644)	1,421,532
Expenses:			
Program services	1,145,353	-	1,145,353
General and administrative	159,596	-	159,596
Fundraising	68,656	-	68,656
Total expenses	1,373,605	-	1,373,605
Increase (decrease) in net assets	88,571	(40,644)	47,927
Net assets at beginning of year	342,518	91,713	434,231
Net assets at end of year	\$ 431,089	\$ 51,069	\$ 482,158

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions and grant revenue:			
Corporations	\$ 56,750	\$ -	\$ 56,750
Foundations	142,539	7,000	149,539
Governments	464,821	-	464,821
Organizations	1,757	61,331	63,088
Individuals	18,934	7,032	25,966
In-kind	80,396	-	80,396
Net assets released from restriction	53,331	(53,331)	-
Total contributions and grant revenue	818,528	22,032	840,560
Program income	363,225	-	363,225
Membership fees	2,825	-	2,825
Other	16,429	-	16,429
Total revenue and support	1,201,007	22,032	1,223,039
Other income:			
Income from joint venture	6,625	-	6,625
Interest income	71	-	71
Total other income	6,696	-	6,696
Total revenue, support and other income	1,207,703	22,032	1,229,735
Expenses:			
Program services	938,063	-	938,063
General and administrative	245,499	-	245,499
Fundraising	83,144	-	83,144
Total expenses	1,266,706	-	1,266,706
Increase (decrease) in net assets	(59,003)	22,032	(36,971)
Net assets at beginning of year	401,521	69,681	471,202
Net assets at end of year	\$ 342,518	\$ 91,713	\$ 434,231

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 705,066	\$ 93,618	\$ 58,110	\$ 856,794
Contract services, consulting and professional fees	190,129	13,295	1,162	204,586
Travel, conferences and meetings	17,480	871	143	18,494
Training	9,216	-	-	9,216
Advertising and promotion	930	-	881	1,811
Bank and financial services fees	1,677	408	568	2,653
Communications and information technology	30,842	3,133	2,540	36,515
Memberships and subscriptions	1,549	32	28	1,609
Miscellaneous	1,747	886	2,404	5,037
Hospitality and entertainment	2,338	499	-	2,837
Insurance	3,254	3,128	-	6,382
Postage and delivery	16	700	87	803
Printing and copying	3,973	242	203	4,418
Occupancy	6,509	1,053	241	7,803
Supplies	9,337	358	391	10,086
Depreciation	-	9,059	-	9,059
Bad debt	6,603	-	-	6,603
Client assistance	103,560	-	-	103,560
In-kind	51,127	32,314	1,898	85,339
	<u>\$ 1,145,353</u>	<u>\$ 159,596</u>	<u>\$ 68,656</u>	<u>\$ 1,373,605</u>

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 606,420	\$ 142,355	\$ 56,069	\$ 804,844
Contract services, consulting and professional fees	187,657	25,551	9,002	222,210
Travel, conferences and meetings	19,011	75	3,271	22,357
Training	20,513	-	-	20,513
Advertising and promotion	-	-	682	682
Bank and financial services fees	50	12,124	342	12,516
Communications and information technology	21,123	8,544	5,364	35,031
Memberships and subscriptions	1,725	149	-	1,874
Miscellaneous	155	1,015	-	1,170
Hospitality and entertainment	3,031	120	1,298	4,449
Insurance	-	10,895	-	10,895
Postage and delivery	118	511	177	806
Printing and copying	193	4,764	166	5,123
Occupancy	4,375	1,871	1,656	7,902
Supplies	5,232	3,093	74	8,399
Depreciation	6,791	1,836	2,250	10,877
Bad debt	8,912	-	-	8,912
Client assistance	7,750	-	-	7,750
In-kind	45,007	32,596	2,793	80,396
	<u>\$ 938,063</u>	<u>\$ 245,499</u>	<u>\$ 83,144</u>	<u>\$ 1,266,706</u>

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 47,927	\$ (36,971)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operations:		
Allowance for doubtful accounts	316	8,910
Depreciation	9,059	10,877
Income from joint venture	(43,263)	(6,625)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(30,322)	(39,940)
Prepaid expenses	(9,532)	(5,883)
Accounts payable	(10,991)	10,766
Accrued expenses	(19,361)	75,566
Deferred revenue	(6,735)	17,145
Net cash provided (used) by operating activities	(62,902)	33,845
Cash flows from investing activities:		
Purchases of property and equipment	(14,859)	(7,500)
Net cash used by investing activities	(14,859)	(7,500)
Cash flows from financing activities:		
Payments on note payable	-	(200,000)
Net cash used by financing activities	-	(200,000)
Decrease in cash and cash equivalents	(77,761)	(173,655)
Cash and cash equivalents at beginning of year	288,591	462,246
Cash and cash equivalents at end of year	\$ 210,830	\$ 288,591

