



**Metro Dallas Homeless Alliance
and Affiliate**

**Consolidated Financial Statements with Compliance
Reports and Supplementary Information
December 31, 2021 and 2020**

Metro Dallas Homeless Alliance and Affiliate

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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Metro Dallas Homeless Alliance and Affiliate (a nonprofit organization) (Organization) which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for the purpose 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 GAAS. In our opinion, the supplemental 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 26, 2022 on our consideration of the Organization'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 Organization'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 the Organization's internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas
September 26, 2022

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,505,984	\$ 460,793
Grants and accounts receivable	1,197,065	304,281
Contribution receivable, net	632,058	-
Prepaid expenses	59,548	12,774
Total current assets	7,394,655	777,848
Property and equipment, net	1,382	7,580
Investment in joint venture	14,065	40,739
Total assets	\$ 7,410,102	\$ 826,167
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 390,229	\$ 1,131
Accrued expenses	51,923	37,282
Total liabilities	442,152	38,413
Net assets:		
Without donor restrictions	946,348	540,299
With donor restrictions	6,021,602	247,455
Total net assets	6,967,950	787,754
Total liabilities and net assets	\$ 7,410,102	\$ 826,167

See notes to consolidated financial statements.

Metro Dallas Homeless Alliance and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and grant revenue:			
Contributions	\$ 1,029,490	\$ 5,623,302	\$ 6,652,792
Government grants	2,113,352	-	2,113,352
In-kind contributions	70,900	712,292	783,192
Special events, net of direct costs of \$1,500	32,090	-	32,090
Net assets released from restriction	561,447	(561,447)	-
Total contributions and grant revenue	3,807,279	5,774,147	9,581,426
Membership and contract fees	180,881	-	180,881
Other	3,695	-	3,695
Total revenue and support	3,991,855	5,774,147	9,766,002
Other loss:			
Loss from joint venture	(26,674)	-	(26,674)
Total revenue, support and other loss	3,965,181	5,774,147	9,739,328
Expenses:			
Program services	3,071,047	-	3,071,047
General and administrative	384,457	-	384,457
Fundraising	103,628	-	103,628
Total expenses	3,559,132	-	3,559,132
Change in net assets	406,049	5,774,147	6,180,196
Net assets at beginning of year	540,299	247,455	787,754
Net assets at end of year	\$ 946,348	\$ 6,021,602	\$ 6,967,950

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:			
Contributions	\$ 408,861	\$ 69,675	\$ 478,536
Government grants	1,175,984	-	1,175,984
In-kind contributions	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	1,828,292	(80,470)	1,747,822
Program income	929	-	929
Membership and contract fees	195,825	-	195,825
Other	196,856	-	196,856
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 Functional Expenses
Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 1,440,990	\$ 242,426	\$ 95,757	\$ 1,779,173
Contract services, consulting and professional fees	581,987	32,325	3,667	617,979
Travel, conferences and meetings	8,022	11,540	95	19,657
Advertising and promotion	1,658	1,683	76	3,417
Bank and financial services fees	1,049	6,776	-	7,825
Communications and information technology	47,331	26,083	442	73,856
Special events	-	-	1,500	1,500
Memberships and subscriptions	13,129	8,976	255	22,360
Miscellaneous	-	224	150	374
Hospitality and entertainment	-	302	-	302
Insurance	-	8,512	-	8,512
Postage and delivery	-	209	35	244
Printing and copying	108	5,354	226	5,688
Occupancy	140,208	14,014	2,837	157,059
Supplies	873	19,835	88	20,796
Depreciation	-	6,198	-	6,198
Client assistance	835,692	-	-	835,692
Total expenses	<u>\$ 3,071,047</u>	<u>\$ 384,457</u>	<u>\$ 105,128</u>	<u>\$ 3,560,632</u>
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	<u>\$ 3,071,047</u>	<u>\$ 384,457</u>	<u>\$ 103,628</u>	<u>\$ 3,559,132</u>

