

**MID-COAST FAMILY SERVICES, INC.**

**VICTORIA, TEXAS**

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mid-Coast Family Services, Inc.  
Victoria, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of Mid-Coast Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Coast Family Services, Inc. as of August 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *Uniform Grant Management Standards* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 May 13, 2016, on our consideration of Mid-Coast Family Services, Inc.'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 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 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 Mid-Coast Family Services, Inc.'s internal control over financial reporting and compliance.

Roloff, Hnatek + Co, LLP

Certified Public Accountants

May 16, 2016

**MID-COAST FAMILY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2015**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$	172,289
Cash - Fiduciary Funds		1,514
Accounts Receivable		226,582
Deposits		8,000
Prepaid Expenses		34,164
Inventory		<u>64,875</u>
Total Current Assets		507,424

Property and Equipment, Net		<u>1,612,102</u>
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Total Assets	\$	<u>2,119,526</u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts Payable	\$	13,587
Accrued Salaries and Related Expenses		80,066
Sales Tax Payable		767
Due to Others - Fiduciary Fund		1,514
Deferred Revenue		72,750
Current Portion of Long-Term Debt		<u>15,000</u>
Total Current Liabilities		183,684

Long-Term Debt, Net of Current Portion		<u>70,000</u>
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Total Liabilities		<u>253,684</u>
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Net Assets:

Unrestricted		1,863,427
Temporarily Restricted		<u>2,415</u>
Total Net Assets		<u>1,865,842</u>

Total Liabilities and Net Assets	\$	<u>2,119,526</u>
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The accompanying notes are an integral part of the financial statements.

**MID-COAST FAMILY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2015**

Unrestricted Net Assets	
Unrestricted Revenues, Gains, and Other Support:	
Contributions	\$ 297,605
Grant Revenues	2,190,978
Contract Income	56,880
Other	36,016
Program Fees	53,204
United Way	119,667
Fundraising	94,080
Thrift Shop	131,731
Gain on Sale of Assets	<u>696</u>
Total Unrestricted Revenue	2,980,857
Net Assets Released from Restrictions	<u>2,139</u>
Total Unrestricted Revenues, Gains, and Other Support	<u>2,982,996</u>
Expenses:	
Program Expenses	
Prevention	255,987
Family Violence	473,592
Intervention	1,158,959
Homeless Prevention	464,606
Supporting Expenses	
General	<u>669,788</u>
Total Expenses	<u>3,022,932</u>
Change in Unrestricted Net Assets	<u>(39,936)</u>
Temporarily Restricted Net Assets	
Other Donations	4,475
Net Assets Released from Restriction	<u>(6,614)</u>
Change in Temporarily Restricted Net Assets	<u>(2,139)</u>
Total Change in Net Assets	(42,075)
Net Assets, Beginning of Year	<u>1,907,917</u>
Net Assets, End of Year	<u>\$ 1,865,842</u>

The accompanying notes are an integral part of the financial statements.

**MID-COAST FAMILY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2015**

	Program Expenses				Supporting Expenses	
	Prevention	Family Violence	Intervention	Homeless Prevention	General	Total
Expenses						
Personnel	\$ 178,830	\$ 333,900	\$ 810,993	\$ 137,000	\$ 170,260	\$ 1,630,983
Employee Benefits	40,263	64,124	145,310	29,882	38,949	318,528
Travel, Lodging, & Auto	4,965	3,411	20,534	2,640	9,070	40,620
Supplies	2,017	9,105	12,541	261	42,382	66,306
Rent	7,035	7,403	60,362	236,858	67,863	379,521
Telephone & Communications	6,695	7,470	41,724	1,067	13,572	70,528
Professional Expense	--	1,250	18,466	--	9,025	28,741
Event Expenses	374	--	440	--	32,929	33,743
Insurance	2,232	10,237	18,004	4,576	10,867	45,916
Direct Client Expenses	1,425	6,614	2,044	11,633	4,701	26,417
Depreciation	--	3,653	--	--	65,683	69,336
Other	12,151	26,425	28,541	40,689	102,529	210,335
Thrift Store, Cost of Goods Sold	--	--	--	--	101,958	101,958
<b>Total Expenses</b>	<b><u>\$ 255,987</u></b>	<b><u>\$ 473,592</u></b>	<b><u>\$ 1,158,959</u></b>	<b><u>\$ 464,606</u></b>	<b><u>\$ 669,788</u></b>	<b><u>\$ 3,022,932</u></b>

The accompanying notes are an integral part of the financial statements.