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

1. Organization

Metro Dallas Homeless Alliance (MDHA) is a Texas nonprofit corporation located in Dallas, Texas. It was established and is operated as a member organization composed of a broad spectrum of stakeholders committed to ending homelessness. In 2003, it was designated by the Dallas City Council as the regional authority on homelessness and charged with implementing homeless initiatives in Dallas' 10-Year Plan to End Chronic Homelessness. MDHA is supported by contributions and grants from individuals, companies, foundations and governmental agencies. It also earns fees by providing program services and by fees charged for memberships.

Homeless Management Information System

MDHA accomplishes its purpose through the following programs:

Continuum of Care - MDHA is recognized by the local community and the U.S. Department of Housing and Urban Development (HUD) as the lead agency for the Continuum of Care (CoC) serving Dallas and Collin Counties. As the CoC lead agency, MDHA collaborates with the local CoC Board of Directors to:

- Operate the Continuum of Care
- Provide for a Homeless Management Information System (HMIS) for the Continuum of Care
- Plan for the Continuum of Care
- Serve as the collaborative applicant for funding

Coordinated Assessment - MDHA provides a telephone helpline for persons facing a housing crisis, conducts a uniformed assessment, makes referrals to the appropriate housing intervention organization through prioritization and makes referrals to service and housing providers in the CoC.

Homeless Management Information System - MDHA administers the HMIS that supports required client and services data collection, reporting and performance evaluation for nearly \$70 million in federal, state, and local programs to prevent and end homelessness.

Resources for Partner Agencies - MDHA oversees funds that are utilized by organizations for direct aid to the homeless within the CoC.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

The Housing Authority of the City of Dallas

MDHA entered into an agreement with The Housing Authority of the City of Dallas, Texas, a Texas public housing authority (DHA), to lease apartment units through December 31, 2019 as part of MDHA's mission to reinforce the public supportive housing initiative for single women and families composed of women and children who are homeless or formerly homeless. The apartments are leased under a "bargain" lease agreement from DHA for \$1 annually.

MDHA Pebbles, LLC

On February 22, 2010, MDHA Pebbles, LLC (Pebbles) was formed in the state of Texas, to alleviate poverty and provide housing, shelter and support for independent living directly to the homeless population of Dallas, Texas. MDHA is the sole member of Pebbles. Pebbles owns a 50 percent interest in Pebbles Apartments, L.L.C. (PA) which subleases the apartments referred to above from MDHA and operates the apartments under an operating agreement with MDHA. Pebbles has no operations of its own. MDHA and Pebbles are collectively referred to herein as the Organization.

In 2010, operations of the apartment units began in PA. PA is an entity owned 50 percent by Pebbles and 50 percent by Pebbles PSH, Inc., an unrelated Texas nonprofit corporation. Pebbles PSH, Inc. is the controlling member and manager over PA in accordance with the operating agreement effective May 5, 2010. Accordingly, PA is not consolidated as part of MDHA's consolidated financial statements, but MDHA's investment and its share of the earnings and losses of PA are shown in the Organization's consolidated financial statements as investment in joint venture. In connection with the operation of the apartments, PA collects rents and pays operating expenses.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

Consolidated Financial Statements

The financial statements of MDHA and Pebbles have been consolidated and all inter-organizational transactions and accounts have been eliminated.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

Consolidated Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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

Temporarily restricted net assets - Net assets subject to donor or grantor stipulations that will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purpose. There are no permanently restricted net assets at December 31, 2016 or 2015.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on 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.

Cash Equivalents

Cash equivalents consist of all highly liquid investments purchased with an initial maturity of three months or less.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash, cash equivalents, and grants and accounts receivable. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Grants receivable are due from various grantor agencies and donors. Accounts receivable are unsecured and are due from various agencies for user fees related to the HMIS system. MDHA continually evaluates the collectability of grants and accounts receivable and maintains allowances for potential losses, if considered necessary.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

MDHA maintains cash balances at a financial institution located in Texas. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Investment in Joint Venture

The Organization uses the equity method to account for its investment in Pebbles. Under the equity method, the Organization recognizes its share of the earnings and losses of the joint venture as they accrue. Advances and distributions are charged and credited directly to the investment account.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Government grant revenue is recognized as contract terms are fulfilled. Cost reimbursement contracts are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

Donated rent is reflected as a contribution at the estimated fair value. Contributions of services are recorded as estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation.

