

Metro Dallas Homeless Alliance And Affiliate

Consolidated Financial Statements December 31, 2015 and 2014



Metro Dallas Homeless Alliance and Affiliate

Contents

Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7



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 statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

Metro Dallas Homeless Alliance and Affiliate's consolidated financial statements as of and for the year ended December 31, 2014 were audited by other auditors whose report dated July 22, 2015 expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A Limited Liability Partnership

Sutton Front Cary

July 13, 2016 Arlington, Texas

Metro Dallas Homeless Alliance and Affiliate Consolidated Statements of Financial Position December 31, 2015 and 2014

		2015		2015		201	
	Assets						
Cash and cash equivalents Grant and accounts receivable Prepaid expenses Property and equipment, net Investment in joint venture		\$	288,591 165,325 27,122 21,617 66,611	\$	462,246 134,295 21,239 24,994 59,986		
Total assets	-	\$	569,266	\$	702,760		
Liabilities: Accounts payable Accrued expenses Deferred revenue Note payable	Liabilities and Net Assets	s \$	13,186 104,704 17,145 -	\$	2,420 29,138 - 200,000		
Total liabilities			135,035		231,558		
Net assets: Unrestricted Temporarily restricted Total net assets			342,518 91,713 434,231		401,521 69,681 471,202		
Total liabilities and net assets	_	\$	569,266	\$	702,760		

Metro Dallas Homeless Alliance and Affiliate Consolidated Statements of Activities Years Ended December 31, 2015 and 2014

		2014		
	-	Temporarily		Summarized
	Unrestricted	Restricted	Total	Totals
Revenue and support:				
Contributions and grant revenue:				
Corporations	\$ 56,750	\$ -	\$ 56,750	\$ 13,000
Foundations	139,247	7,000	146,247	389,395
Governments	464,821	-	464,821	367,792
Organizations	1,757	61,331	63,088	876
Individuals	18,934	7,032	25,966	42,862
In-kind	80,396	-	80,396	64,852
Net assets released from restriction	53,331	(53,331)		
Total contributions and grant revenue	815,236	22,032	837,268	878,777
Program income	363,225	-	363,225	280,638
Membership fees	2,825	-	2,825	16,442
Other	19,721		19,721	
Total revenue and support	1,201,007	22,032	1,223,039	1,175,857
Other income (expense):				
Income (loss) from joint venture	6,625	_	6,625	(12,235)
Interest income	71	_	71	28
Total other income (expense)	6,696		6,696	(12,207)
Total revenue, support and other				
income	1,207,703	22,032	1,229,735	1,163,650
Expenses:				
Program services	938,063	-	938,063	790,833
General and administrative	245,499	-	245,499	277,256
Fundraising	83,144		83,144	66,314
Total expenses	1,266,706		1,266,706	1,134,403
Increase (decrease) in net assets	(59,003)	22,032	(36,971)	29,247
Net assets at beginning of year	401,521	69,681	471,202	441,955
Net assets at end of year	\$ 342,518	\$ 91,713	\$ 434,231	\$ 471,202

Metro Dallas Homeless Alliance and Affiliate Consolidated Statement of Functional Expenses

Year Ended December 31, 2015

(with comparative totals for the year ended December 31, 2014)

							2014		
Category	Progr	am Services		neral and ninistrative	Fı	undraising	Total	Sı	ummarized Totals
Personnel	\$	606,420	\$	142,355	\$	56,069	\$ 804,844	\$	853,563
Contract services, consulting and professional fees		187,657		25,551		9,002	222,210		112,763
Travel, conferences and meetings		19,011		75		3,271	22,357		6,396
Training		20,513		-		-	20,513		-
Advertising and promotion		-		-		682	682		855
Bank and financial services fees		50		12,124		342	12,516		17,501
Communications and information technology		21,123		8,544		5,364	35,031		31,120
Memberships and subscriptions		1,725		149		-	1,874		750
Miscellaneous		155		1,015		-	1,170		332
Hospitality and entertainment		3,031		120		1,298	4,449		2,253
Insurance		-		10,895		-	10,895		17,274
Postage and delivery		118		511		177	806		725
Printing and copying		193		4,764		166	5,123		4,919
Occupancy		4,375		1,871		1,656	7,902		9,565
Supplies		5,232		3,093		74	8,399		3,648
Depreciation		6,791		1,836		2,250	10,877		7,887
Bad debt		8,912		-		-	8,912		-
Flex funds		7,750		-		-	7,750		-
In-Kind		45,007		32,596		2,793	 80,396		64,852
Total expenses	\$	938,063	\$	245,499	\$	83,144	\$ 1,266,706	\$	1,134,403