**MID-COAST FAMILY SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2015**

Cash Flows From Operating Activities:	
Change in Net Assets	\$ (42,075)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	69,336
Gain on Sale of Capital Assets	(696)
(Increase) Decrease in Operating Assets:	
Accounts Receivable	104,207
Prepaid Expenses	(4,591)
Inventory	(30,750)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(46,008)
Accrued Salaries and Related Expenses	5,781
Sales Tax Payable	(41)
Deferred Revenue	(6,000)
Net Cash Provided by Operating Activities	<u>49,163</u>
Cash Flows From Investing Activities:	
Purchases of Capital Assets	(47,988)
Proceeds from the Sale of Capital Assets	<u>9,500</u>
Net Cash Used by Investing Activities	<u>(38,488)</u>
Cash Flows From Financing Activities:	
Repayment of Long-Term Debt	<u>(23,584)</u>
Net Cash Used by Financing Activities	<u>(23,584)</u>
Net Decrease in Cash and Cash Equivalents	(12,909)
Cash and Cash Equivalents, Beginning of Year	<u>185,198</u>
Cash and Cash Equivalents, End of Year	<u>\$ 172,289</u>
<b>Supplemental Disclosure of Cash Flow Information</b>	
Cash Paid During the Year for Interest	<u>\$ 4,988</u>

The accompanying notes are an integral part of the financial statements.

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 1: Nature of Activities**

Mid-Coast Family Services, Inc. (the Organization) is a non-profit organization incorporated in 1990 under the laws of the State of Texas for the purpose of providing education, information, prevention, treatment, and intervention services to the general population within their community in an effort to reduce alcohol and drug abuse, homelessness, and family violence. The Organization serves residents in Lavaca, Jackson, Goliad, DeWitt, Gonzales, Calhoun, and Victoria counties, with the exception of the Outreach, Screening, Assessment, and Referral Program and Access to Recovery, which both serve residents in a 28 county region.

**Note 2: Summary of Significant Accounting Policies**

**Basis of Accounting** -- The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues are recognized when the underlying transactions occur, and expenses and losses are recognized when incurred.

**Basis of Presentation** – In accordance with FASB ASC 958, *Not-for-Profit Entities*, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Temporarily Restricted Assets -- Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. There are no permanently restricted net assets are considered to be permanently restricted at August 31, 2015.

The Statement of Activities reports the Organization's change in net assets from operations separately from other changes in net assets. The Organization considers grants and contributions received related to activities of its programs to be operating revenues. Expenses related to these activities are considered to be operating expenses.

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents** -- The Organization considers all time deposits, certificates of deposit, investments in money market mutual funds, and highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**Accounts Receivable** -- Accounts receivable are recorded for grant funds expected to be received. No allowance has been recorded due to the balance being considered fully collectible by management based on prior experience.

**Inventory** -- Inventory consists of the fair market value of items donated to the Thrift 'N Gift store for resale. Cost of goods sold is measured by sales adjusted for inventory differences at year end.

**Property and Equipment** -- Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and computed using the straight line method. It is the policy of the Organization to capitalize property and equipment costing \$5,000 or more. Lesser amounts are expensed. Donations of property and equipment are recorded at the estimated fair market value. The Organization reports donations of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. At year end, there were no significant donations of property and equipment.

**Compensated Absences** -- New employees are eligible for vacation leave after completing six months of employment. The amount of vacation leave awarded varies according to level of job responsibility as defined in the policy manual. After five years of continuous employment with the Organization, employees are awarded an additional forty hours of vacation leave.