Grants and Contracts

The Organization receives grants and contracts from federal and state agencies to be used for specific programs. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in grants receivable.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the consolidated financial position or changes in net assets of the Organization.

Federal Income Taxes

MDHA is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC). Pebbles is a wholly-owned-for-profit subsidiary of MDHA which is considered to be a disregarded entity in the preparation of MDHA's federal information return.

For the years ended December 31, 2016 and 2015, MDHA had no material unrelated business income, including pass-through income from Pebbles. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing MDHA's tax returns and recognition of a tax liability (or asset) if MDHA has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by MDHA, and has concluded that as of December 31, 2016 and 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Allocation of Functional Expenses

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

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimated.

Reclassifications

Certain amounts in the 2015 comparative totals have been reclassified to be consistent with the 2016 presentation.

Metro Dallas Homeless Alliance and Affiliate
Notes to Consolidated Financial Statements

3. Grants and Accounts Receivable

Grants and accounts receivable consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 139,459	\$ 105,062
Accounts receivable	41,945	47,224
Pledges receivable	20,441	19,759
Other	2,714	2,190
Allowance for doubtful accounts	<u>(9,228)</u>	<u>(8,910)</u>
	<u>\$ 195,331</u>	<u>\$ 165,325</u>

4. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 61,745	\$ 46,885
Software	7,500	7,500
Accumulated depreciation	<u>(41,828)</u>	<u>(32,768)</u>
	<u>\$ 27,417</u>	<u>\$ 21,617</u>

Depreciation expense totaled \$9,059 and \$10,877 for the years ended December 31, 2016 and 2015, respectively.

Metro Dallas Homeless Alliance and Affiliate
Notes to Consolidated Financial Statements

5. Investment in Joint Venture

The Organization has a 50% investment in PA. Summarized financial information relative to the joint venture is as follows:

	<u>2016</u>	<u>2015</u>
Current/total assets (primarily cash)	<u>\$ 221,514</u>	<u>\$ 166,285</u>
Current liabilities	\$ 14,072	\$ 45,370
Partners' equity	<u>207,442</u>	<u>120,915</u>
	<u>\$ 221,514</u>	<u>\$ 166,285</u>
Revenue	\$ 314,852	\$ 290,076
Net earnings	86,527	13,251
Organization's interest in net earnings	43,263	6,625

6. Note Payable

The Organization borrowed \$200,000 under the term of a promissory note agreement with the Rees-Jones Foundation in early 2014. The promissory note was due and payable in equal monthly installments of \$20,000, commencing on January 31, 2015 and continuing thereafter until October 31, 2015. The note was interest free and was fully paid in 2015.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Client assistance	\$ 30,628	\$ 33,081
Time restricted	20,441	19,759
Technology grant	-	8,441
Coordinated Assessment System	<u>-</u>	<u>30,432</u>
	<u>\$ 51,069</u>	<u>\$ 91,713</u>

Metro Dallas Homeless Alliance and Affiliate
Notes to Consolidated Financial Statements

8. In-Kind Contributions and Related Party Transaction

In-kind revenue and expense consists of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Occupancy	\$ 59,659	\$ 59,659
Legal services from board member	<u>25,680</u>	<u>20,737</u>
Total	<u>\$ 85,339</u>	<u>\$ 80,396</u>

These amounts are included in revenue and expense in the accompanying consolidated financial statements.

Effective December 1, 2011, the Organization and a foundation entered into a rent-free lease agreement for land and a building with an initial term which ended on November 20, 2014. The lease was extended 10 years until November 30, 2021. As provided by the lease agreement, the Organization is required to pay utilities, repairs and maintain certain insurance and must abide by the Wilson Historic Block District Agencies Lease Compliance Expectation.

9. Concentrations

Accounts receivable from one government agency accounted for approximately 48% of the Organization's receivables at December 31, 2016. Accounts receivable from two government agencies accounted for approximately 65% of the Organization's receivables at December 31, 2015.

The Organization's revenue from two governmental units comprised approximately 62% and 51% of total revenue for the years ended December 31, 2016 and 2015, respectively. Although management believes these revenue sources will continue in the near term, it acknowledges that the loss of revenue from these sources could have a materially adverse effect on the Organization's financial position, activities and cash flows.

10. Subsequent Events

Management has evaluated subsequent events through August 14, 2017, the date which the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required.