Metro Dallas Homeless Alliance and Affiliate Consolidated Statements of Cash Flows Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (36,971)	\$ 29,247
Adjustments to reconcile change in net assets to net cash		
provided by operations:		
Depreciation	10,877	7,887
(Income) loss from joint venture	(6,625)	12,235
Change in operating assets and liabilities:		
Grants and accounts receivable	(31,030)	22,140
Prepaid expenses	(5,883)	(6,018)
Accounts payable	10,766	(14,974)
Accrued expenses	75,566	(11,992)
Deferred revenue	 17,145	
Net cash provided by operating activities	33,845	38,525
Cash flows from investing activities-		
Purchases of property and equipment	(7,500)	(9,937)
Net cash used by investing activities	(7,500)	(9,937)
Cash flows from financing activities:		
Proceeds from note payable	-	200,000
Payments on note payable	 (200,000)	
Net cash provided (used) by financing activities	(200,000)	200,000
Increase (decrease) in cash and cash equivalents	(173,655)	228,588
Cash and cash equivalents at beginning of year	462,246	 233,658
Cash and cash equivalents at end of year	\$ 288,591	\$ 462,246

1. Organization

Metro Dallas Homeless Alliance (MDHA) is a Texas nonprofit, tax-exempt 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 an 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.

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 woman 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 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 interorganizational transactions and accounts have been eliminated.

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, 2015 or 2014.

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 and cash equivalents

Cash and cash equivalents consist of cash on hand and 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 and accounts receivable. Cash is placed with high credit quality financial institutions to minimize risk. Accounts receivable are unsecured and are due from various agencies for user fees related to the HMIS system. MDHA continually evaluates the collectability of accounts receivable and maintains allowances for potential losses, if considered necessary.

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 is carried at cost as of the date of acquisition or fair market value as of the date of donation, less accumulated depreciation. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets over their estimated useful lives on a straight-line basis. The Organization's policy is to expense repairs and maintenance and all items under \$2,000.

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 materials, equipment and rent are reflected as contributions as their estimated fair values at date of receipt. 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.

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, 2015 and 2014, 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, 2015 and 2014, 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 statements 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 reclassifications have been made to the 2014 consolidated financial statements for consistency with the 2015 presentation.

3. Property and Equipment

Property and equipment consist of the following at December 31:

	2015		2014
Office equipment	\$ 46,885	\$	46,885
Software	7,500		=
Accumulated depreciation	(32,768)		(21,891)
	\$ 21,617	\$	24,994

Depreciation expense totaled \$10,877 and \$7,887 for the years ended December 31, 2015 and 2014, respectively.

4. Investment in Joint Venture

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

	2015	2014
Current/total assets (primarily cash)	\$ 166,285	\$ 116,877
Current liabilities	\$ 45,370	\$ 14,213
Partners' equity	120,915	102,664
	\$ 166,285	\$ 116,877
	2015	2014
Revenue	2015 \$ 290,076	2014 \$ 280,252
Revenue Net earnings (loss)		

5. 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 off in 2015.

6. Temporarily Restricted Net Assets

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

	2015		 2014
Technology grant	\$	8,441	\$ 15,940
Coordinated Assessment System		30,432	50,000
Flex Funds		33,081	-
Time restricted		19,759	 3,741
	\$	91,713	\$ 69,681

7. In-Kind Contributions and Related Party Transaction

Contributed use of facilities and services consist of the following for the years ended December 31:

	2015			2014
Occupancy Legal services from board member	\$	59,659 20,737	\$	49,852 15,000
Total	\$	80,396	\$	64,852

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.

8. Concentrations

Accounts receivable from two government agencies accounted for approximately 65% and 51% of the Organization's receivables at December 31, 2015 and 2014, respectively.

Two of the Organization's revenue sources comprised approximately 51% and 30% of total revenue for the years ended December 31, 2015 and 2014, 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.

9. Subsequent Events

Management has evaluated subsequent events through July 13, 2016, the date which the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required.