The Organization's policy is that unused vacation leave may not be carried over to the next fiscal year. Employees who voluntarily terminate employment are compensated for unused vacation leave upon termination as long as two weeks' notice is given. During the fiscal year ended August 31, 2015, employees were not compensated for any unused vacation

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Contributions** -- Contributions received and unconditional promises to give are measured at fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Donated Services** -- Donated services are recognized as contributions in accordance with FASB ASC 958, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended August 31, 2015, the Organization did not receive any donated services that meet the requirements for revenue recognition under the criteria established by FASB ASC 958.

**Expense Allocation** -- The costs of providing prevention, family violence, intervention, homeless prevention, and general support have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between prevention, family violence, intervention, treatment services, thrift, and other activities benefited.

**Program Services** -- Program services expenses are comprised of direct and indirect costs related to the Organization's services. For financial reporting purposes, these expenses are reported under the following categories:

1. **Prevention programs** -- costs related directly to the delivery of substance abuse prevention services.
2. **Family Violence programs** -- costs related directly to the delivery of services to assist victims of family violence and sexual assault.
3. **Intervention** -- costs related directly to the delivery of substance abuse intervention services.
4. **Homeless Prevention** -- costs related directly to operating emergency shelters, providing supportive housing services, rapidly re-housing homeless people, and preventing families and individuals from becoming homeless.

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 2: Summary of Significant Accounting Policies (Concluded)**

**Supporting Activities** -- Supporting activities expenses are expenses for activities not directly related to the Organization's program services. These costs have been reported using one of the following two categories:

1. **General and administrative** -- comprised primarily of administrators' salaries and related benefits.
2. **Fundraising** -- costs related to conducting the various fundraising efforts of the Organization.

Certain costs have been allocated among the programs and supporting activities benefited.

**Advertising Costs** -- Advertising costs are expensed as incurred. Advertising costs for the year ended August 31, 2015 were \$3,514.

**Income Taxes** -- The Organization is a non-profit corporation whose revenue is derived from grants, contributions and other program activities and is not subject to federal or state income taxes. The Organization is recognized as exempt under Section 501(c)(3) of the Internal Revenue Code pursuant to a group exemption letter received from the Internal Revenue Service.

**Management's Use of Estimates** -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Date of Management's Review** -- Subsequent events were evaluated through May 13, 2016, which is the date the financial statements were available to be issued.

**Note 3: Concentration Risks**

The Organization maintains its cash accounts in two financial institutions located in Victoria, Texas. Deposit accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, the balances in bank deposit accounts may exceed federally insured limits. The Organization's bank deposit accounts were fully insured at August 31, 2015.

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 3: Concentration Risks (Concluded)**

Approximately 33% of accounts receivable at year end is due from one local non-profit organization. The remainder of accounts receivable consists of grants from state and federal agencies. Based on evaluation of subsequent receipts, the risk arising from this concentration of receivables is not considered significant.

**Note 4: Property and Equipment**

As of August 31, 2015, the Organization's property and equipment assets were comprised of the following:

Building	\$ 1,593,111
Land	27,560
Vehicles	177,254
Equipment	<u>167,726</u>
 Total Property and Equipment	 1,965,651
Less: Accumulated Depreciation	<u>(353,549)</u>
 Net Property and Equipment	 <u>\$ 1,612,102</u>

Depreciation expense for the current year totaled \$69,336.

**Note 5: Long-Term Debt**

Long-term debt at August 31, 2015 consisted of the following:

Note payable to Prosperity Bank; annual payments of \$15,000, including interest paid bi-annually at a fixed rate of 5.75%; outstanding principal was originally due at maturity in November 2032, but due to additional principal payments made, the loan is scheduled to be fully repaid by November 2020; secured by real estate.	\$ 85,000
 Less: Current Portion	 <u>15,000</u>
 Long-Term Debt, Net of Current Portion	 <u>\$ 70,000</u>

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 5: Long-Term Debt (Concluded)**

Maturities of long-term debt for the years subsequent to August 31, 2015 are as follows:

Year Ending <u>August 31,</u>	
2016	\$ 15,000
2017	15,000
2018	15,000
2019	15,000
2020	15,000
Thereafter	<u>10,000</u>
Total	<u>\$ 85,000</u>

Interest expense on long-term debt for the year ended August 31, 2015 was \$4,988.

