

MID-COAST FAMILY SERVICES, INC.

VICTORIA, TEXAS

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12
SINGLE AUDIT SECTION	
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 <i>Government Auditing Standards</i>	13 - 14
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	15 - 16
Schedule of Expenditures of Federal Awards	17 - 18
Notes to the Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20
Summary Schedule of Prior Audit Findings	21



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

Certified Public Accountants
Financial Consultants
Business Advisors
www.rhcllp.com

"Pointing the Way to Success"
Lloyd Hurst, Jr., CPA
Russell A. Hodon, CPA
Christopher L. Culak, CPA
Christopher R. Janecek, CPA
Mary Ann McAdams, CPA

One Twenty South Main, Suite 300
P. O. Box 2486
Victoria, Texas 77902-2486
361-578-2915
1-800-861-4498
Fax 361-578-7058

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, 2017, 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, 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 28, 2018, 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.



Certified Public Accountants

May 28, 2018

MID-COAST FAMILY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 207,872
Cash - Fiduciary Funds	1,754
Accounts Receivable	233,967
Deposits	8,000
Prepaid Expenses	27,764
Inventory	<u>65,699</u>
Total Current Assets	545,056

Property and Equipment, Net	<u>1,858,508</u>
-----------------------------	------------------

Total Assets	<u>\$ 2,403,564</u>
--------------	---------------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 34,590
Accrued Salaries and Related Expenses	70,693
Sales Tax Payable	1,294
Due to Others - Fiduciary Fund	1,754
Deferred Revenue	<u>67,500</u>
Total Liabilities	175,831

Net Assets:

Unrestricted	2,222,622
Temporarily Restricted	<u>5,111</u>
Total Net Assets	<u>2,227,733</u>

Total Liabilities and Net Assets	<u>\$ 2,403,564</u>
----------------------------------	---------------------

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

MID-COAST FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

Unrestricted Net Assets

Unrestricted Revenues, Gains, and Other Support:

Contributions	\$ 546,821
Federal Grant Revenues	1,638,573
State Grant Revenues	347,035
Contract Income	56,000
Other	25,445
Program Fees	52,042
United Way	104,829
Fundraising	66,593
Thrift Shop	<u>236,892</u>

Total Unrestricted Revenue 3,074,230

Net Assets Released from Restriction 23,815

Total Unrestricted Revenues, Gains, and Other Support 3,098,045

Expenses:

Program Services	
Prevention	282,253
Family Violence	723,290
Intervention	520,986
Homeless Prevention	685,716
Supporting Services	
General	<u>959,608</u>

Total Expenses 3,171,853

Decrease in Unrestricted Net Assets (73,808)

Temporarily Restricted Net Assets

Other Donations	25,375
Net Assets Released from Restriction	<u>(23,815)</u>

Increase in Temporarily Restricted Net Assets 1,560

Total Decrease in Net Assets (72,248)

Net Assets, Beginning of Year 2,299,981

Net Assets, End of Year \$ 2,227,733

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

MID-COAST FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services				Supporting Services	Total
	Prevention	Family Violence	Intervention	Homelessness Prevention	General	
Expenses						
Personnel	\$ 191,986	\$ 454,690	\$ 367,051	\$ 167,322	\$ 261,669	\$ 1,442,718
Employee Benefits	34,883	80,173	63,900	29,209	36,852	245,017
Travel, Lodging & Auto	3,400	6,034	7,207	3,381	20,681	40,703
Supplies	4,583	14,661	7,976	2,297	29,538	59,055
Rent	13,105	19,522	27,800	201,958	85,508	347,893
Telephone & Communications	1,612	12,824	4,426	1,097	8,624	28,583
Professional Expense	5,488	40,269	8,499	--	3,793	58,049
Event Expenses	--	--	--	--	14,032	14,032
Insurance	6,862	14,374	9,668	5,987	21,429	58,320
Direct Client Expenses	8,004	8,301	388	5,641	4,677	27,011
Depreciation	--	5,041	--	--	70,435	75,476
Other	12,330	67,401	24,071	268,824	85,606	458,232
Thrift Store, Cost of Goods Sold	--	--	--	--	316,764	316,764
Total Expenses	<u>\$ 282,253</u>	<u>\$ 723,290</u>	<u>\$ 520,986</u>	<u>\$ 685,716</u>	<u>\$ 959,608</u>	<u>\$ 3,171,853</u>

