Metro Dallas Homeless Alliance and Affiliate

Consolidated Financial Statements with Compliance Reports and Supplementary Information

December 31, 2020 and 2019

Sutton Frost Cary LLP
Certified Public Accountants

Metro Dallas Homeless Alliance and Affiliate

Contents

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Independent Auditors' Report

To the Board of Directors of
Metro Dallas Homeless Alliance and Affiliate

Report on the Consolidated Financial Statements

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, 2020 and 2019, 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 and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by Comptroller General of the United States. 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. The financial statements of MDHA Pebbles, LLC were not audited in accordance with *Government Auditing Standards.*

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, 2020 and 2019 and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021 on our consideration of Metro Dallas Homeless Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metro Dallas Homeless Alliance's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metro Dallas Homeless Alliance's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 27, 2021

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 460,793	$ 505,394
Grants and accounts receivable	304,281	119,459
Prepaid expenses	12,774	12,035
Property and equipment, net	7,580	14,478
Investment in joint venture	40,739	170,123
Total assets	$ 826,167	$ 821,489
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 1,131	$ 75,703
Accrued expenses	37,282	70,939
Total liabilities	38,413	146,642
Net assets:		
Without donor restrictions	540,299	346,922
With donor restrictions	247,455	327,925
Total net assets	787,754	674,847
Total liabilities and net assets	$ 826,167	$ 821,489

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and grant revenue:			
Corporations	$ 6,550	$ -	$ 6,550
Foundations	294,386	57,500	351,886
Governments	1,372,740	-	1,372,740
Organizations	49,020	10,000	59,020
Individuals	58,905	2,175	61,080
In-kind	64,202	-	64,202
Special events, net of direct costs of $1,500	29,100	-	29,100
Net assets released from restriction	150,145	(150,145)	-
Total contributions and grant revenue	2,025,048	(80,470)	1,944,578
Program income	929	-	929
Membership and contract fees	195,825	-	195,825
Other	100	-	100
Total revenue and support	2,221,902	(80,470)	2,141,432
Other income (loss):			
Loss from joint venture	(129,383)	-	(129,383)
Interest income	3	-	3
Total other income (loss)	(129,380)	-	(129,380)
Total revenue, support and other income (loss)	2,092,522	(80,470)	2,012,052
Expenses:			
Program services	1,644,733	-	1,644,733
General and administrative	210,183	-	210,183
Fundraising	44,229	-	44,229
Total expenses	1,899,145	-	1,899,145
Change in net assets	193,377	(80,470)	112,907
Net assets at beginning of year	346,922	327,925	674,847
Net assets at end of year	$ 540,299	$ 247,455	$ 787,754

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and grant revenue:			
Corporations	$ 6,238	$ 21,100	$ 27,338
Foundations	163,748	246,250	409,998
Governments	1,269,060	-	1,269,060
Organizations	39,409	42,600	82,009
Individuals	35,589	3,025	38,614
In-kind	68,612	-	68,612
Special events, net of direct costs of $8,026	19,717		19,717
Net assets released from restriction	101,221	(101,221)	-
Total contributions and grant revenue	1,703,594	211,754	1,915,348
Program income	157,311	-	157,311
Membership and contract fees	26,650	-	26,650
Other	150	-	150
Total revenue and support	1,887,705	211,754	2,099,459
Other income:			
Gain from joint venture	70,527	-	70,527
Interest income	23	-	23
Total other income	70,550	-	70,550
Total revenue, support and other income	1,958,255	211,754	2,170,009
Expenses:			
Program services	1,612,735	-	1,612,735
General and administrative	247,202	-	247,202
Fundraising	47,592	-	47,592
Total expenses	1,907,529	-	1,907,529
Change in net assets	50,726	211,754	262,480
Net assets at beginning of year	296,196	116,171	412,367
Net assets at end of year	$ 346,922	$ 327,925	$ 674,847