**Note 6: Designations of and Restrictions on Net Assets**

**Temporarily Restricted Net Assets** -- As of August 31, 2015, temporarily restricted net assets consisted of amounts that had been restricted by donors for the following purposes:

Youth Services	<u>\$ 2,415</u>
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The amounts restricted for youth services are used for the maintenance and operation of a homework center and for summer camp.

**Note 7: Grants**

The Organization receives funding from local, state and federal government sources and must comply with the requirements of these funding entities. The following are grants received by Mid-Coast Family Services, Inc. and the grant's intended purpose:

**Federal Programs:**

U.S. Department of Housing and Urban Development/Office of Community Planning and Development/Supportive Housing Program/Grant No. TX 0043 L6J 071305 - This grant provides housing and support for chronically homeless men.

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 7: Grants (Continued)**

U.S. Department of Housing and Urban Development/Office of Community Planning and Development/Supportive Housing Program/Grant No. TX 0043 L6J 071306 - This grant provides housing and support for women with disabilities.

U.S. Department of Housing and Urban Development/Office of Community Planning and Development/Supportive Housing Program/Grant No. TX 0283 L6J 071302 - This grant provides housing for families with disabilities.

U.S. Department of Housing and Urban Development/Office of Community Planning and Development/Emergency Solutions Grants Program/Texas Department of Housing and Community Affairs/Contract No. 42140002078, 42140002078, and 42140002084- These grants provide emergency shelter assistance and rental assistance to individuals and families to prevent homelessness.

U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services Administration/Block Grants for Prevention and Treatment of Substance Abuse/Texas Department of State Health Services/Outreach, Screening, Assessment, and Referral 2015-046493-001 SA/OSR- This grant provides funds for licensed personnel to assist individuals needing in-patient drug treatment within a 28 county region.

U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services Administration/Block Grants for Prevention and Treatment of Substance Abuse/Texas Department of State Health Services – Youth Intervention 2015-046485-001 SA/YPI- This grant provides funds for drug intervention services for at-risk youth.

U.S. Department of Health and Human Services/Substance Abuse and Mental Health Services Administration/Block Grants for Prevention and Treatment of Substance Abuse/Texas Department of State Health Services/Youth Prevention 2015-046403-001 SA/YPS - This grant provides funds for staff to provide drug, alcohol and tobacco prevention programs for at-risk youth.

U.S. Department of Health and Human Services/Administration for Children and Families/Family Violence Prevention and Services/Battered Women’s Shelters Grants to State and Indian Tribes/Crime Victims Fund-Contract-529-14-0053-00052A and Social Services Block Grant-Contract 529-14-0053-00052A- This grant provides funding for operation of the family violence shelter and additional family violence services of economic stability, legal services, and prevention services.

U.S. Department of Justice/Violence Against Women Office/ARRA–Violence Against Women Formula Grants/Texas Health and Human Services Commission/Victims of Crime VA-2817201- This grant provides funding for legal advocacy for victims of family violence. Funds are also used to assist victims residing at the family violence shelter.

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 7: Grants (Concluded)**

**State Programs:**

Department of State Health Services/Outreach, Screening, Assessment, and Referral - This grant provides funds for licensed personnel to assist individuals needing in-patient drug treatment in a 28 county region.

Department of State Health Services/Youth Intervention – YPI - This grant provides funds for drug intervention services for at-risk youth.

Department of State Health Services/Youth Prevention – YPS - This grant provides funds for staff to provide drug, alcohol and tobacco prevention programs for at-risk youth.

Texas Department of Human Services/Crime Victims Fund - This grant provides funding for operation of the family violence shelter.

Texas Department of Criminal Justice – Batterers Intervention/Prevention Program (BIPP)/Relationship of Promise (ROP) 235-009 - This grant funds Relationship of Promise, a 24-week course for individuals who have committed family violence.