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

MID-COAST FAMILY SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2017

Cash Flows From Operating Activities:	
Change in Net Assets	\$ (72,248)
Adjustments to Reconcile Decrease in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	75,476
Decrease in Operating Assets:	
Accounts Receivable	202,319
Deposits	10,000
Prepaid Expenses	3,783
Inventory	79,721
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(50,204)
Accrued Salaries and Related Expenses	(11,935)
Sales Tax Payable	314
Deferred Revenue	3,675
Net Cash Provided by Operating Activities	<u>240,901</u>
Cash Flows From Investing Activities:	
Purchases of Capital Assets	<u>(228,773)</u>
Net Cash Used by Investing Activities	<u>(228,773)</u>
Cash Flows From Financing Activities:	
Repayment of Long-Term Debt	<u>(69,950)</u>
Net Cash Used by Financing Activities	<u>(69,950)</u>
Net Decrease in Cash and Cash Equivalents	(57,822)
Cash and Cash Equivalents, Beginning of Year	<u>265,694</u>
Cash and Cash Equivalents, End of Year	<u>\$ 207,872</u>

Supplemental Disclosure of Cash Flow Information

Cash Paid During the Year for Interest	<u>\$ 1,203</u>
--	-----------------

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

MID-COAST FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2017

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.

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 net assets considered to be permanently restricted at August 31, 2017.

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, 2017

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 and Midcoast Family Treasures stores 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, 2017, employees were not compensated for any unused vacation.

MID-COAST FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2017

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, 2017, 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, homelessness 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. **Homelessness 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, 2017

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, 2017 were \$2,197.

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. The Organization's tax years 2014 and later remain subject to examination by major tax jurisdictions.

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 28, 2018, 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, 2017.

MID-COAST FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 3: Concentration Risks (Concluded)

Approximately 29% 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, 2017, the Organization's property and equipment assets were comprised of the following:

Property and Equipment Not Being Depreciated	
Land	\$ 27,560
Property and Equipment Being Depreciated	
Buildings	1,988,591
Vehicles	177,254
Equipment	167,726
Total Property and Equipment Being Depreciated	2,333,571
Less: Accumulated Depreciation	(502,623)
Property and Equipment Being Depreciated, Net	1,830,948
Net Property and Equipment	<u>\$ 1,858,508</u>

Depreciation expense for the current year totaled \$75,476.

Note 5: Designations of and Restrictions on Net Assets

Temporarily Restricted Net Assets -- As of August 31, 2017, temporarily restricted net assets consisted of amounts that had been restricted by donors for the following purposes:

Youth Services	<u>\$ 5,111</u>
----------------	-----------------

The amounts restricted for youth services are used for the maintenance and operation of a homework center and for summer camp.

Note 6: 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, 2017 was \$347,893. Lease expiration dates range from November 30, 2017 to November 30, 2021.

MID-COAST FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 6: 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, 2017, are as follows:

Fiscal Year <u>Ending</u>	
2018	\$ 291,912
2019	160,545
2020	133,140
2021	133,140
2022	33,285
Thereafter	<u>-0-</u>
Total Minimum Obligation	<u>\$ 752,022</u>

Note 7: 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, 2017, the Organization contributed \$24,836.

SINGLE AUDIT SECTION



"Pointing the Way to Success"

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

Certified Public Accountants
Financial Consultants
Business Advisors
www.rhcllp.com

Lloyd Hurst, Jr., CPA
Russell A. Hodon, CPA
Christopher L. Culak, CPA
Christopher R. Janecek, CPA
Mary Ann McAdams, CPA

One Twenty South Main, Suite 300
P. O. Box 2486
Victoria, Texas 77902-2486
361-578-2915
1-800-861-4498
Fax 361-578-7058

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, 2017, 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 28, 2018.

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 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,

A handwritten signature in black ink that reads "Roloff, Hnatek & Co, LLP". The signature is written in a cursive, slightly slanted style.