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Personnel	$ 1,183,643	$ 103,209	$ 40,311	$ 1,327,163
Contract services, consulting and professional fees	246,124	34,431	1,250	281,805
Travel, conferences and meetings	7,442	789	20	8,251
Advertising and promotion	1,817	-	114	1,931
Bank and financial services fees	239	11,684	-	11,923
Communications and information technology	12,119	6,729	767	19,615
Special events	-	-	1,500	1,500
Memberships and subscriptions	295	2,353	211	2,859
Miscellaneous	-	77	-	77
Hospitality and entertainment	3,540	279	-	3,819
Insurance	-	6,724	-	6,724
Postage and delivery	57	291	93	441
Printing and copying	1,759	4,961	53	6,773
Occupancy	8,999	1,078	42	10,119
Supplies	2,864	23,799	84	26,747
Depreciation	-	6,898	-	6,898
Client assistance	119,798	-	-	119,798
In-kind	56,037	6,881	1,284	64,202
Total expenses	1,644,733	210,183	45,729	1,900,645
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(1,500)	(1,500)
Total expenses included in the expense section on the statement of activities	$ 1,644,733	$ 210,183	$ 44,229	$ 1,899,145

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Personnel	$ 980,597	$ 106,827	$ 43,082	$ 1,130,506
Contract services, consulting and professional fees	415,499	18,878	220	434,597
Passed through to subrecipients	41,888	-	-	41,888
Travel, conferences and meetings	41,329	4,682	1,010	47,021
Advertising and promotion	960	25	595	1,580
Bank and financial services fees	771	3,364	3	4,138
Communications and information technology	11,010	6,383	489	17,882
Special events	-	-	8,026	8,026
Memberships and subscriptions	899	588	127	1,614
Miscellaneous	530	9,127	100	9,757
Hospitality and entertainment	1,080	152	3	1,235
Insurance	285	6,117	711	7,113
Postage and delivery	16	268	64	348
Printing and copying	2,374	4,550	87	7,011
Occupancy	6,564	7,159	-	13,723
Supplies	12,692	6,115	112	18,919
Depreciation	495	8,405	989	9,889
Client assistance	91,696	-	-	91,696
In-kind	4,050	64,562	-	68,612
Total expenses	$ 1,612,735	$ 247,202	$ 55,618	$ 1,915,555
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(8,026)	(8,026)
Total expenses included in the expense section on the statement of activities	$ 1,612,735	$ 247,202	$ 47,592	$ 1,907,529

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 112,907	$ 262,480
Adjustments to reconcile change in net assets to net cash provided (used) by operations:		
Depreciation	6,898	9,889
Loss (gain) from joint venture	129,383	(70,527)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(184,822)	(75,928)
Prepaid expenses	(739)	(5,716)
Accounts payable	(74,572)	74,843
Accrued expenses	(33,656)	(6,079)
Net cash provided (used) by operating activities	(44,601)	188,962
Cash and cash equivalents at beginning of year	505,394	316,432
Cash and cash equivalents at end of year	$ 460,793	$ 505,394

See 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.

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.

The Housing Authority of the City of Dallas

MDHA entered into an agreement with The Housing Authority of the City of Dallas (DHA), Texas, a Texas public housing authority, to lease apartment units through December 31, 2020 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. This agreement was not renewed.

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 the Organization'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.

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:

> *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (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. The Organization continually evaluates the collectability of grants and accounts receivable and maintains allowances for potential losses, if considered necessary.

The Organization 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. At December 31, 2020, the Organization's uninsured balances totaled $203,624.

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

The Organization recognizes contributions when cash, securities, or other assets or an unconditional promise to give is 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.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances. There were no refundable advances at December 31, 2020 and 2019.

Special event revenue is recognized at the time of the event.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performances requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position.

MDHA had remaining available award balances on federal cost-reimbursable grants of $962,893 and $781,569 that have not been recognized as assets at December 31, 2020 and 2019, respectively. The award balances will be recognized as revenue as qualifying expenditures are incurred.