Office of the Attorney General/Crime Victims Services Division – Other/Victims’ Assistance Discretionary Grant (OVAG)/Contract No. 1552785- This grant provides partial funding for some of the activities of the Family Violence Prevention Programs. Services provided include direct services to victims, outreach, community awareness, and referrals to other agencies.

Office of the Attorney General/Crime Victims Services Division – Sexual Assault Prevention and Crisis Services (SAPCS) / Contract No. 1551241- This grant provides partial funding for victims / survivors of sexual assault.

**Note 8: Operating Lease Agreements**

The Organization was obligated under various operating lease agreements during the current fiscal year for the use of buildings, apartments, and office equipment. Rental expenses for all operating leases for the year ended August 31, 2015 was \$379,521.

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

**Note 8: Operating Lease Agreements (Concluded)**

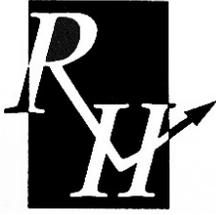
Future minimum lease payments for all non-cancelable operating leases having a remaining term in excess of one year at August 31, 2015, are as follows:

Fiscal Year <u>Ending</u>	
2016	\$ 172,428
2017	<u>34,733</u>
Total Minimum Obligation	<u>\$ 207,161</u>

**Note 10: Employee Benefit Plans**

The Organization sponsors a retirement plan for the benefit of its employees. The plan is a qualified defined contribution plan that operates pursuant to Section 403(b) of the Internal Revenue Code. The Plan is available to all full time employees. Under the plan, participants contribute on a salary-reduction basis. Participant contributions may not exceed limits imposed by the Internal Revenue Code. The Organization matches the first four percent (4%) of participant contributions. For the year ended August 31, 2015, the Organization contributed \$31,003.

**SINGLE AUDIT SECTION**



"Pointing the Way to Success"

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## **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***

To the Board of Directors  
Mid-Coast Family Services, Inc.

We have audited, in accordance with the 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 financial statements of Mid-Coast Family Services, Inc. (a non-profit organization), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mid-Coast Family Services, Inc.'s 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Coast Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Mid-Coast Family Services, Inc.'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 the entity's 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 Mid-Coast Family Services, Inc.'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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

*Roloff, Hnatek + Co, LLP*

Roloff, Hnatek, & Co., L.L.P.

May 13, 2016



"Pointing the Way to Success"

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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and The Uniform Grant Management Standards**

To the Board of Directors  
Mid-Coast Family Services, Inc.

### **Report on Compliance for Each Major Federal and State Program**

We have audited Mid-Coast Family Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Uniform Grant Management Standard* that could have a direct and material effect on each of Mid-Coast Family Services, Inc.'s major federal and state programs for the year ended August 31, 2015. Mid-Coast Family Services, Inc.'s major federal and state programs are 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 requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Mid-Coast Family Services, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Uniform Grant Management Standards*, issued by the State of Texas, Governor's Office of Budget and Planning. Those standards and OMB Circular A-133 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 and state program occurred. An audit includes examining, on a test basis, evidence about Mid-Coast Family Services, Inc.'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 each major federal and state program. However, our audit does not provide a legal determination of Mid-Coast Family Services, Inc.'s compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, Mid-Coast Family Services, Inc. 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 and state programs for the year ended August 31, 2015.

### **Report on Internal Control Over Compliance**

Management of Mid-Coast Family Services, Inc. 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 Mid-Coast Family Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Uniform Grant Management Standards*, 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 Mid-Coast Family Services, Inc.'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 and state 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 and state 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 and state 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 OMB Circular A-133 and the *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

*Roloff, Hnatek + Co, LLP*

Roloff, Hnatek, & Co., L.L.P.