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	16,919	6,729	767	24,415
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	60,236	7,959	1,326	69,521
Supplies	2,864	23,799	84	26,747
Depreciation	-	6,898	-	6,898
Client assistance	119,798	-	-	119,798
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 Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,180,196	\$ 112,907
Adjustments to reconcile change in net assets to net cash provided (used) by operations:		
Depreciation	6,198	6,898
Discount on long-term contribution receivable	40,346	-
Loss from joint venture	26,674	129,383
Changes in operating assets and liabilities:		
Grants and accounts receivable	(892,784)	(184,822)
Contribution receivable	(672,404)	-
Prepaid expenses	(46,774)	(739)
Accounts payable	389,098	(74,572)
Accrued expenses	14,641	(33,656)
Net cash provided (used) by operating activities	<u>5,045,191</u>	<u>(44,601)</u>
Cash and cash equivalents at beginning of year	<u>460,793</u>	<u>505,394</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,505,984</u></u>	<u><u>\$ 460,793</u></u>

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.

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.

Dallas R.E.A.L Time Rapid Rehousing Initiative – MDHA has partnered with local governments and other nonprofit agencies to use American Rescue Plan Act Funds and private donations to rehouse individuals experiencing homelessness.

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 (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.

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:

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.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

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, 2021, the Organization's uninsured balances totaled \$5,112,916.

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, 2021 and 2020.

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.

The Organization had remaining available award balances on federal cost-reimbursable grants of \$9,609,147 and \$962,893 that have not been recognized as assets at December 31, 2021 and

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

2020, 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.

Numerous volunteers have donated significant time to the Organization's annual homeless point-in-time count. No amounts have been recognized in the accompanying consolidated statements of activities because the criteria for recognition under GAAP have not been satisfied. Although no amounts have been reflected in the consolidated financial statements, management estimates that approximately 778 volunteer hours with an estimated value of \$23,294 were provided to the Organization to perform the point in time count during the year ended December 31, 2021. Due to COVID-19, a count was not performed during the year ended December 31, 2020.

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, 2021 and 2020, 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, 2021 and 2020, 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.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

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 December 31, 2020 financial statements to be consistent with the December 31, 2021 presentation.

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*. The Organization will be required to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

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

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>2021</u>	<u>2020</u>
Grants receivable	\$ 1,183,755	\$ 292,853
Accounts receivable	10,000	10,000
Other	<u>3,310</u>	<u>1,428</u>
	<u>\$ 1,197,065</u>	<u>\$ 304,281</u>

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:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 81,374	\$ 81,374
Software	7,500	7,500
Accumulated depreciation	<u>(87,492)</u>	<u>(81,294)</u>
	<u>\$ 1,382</u>	<u>\$ 7,580</u>

Depreciation expense totaled \$6,198 and \$6,898 for the years ended December 31, 2021 and 2020, 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 as of and for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Current/total assets (primarily cash)	<u>\$ 15,824</u>	<u>\$ 85,171</u>
Current liabilities	\$ -	\$ 15,998
Partners' equity	<u>15,824</u>	<u>69,173</u>
	<u>\$ 15,824</u>	<u>\$ 85,171</u>
Revenue	\$ 312	\$ 126,886
Net loss	(53,349)	(258,765)
Organization's interest in net loss	(26,674)	(129,383)

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Dallas R.E.A.L Time Rapid Housing Initiative	\$5,093,102	\$ -
Time restricted	632,058	-
Client Assistance	166,025	176,637
Technology	73,313	-
Veteran Assistance	32,467	32,467
Collin County programs	13,852	14,518
Racial equality	7,961	21,060
Other	<u>2,824</u>	<u>2,773</u>
	<u>\$6,021,602</u>	<u>\$ 247,455</u>

7. Related Party Transactions

During the years ended December 31, 2021 and 2020, the Organization received contributions from board members and employees totaling \$35,858 and \$6,472, respectively.