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.

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 for tax purposes, and its activity is included in MDHA's federal information return.

For the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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. The expenses that are allocated include occupancy, depreciation, insurance, communications and information technology, printing and copying, and supplies which are allocated on a square footage basis, as well as personnel, contract services, consulting, and professional fees, which are allocated on the basis of estimates of time and effort.

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.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases,* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. On April 8, 2020 the FASB voted to defer the effective date of ASU 2016-02 by one additional year. For not-for-profit organizations, the standard now takes effect for fiscal years beginning after December 15, 2021.

In 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, in an effort to increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU requires NFPs to present contributed nonfinancial assets (gifts in kind) as a separate line item in the statement of activities.

The ASU requires additional footnote disclosures that include:

- disaggregation of gifts-in-kind by asset category and corresponding asset value,
- whether the asset was monetized or used,
- if used, a description of the programs or services that used the asset,
- if monetized, information about the reporting entity's monetization policy,
- the valuation techniques used to value the asset, including the principal market used to arrive at a fair value measure, and
- a description of any donor-imposed restrictions.

ASU 2020-07 requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021. The ASU does allow for early adoption.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

3. Grants and Accounts Receivable

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

	2020	2019
Grants receivable	$ 292,853	$ 106,215
Accounts receivable	10,000	10,000
Other	1,428	3,244
	$ 304,281	$ 119,459

Grants and accounts receivable are expected to be collected within the next year.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Office equipment	$ 81,374	$ 81,374
Software	7,500	7,500
Accumulated depreciation	(81,294)	(74,396)
	$ 7,580	$ 14,478

Depreciation expense totaled $6,898 and $9,889 for the years ended December 31, 2020 and 2019, respectively.

5. Investment in Joint Venture

The Organization has a 50% investment in PA. Summarized financial information relative to the joint venture is as follows as of and for the years ended December 31:

	2020	2019
Current/total assets (primarily cash)	$ 85,171	$ 337,891
Current liabilities	$ 15,998	$ 9,953
Partners' equity	69,173	327,938
	$ 85,171	$ 337,891
Revenue	$ 126,886	$ 339,397
Net earnings (loss)	(258,765)	141,053
Organization's interest in net earnings (loss)	(129,383)	70,527

6. Net Assets With Donor Restrictions

At December 31, 2020 and 2019, net assets with donor restrictions of $247,455 and $327,925, respectively, are restricted for client assistance.

7. In-Kind Contributions

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 and repairs, maintain certain insurance and must abide by the Wilson Historic Block District Agencies Lease Compliance Expectation.

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

	2020	2019
Occupancy	$ 59,402	$ 64,562
Other	4,800	4,050
Total	$ 64,202	$ 68,612

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

8. Liquidity and Availability of Resources

As of December 31, 2020, the Organization has $765,074 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures consisting of cash of $460,793, accounts receivable of $10,000, grants receivable of $292,853 and other receivables of $1,428. The receivables are subject to implied time restrictions but are expected to be collected within one year. No other donor or board-imposed designation restricts the use of these funds.

As of December 31, 2019, the Organization has $624,853 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures consisting of cash of $505,394, accounts receivable of $10,000 and grants receivable of $106,215 and other receivables of $3,244. The receivables are subject to implied time restrictions but are expected to be collected within one year. No other donor or board-imposed designation restricts the use of these funds.

The Organization serves as the lead organization for the Dallas area Continuum of Care (CoC). As a result, for the years ended December 31, 2020 and 2019, approximately 60% of their annual funding is attributed to three HUD reimbursement-based grant contracts. This is not an immediate concern with the operations and liquidity of the Organization to cover its current commitments, as most of their expenses are also attributable to these three grant contracts. In addition, the Coordinated Assessment Services grant allows the Organization to raise additional public funds from corporations, foundations and individuals to support the Flex Funds Program and other programs that further serve members of the CoC and homeless individuals in the service area.