May 13, 2016

**MID-COAST FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED AUGUST 31, 2015**

Federal Grantor/Department/Name of Federal Program/ Pass-Through Grantor/Program Title	CFDA Number	Contract Period	Expenditures		
			From Direct Awards	From Pass Through Awards	Total Expenditures
<b><u>FEDERAL PROGRAMS</u></b>					
<u>U.S. Department of Housing and Urban Development</u>					
Office of Community Planning and Development					
Supportive Housing Program					
Grant No. TX 0043 L6J 071305	14.235	10/1/14 - 9/30/15	\$ 168,712	\$ --	\$ 168,712
Grant No. TX 0044 L6J 071306		8/01/14 - 7/31/15	92,201	--	92,201
Grant No. TX 0283 L6J 071302		8/01/14 - 7/31/15	20,024	--	20,024
Emergency Solutions Grants Program					
Texas Department of Housing and Community Affairs					
Contract No. 42140002059	14.231	10/1/14 - 9/30/15	--	129,545	129,545
Contract No. 42140002078		10/1/14 - 9/30/15	--	11,005	11,005
Contract No. 42140002084		10/1/14 - 9/30/15	--	370	370
Community Development Block Grant					
City of Victoria - Entitlement Grant	14.218	10/1/14 - 9/30/15	--	32,848	32,848
Total U.S. Department of Housing and Urban Development			<u>280,937</u>	<u>173,768</u>	<u>454,705</u>
<u>U.S. Department of Health and Human Services</u>					
Substance Abuse and Mental Health Services Administration					
Block Grants for Prevention and Treatment of Substance Abuse					
Texas Department of State Health Services					
Outreach, Screening, Assessment and Referral					
2015-046493-001 SA/OSR	93.959	9/1/14 - 8/31/15	--	436,152	436,152
Youth Intervention 2015-046485-001 SA/YPI		9/1/14 - 8/31/15	--	316,019	316,019
Youth Prevention 2015-046403-001 SA/YPS		9/1/14 - 8/31/15	--	202,460	202,460

**MID-COAST FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED AUGUST 31, 2015**

Federal Grantor/Department/Name of Federal Program/ Pass-Through Grantor/Program Title	CFDA Number	Contract Period	From Direct Awards	From Pass Through Awards	Total Expenditures
<b><u>FEDERAL PROGRAMS</u></b>					
Administration for Children and Families					
Family Violence Prevention Services Act (FVPSA)					
Shelters-Grants to States and Indian Tribes					
Crime Victims Fund Contract					
529-15-0032-00052A	93.671	9/1/14 - 8/31/15	--	35,655	35,655
Special Non-Residential Project Services 526-15-0006-00020		10/1/14 - 9/30/15	--	56,875	56,875
Social Security Block Grant 526-15-0032-00052A	93.667	9/1/14 - 8/31/15	--	77,813	77,813
			<u>          </u>	<u>          </u>	<u>          </u>
Total U.S. Department of Health and Human Services			<u>          </u>	<u>1,124,974</u>	<u>1,124,974</u>
 <u>U.S. Department of Justice</u>					
Violence Against Women Office					
ARRA - Violence Against Women Formula Grants					
Victims of Crime VA2817201	16.588	9/1/14 - 8/31/15	--	95,896	95,896
KF-Sexual Assault Services Program 2849401	16.017	9/1/14 - 8/31/15	--	12,500	12,500
			<u>          </u>	<u>          </u>	<u>          </u>
Total U.S. Department of Justice			<u>          </u>	<u>108,396</u>	<u>108,396</u>
 <u>U.S. Department of Homeland Security</u>					
Emergency Food and Shelter National Board Program	97.024	9/1/14 - 8/31/15	--	6,500	6,500
			<u>          </u>	<u>          </u>	<u>          </u>
Total U.S. Department of Homeland Security			<u>          </u>	<u>6,500</u>	<u>6,500</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>          </u>	<u>\$ 1,413,638</u>	<u>\$ 1,694,575</u>
			<u>\$ 280,937</u>		