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

May 28, 2018



"Pointing the Way to Success"

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

Certified Public Accountants
Financial Consultants
Business Advisors
www.rhcllp.com

Lloyd Hurst, Jr., CPA
Russell A. Hodon, CPA
Christopher L. Culak, CPA
Christopher R. Janecek, CPA
Mary Ann McAdams, CPA

One Twenty South Main, Suite 300
P. O. Box 2486
Victoria, Texas 77902-2486
361-578-2915
1-800-861-4498
Fax 361-578-7058

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

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

Report on Compliance for Each Major Federal Program

We have audited Mid-Coast Family Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mid-Coast Family Services, Inc.'s major federal programs for the year ended August 31, 2017. Mid-Coast Family Services, Inc.'s major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mid-Coast Family Services, Inc.'s major federal 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; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 program. However, our audit does not provide a legal determination of Mid-Coast Family Services, Inc.'s compliance.

Opinion on Each Major Federal 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 programs for the year ended August 31, 2017.

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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully Submitted,

Roloff, Hnatek + Co, LLP

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

May 28, 2018

MID-COAST FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

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
<u>FEDERAL PROGRAMS</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Office of Community Planning and Development					
Supportive Housing Program					
Grant No. TX 0044 L6J 071508	14.235	8/01/16 - 7/31/17	\$ 293,112	\$ --	\$ 293,112
Emergency Solutions Grants Program					
Texas Department of Housing and Community Affairs					
Contract No. 42160002552	14.231	9/1/16 - 8/31/17	--	312,845	312,845
Contract No. 42150002704		4/3/17 - 6/30/17	--	13,000	13,000
Community Development Block Grant					
City of Victoria - Entitlement Grant	14.218	10/1/16 - 9/30/17	--	60,000	60,000
Total U.S. Department of Housing and Urban Development			293,112	385,845	678,957
<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 Health and Human Services Commission					
Youth Intervention 2016-048210-002 SA/YPI	93.959	9/1/16 - 8/31/17	--	307,550	307,550
Youth Prevention 2016-048014-002 SA/YPS	93.959	9/1/16 - 8/31/17	--	203,157	203,157
Total Substance Abuse Grants			--	510,707	510,707

MID-COAST FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

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
<u>FEDERAL PROGRAMS</u>					
Family Violence Prevention Services Act (FVPSA) 529-15-0032-00052D	93.671	9/1/16 - 8/31/17	--	41,870	41,870
Special Non-Residential Project Services 529-15-0006-00020B		10/1/16 - 9/30/17	--	61,852	61,852
Social Security Block Grant 526-15-0032-00052D	93.667	9/1/16 - 8/31/17	--	87,771	87,771
Total U.S. Department of Health and Human Services			--	702,200	702,200
<u>U.S. Department of Justice</u>					
VA - Victims of Crime Act Formula Grant Program					
Victims of Crime 2893302	16.575	10/1/16 - 9/30/18	--	222,118	222,118
KF-Sexual Assault Services Program 2988302	16.017	10/1/16 - 10/31/17	--	29,048	29,048
Total U.S. Department of Justice			--	251,166	251,166
<u>U.S. Department of Homeland Security</u>					
Emergency Food and Shelter National Board Program	97.024	4/1/17 - 01/31/18	--	6,250	6,250
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 293,112	\$ 1,345,461	\$ 1,638,573

MID-COAST FAMILY SERVICES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
AUGUST 31, 2017

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal award activity of the Organization under programs of the federal government for the year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Organization.

Note 2: 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 allowed or are limited to reimbursement.

Note 3: Indirect Cost Rate

The Organization did not elect to use the 10% de minimus cost rate as covered by section 200.414 of the Uniform Guidance.

MID-COAST FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017

Federal Awards

A. Summary of Auditors' Results

- * The auditors' report expresses an unmodified opinion on whether the financial statements of Mid-Coast Family Services, Inc. were prepared in accordance with U.S. generally accepted accounting principles.
- * No significant deficiencies in internal control were disclosed by the audit.
- * No material instances of noncompliance were disclosed by the audit.
- * No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed by the audit.
- * The auditors' report on compliance for the major federal award programs for Mid-Coast Family Services, Inc. expresses an unmodified opinion on all major federal programs.
- * No findings required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- * Major Programs tested: CFDA # 93.959, Youth Intervention/Youth Prevention and CFDA # 16.575, Victims of Crime Act.
- * The threshold used to distinguish between Type A and Type B programs was \$750,000.
- * Mid-Coast Family Services, Inc. was determined to be a low-risk auditee.

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.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2017

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