9. Concentrations

Accounts receivable from one governmental unit accounted for approximately 95% and 90% of the Organization's receivables at December 31, 2020 and 2019, respectively.

The Organization's revenue from one governmental unit comprised approximately 59% and 70% of total revenue for the years ended December 31, 2020 and 2019, 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. Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Due to the pandemic, the Organization cancelled various fundraising events for 2020. The coronavirus outbreak has severely restricted the level of economic activity around the world. The Organization has adjusted operational plans to protect the employees and individuals served while still meeting client needs for essential services. The Organization continues to closely monitor the impact of COVID-19 on all aspects of our business. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. On April 29, 2020, the Organization secured a forgivable loan totaling $186,757 under the Paycheck Protection Program (PPP). The Organization has elected to account for the PPP forgivable loan as a grant in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 958 and expects the full amount to be forgiven. Accordingly, the Organization recognized $186,757 as government grant revenue in the accompanying statement of activities for the year ended December 31, 2020. As of December 31, 2020, formal forgiveness of the PPP loan had not yet been received by the Small Business Administration.

EIDL Advance

In April 2020, the Organization received a $10,000 advance from the Economic Injury Disaster Loan (EIDL) program. This $10,000 was forgiven during the year and included in government grant revenue in the accompanying statement of activities for the year ended December 31, 2020.

11. Subsequent Events

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

Metro Dallas Homeless Alliance
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Contract Number	Expenditures	Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Texas Department of Housing and Community Affairs:				
Emergency Solutions Grant Program	14.231	E-20-DW-48-0001	$ 28,981	$ -
Direct funding:				
Continuum of Care Program	14.267	TX0549L6T001900	113,537	-
Continuum of Care Program	14.267	TX0405L6T001803	85,173	35,000
Continuum of Care Program	14.267	TX0517L6T001800	381,629	-
Continuum of Care Program	14.267	TX0405L6T001904	214,858	-
Continuum of Care Program	14.267	TX0404L6T001803	277,277	-
Continuum of Care Program	14.267	TX0404L6T001904	74,528	-
			1,147,002	35,000
Total expenditures of federal awards			$ 1,175,983	$ 35,000

See notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Metro Dallas Homeless Alliance (MDHA) under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MDHA, it is not intended to and does not present the financial position, changes in net assets or cash flows of MDHA.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. MDHA has not elected to use the 10 percent de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

3. Match

MDHA is required to provide 25% matching funds to fulfill its contracts. These matching funds consist of contributions, fees, in-kind rent and other grants. MDHA claimed the following in matching funds for the following contracts for the year ended December 31, 2020:

HMIS	$ 270,392
CAS	85,163
CoC	104,167
Total	$ 459,722

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Metro Dallas Homeless Alliance

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Metro Dallas Homeless Alliance and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2020, 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, and have issued our report thereon dated September 27, 2021. The financial statements of MDHA Pebbles, LLC were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with MDHA Pebbles, LLC.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Metro Dallas Homeless Alliance's (MDHA) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDHA's internal control. Accordingly, we do not express an opinion on the effectiveness of MDHA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MDHA's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro Dallas Homeless Alliance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MDHA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDHA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 27, 2021

Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Metro Dallas Homeless Alliance

Report on Compliance for the Major Federal Program

We have audited Metro Dallas Homeless Alliance's (MDHA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on MDHA's major federal program for the year ended December 31, 2020. MDHA's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for MDHA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MDHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of MDHA's compliance.

Opinion on the Major Federal Program

In our opinion, MDHA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

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Report on Internal Control over Compliance

Management of MDHA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MDHA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MDHA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 27, 2021

Metro Dallas Homeless Alliance
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major program:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program:	
CFDA 14.267 Continuum of Care Program	
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Audit Findings

None