**MID-COAST FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED AUGUST 31, 2015**

State Grantor/ Program Title	Contract Period	From Direct Awards	From Pass Through Awards	Total Expenditures
<b><u>STATE PROGRAMS</u></b>				
<b><u>Department of State Health Services</u></b>				
Outreach, Screening, Assessment and Referral 2015-046493-001 SA/OSR	9/1/14 - 8/31/15	\$ 233,255	\$ --	\$ 233,255
Youth Intervention 2015-046485-001 SA/YPI	9/1/14 - 8/31/15	46,481	--	46,481
Youth Prevention 2015-046403-001 SA/YPS	9/1/14 - 8/31/15	35,040	--	35,040
Total Department of State Health Services		314,776	--	314,776
<b><u>Texas Health and Human Services Commission</u></b>				
Crime Victims Fund 529-15-0032-00052A	9/1/14 - 8/31/15	82,838	--	82,838
Total Texas Health and Human Services Commission		82,838	--	82,838
<b><u>Texas Department of Criminal Justice</u></b>				
Batterers' Intervention and Prevention Project (BIPP) Relationship of Promise (ROP) 235-009	9/1/14 - 8/31/15	26,824	--	26,824
Total Texas Department of Criminal Justice		26,824	--	26,824
<b><u>Office of the Attorney General</u></b>				
Crime Victims Services Division - Other Victims' Assistance Grant (OVAG) Contract No. 1552785 Sexual Assault Prevention and Crisis Services (SAPCS) Contract No. 1551241	9/1/14 - 9/1/15	41,965	--	41,965
	9/1/14 - 9/1/15	30,000	--	30,000
Total Office of the Attorney General		71,965	--	71,965
TOTAL EXPENDITURES OF STATE AWARDS		496,403	--	496,403
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>		<b>\$ 777,340</b>	<b>\$ 1,413,638</b>	<b>\$ 2,190,978</b>

**MID-COAST FAMILY SERVICES, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AND STATE AWARDS**  
**AUGUST 31, 2015**

**Note 1: Significant Accounting Policies Used in Preparing the Schedule**

See Note 1 of the notes to the financial statements for Mid-Coast Family Services, Inc.'s summary of significant accounting policies. The expenditures included in the schedule are reported for the Organization's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the Organization for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The Organization has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**Note 2: Basis of Accounting**

The Schedule of Expenditures of Federal and State Awards has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Note 3: Relationship to Financial Statements**

Federal and state financial assistance programs are reported in the Organization's financial statements in the unrestricted revenues, gains and other support.

**MID-COAST FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2015**

**Federal Awards**

**A. Summary of Auditors' Results**

- \* Type of report issued on basic financial statements: Unqualified Opinion
- \* No deficiencies in internal control were disclosed by the audit.
- \* No instances of noncompliance were disclosed by the audit.
- \* No deficiencies in internal control over major programs were disclosed by the audit.
- \* Type of report issued on compliance for major programs: Unqualified Opinion.
- \* No findings requiring disclosure under Section 510(a), OMB Circular A-133 were noted.
- \* Major Program:
  - o CFDA # 93.959 –  
Outreach, Screening, Assessment and Referral  
Youth Prevention – Indicative  
Youth Prevention – Selective
  - o CFDA # 14.231 –  
Emergency Shelter Program
  - o CFDA # 14.235 –  
Supportive Housing Program
- \* Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- \* The Organization was classified as a low-risk auditee as defined in Section 510(a), OMB Circular A-133

**B. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.**

NONE

**C. Findings and Questioned Costs for Federal Awards**

NONE

**MID-COAST FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2015**

**State of Texas Awards**

A. Summary of Auditors' Results

- \* Type of report issued on basic financial statements: Unqualified Opinion
- \* No deficiencies in internal control were disclosed by the audit.
- \* No instances of noncompliance were disclosed by the audit.
- \* No deficiencies in internal control over major programs were disclosed by the audit.
- \* Type of report issued on compliance for major programs: Unqualified Opinion.
- \* No findings requiring disclosure under Section 510(a), OMB Circular A-133 were noted.
- \* Major Program:
  - o Outreach, Screening, Assessment and Referral  
Youth Prevention – Indicative  
Youth Prevention - Selective
  - o Emergency Shelter Program
  - o Supportive Housing Program
- \* Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- \* The Organization was classified as a low-risk auditee as defined in Section 510(a), OMB Circular A-133

B. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

NONE

C. Findings and Questioned Costs for State Awards

NONE

**MID-COAST FAMILY SERVICES, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2015**

There were no findings and/or questioned costs during the prior year audit.