8. In-Kind Contributions and Contribution Receivable

Effective September 13, 2021, the Organization and a foundation entered into a rent-free lease agreement for land and a building. The lease expires November 30, 2026. 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

Metro Dallas Homeless Alliance and Affiliate
Notes to Consolidated Financial Statements

Expectation. The present value of the donated rent through the lease expiration date was recorded as an in-kind contribution during the year ended December 31, 2021. The outstanding contribution receivable related to the donated space totaled \$632,058 at December 31, 2021.

The Organization also receives additional donated office and storage space from the foundation. As of December 31, 2021 there was no formal agreement for this donated space.

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

	2021	2020
Current year occupancy	\$ 105,988	\$ 59,402
Present value of future occupancy	672,404	-
Other	4,800	4,800
Total	\$ 783,192	\$ 64,202

The current year amounts are included in occupancy and communications and information technology expense in the accompanying consolidated financial statements.

9. Liquidity and Availability of Resources

As of December 31, 2021, the Organization has \$6,703,049 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 \$5,505,984, accounts receivable of \$10,000, grants receivable of \$1,183,755 and other receivables of \$3,310. 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, 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.

10. Concentrations

Grants receivable from two governmental units accounted for approximately 90% of the Organization’s receivables at December 31, 2021. Grants receivable from one governmental unit accounted for approximately 95% of the Organization’s receivables at December 31, 2020.

Metro Dallas Homeless Alliance and Affiliate

Notes to Consolidated Financial Statements

The Organization's revenue from one governmental unit comprised approximately 14% and 59% of total revenue for the years ended December 31, 2021 and 2020, respectively. One private donor comprised approximately 12% of the Organization's revenues for the year ended December 31, 2021. 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 consolidated financial position, activities and cash flows.

11. Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

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 consolidated statement of activities for the year ended December 31, 2020. On November 15 2021, the Organization received forgiveness of the PPP loan.

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 consolidated statement of activities for the year ended December 31, 2020.

12. 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, 2021

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract Number	Expenditures	Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Texas Department of Housing and Community Affairs:				
COVID-19 Emergency Solutions Grant	14.231	E-20-DW-48-0001	\$ 161,184	\$ -
COVID-19 Emergency Solutions Grant	14.231	E-20-DW-48-0001	<u>68,188</u>	<u>-</u>
			229,372	-
Direct Funding:				
Continuum of Care Program	14.267	TX0595L6T002000	149,384	-
Continuum of Care Program	14.267	TX0549L6T001900	405,750	-
Continuum of Care Program	14.267	TX0405L6T002005	282,510	-
Continuum of Care Program	14.267	TX0405L6T001904	214,808	-
Continuum of Care Program	14.267	TX0404L6T002005	77,377	-
Continuum of Care Program	14.267	TX0404L6T001904	<u>257,069</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			1,386,897	-
U.S. Department of Treasury				
City of Dallas:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	OHS-2021-00017109	<u>497,083</u>	<u>437,782</u>
			497,083	437,782
Total expenditures of federal awards			<u>\$ 2,113,352</u>	<u>\$ 437,782</u>

See notes to schedule of expenditures of federal awards.

Metro Dallas Homeless Alliance
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, 2021. 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 Continuum of Care 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, 2021:

CAS	\$ 312,700
CoC	107,765
HMIS	<u>179,740</u>
Total	<u>\$ 600,205</u>

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 auditing standards generally accepted in the United States of America 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 (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, 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 26, 2022. 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.

Report on 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) as a basis for designing 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDHA'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.



A Limited Liability Partnership

Arlington, Texas
September 26, 2022

**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

Opinion on Each Major Federal Program

We have audited Metro Dallas Homeless Alliance's (MDHA) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of MDHA's major federal programs for the year ended December 31, 2021. MDHA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MDHA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MDHA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to MDHA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MDHA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MDHA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MDHA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MDHA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 MDHA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion was expressed.

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.



A Limited Liability Partnership

Arlington, Texas
September 26, 2022

Metro Dallas Homeless Alliance
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

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
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
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Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Metro Dallas Homeless Alliance
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Audit Findings

None