

**MID-COAST FAMILY SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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# GOMEZ & COMPANY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
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, 2021, 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.

### ***Auditor's 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 auditor's 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, 2021, 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 26, 2022 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.



Houston, TX  
May 26, 2022

MID-COAST FAMILY SERVICES, INC.  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2021

ASSETS	
Current Assets	
Cash	\$ 461,011
Grants Receivable	818,522
Inventory	47,738
Prepaid Expenses	104,012
Deposits	8,000
Total Current Assets	1,439,283
Property and Equipment	
Land	27,560
Building and Improvements	2,764,335
Furniture and Equipment	167,726
Vehicles	206,406
	3,166,027
Less: Accumulated Depreciation	(820,074)
Total Property and Equipment	2,345,953
Total Assets	\$ 3,785,236
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 131,712
Accrued Wages and Related Expenses	119,072
Other Accrued Liabilities	6,644
Deferred Revenue	82,838
Current Portion of Notes Payable	149,920
Total Current Liabilities	490,186
Long-Term Liabilities	
Notes Payable, net of Current Portion	150,000
Total Long-Term Liabilities	150,000
Total Liabilities	640,186
Net Assets	
Without Donor Restrictions	3,106,465
With Donor Restrictions	38,585
Total Net Assets	3,145,050
Total Liabilities and Net Assets	\$ 3,785,236

See accompanying notes to financial statements.

MID-COAST FAMILY SERVICES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions and Grants	\$ 342,805	\$ 25,000	\$ 367,805
United Way Allocation	-	113,116	113,116
Federal Assistance	-	4,348,942	4,348,942
State and Local Assistance	-	469,483	469,483
Thrift Shop	392,911	-	392,911
Other Income	62,266	19,603	81,869
Net Assets released from restrictions	4,958,101	(4,958,101)	-
Total Revenues	<u>5,756,083</u>	<u>18,043</u>	<u>5,774,126</u>
<b>EXPENSES</b>			
Program Services	4,686,590	-	4,686,590
Management and General	791,127	-	791,127
Total Expenses	<u>5,477,717</u>	<u>-</u>	<u>5,477,717</u>
<b>CHANGE ON NET ASSETS</b>	<u>278,366</u>	<u>18,043</u>	<u>296,409</u>
Net Assets, Beginning of the Year, As Restated	<u>2,828,099</u>	<u>20,542</u>	<u>2,848,641</u>
Net Assets at the End of the Year	<u>\$ 3,106,465</u>	<u>\$ 38,585</u>	<u>\$ 3,145,050</u>

See accompanying notes to financial statements

MID-COAST FAMILY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services					Management and General	Total All Funds
	Prevention	Family Violence	Intervention	Homelessness Prevention	Total Program Services		
Salaries	\$ 902,693	\$ 549,603	\$ 47,208	\$ 543,532	\$ 2,043,036	\$ 302,827	\$ 2,345,863
Employee benefits	167,669	167,297	11,498	99,815	446,279	58,015	504,294
Total Personnel Expenses	<u>1,070,362</u>	<u>716,900</u>	<u>58,706</u>	<u>643,347</u>	<u>2,489,315</u>	<u>360,842</u>	<u>2,850,157</u>
Conference and meetings	6,540	1,365	1,434	3,000	12,339	2,090	14,429
Insurance	20,768	21,003	177	8,761	50,709	10,279	60,988
Professional Fees	6,456	5,696	403	11,825	24,380	2,619	26,999
Repairs and Maintenance	959	25,436	-	17,497	43,892	17,023	60,915
Rent	59,462	19,410	3,678	25,282	107,832	55,480	163,312
Supplies	61,462	39,827	-	13,291	114,580	34,407	148,987
Telephone	10,251	8,094	515	5,906	24,766	7,262	32,028
Direct Client Expense	7,683	201,699	56	1,283,351	1,492,789	47,966	1,540,755
Utilities	31,170	78,125	2,276	83,798	195,369	75,226	270,595
Interest	-	-	-	-	-	4,121	4,121
Other	28,811	28,612	1,103	72,093	130,619	94,651	225,270
Total Expenses before Depreciation	<u>233,562</u>	<u>429,267</u>	<u>9,642</u>	<u>1,524,804</u>	<u>2,197,275</u>	<u>351,124</u>	<u>2,548,399</u>
Depreciation Expense	-	-	-	-	-	79,161	79,161
Total Expenses	<u>\$ 1,303,924</u>	<u>\$ 1,146,167</u>	<u>\$ 68,348</u>	<u>\$ 2,168,151</u>	<u>\$ 4,686,590</u>	<u>\$ 791,127</u>	<u>\$ 5,477,717</u>

See accompanying notes to financial statements

MID-COAST FAMILY SERVICES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2021

Cash Flow From Operating Activities	
Increase (decrease) in Net Assets	\$ 296,409
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	79,161
(Increase) decrease in Grants Receivable	(226,471)
(Increase) decrease in Prepaids	(26,534)
(Increase) decrease in Inventory	33,924
Increase (decrease) in Accounts Payable	91,597
Increase (decrease) in Deferred Rev	11,588
Increase (decrease) in Other Accrued Liabilities	14,793
Net Cash Provided (Used) By Operating Activities	<u>274,467</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>(687,986)</u>
Net Cash Provided (Used) By Investing Activities	<u>(687,986)</u>
Cash Flows from Financing Activities	
Repayment of Long-Term Debt	<u>(5,623)</u>
Net Cash Provided (Used) By Financing Activities	<u>(5,623)</u>
Net Increase (Decrease) in Cash	(419,142)
Cash at the Beginning of the Year	<u>880,153</u>
Cash at the End of the Year	<u>\$ 461,011</u>
 <u>Cash Paid During The Year For:</u>	
Interest	<u>\$ 4,121</u>

See accompanying notes to financial statements.



MID-COAST FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

A. Organization:

Mid-Coast Family Services, Inc. (MCFS, Inc.) 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, intervention and sexual assault 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.

B. Summary of Significant Accounting Policies:

**BASIS OF PRESENTATION:**

The financial statements have been prepared using the accrual basis of accounting in accordance with the generally accepted accounting principles. MCFS, Inc. follows the recommendations of the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**CLASSIFICATION OF NET ASSETS**

Net assets of MCFS, Inc. are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

*Net Assets Without Donor Restrictions* – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

*Net Assets with Donor Restrictions* – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use.

**SUPPORT AND REVENUE:**

Support and revenue are recorded based on the accrual method. Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions.

**CASH DONATIONS AND DONATED SERVICES:**

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. Such items that meet this definition and are designed for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes, are considered cash equivalents for cash flow reporting purposes.

**CONTRIBUTIONS:**

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

MID-COAST FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

DEFERRED REVENUE:

Deferred revenue related to United Way contributions, which have been restricted for a specific purpose. Revenue is recognized only to the extent that related expenses have been incurred.

PLEDGES AND ACCOUNTS RECEIVABLE:

Contributions are recognized when the donor makes a promise to give to MCFS, Inc. that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

PROPERTY AND EQUIPMENT:

Property, building, and equipment purchased by MCFS, Inc. are recorded at cost. Donations of property and equipment are recorded at their fair market value at the date of the gift. All purchases and donations in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives as follows:

	<u>Years</u>
Buildings	39-40
Building Improvements	5-20
Furniture & Fixtures	5-25
Automobiles	5
Computer Equipment	5
Software	3

FUNCTIONAL EXPENSES:

Expenses are charged to each program based on direct expenditures incurred. Functional expenses, which cannot readily be related to a specific program, are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the Organization's multiple function expenditures.

INCOME TAXES:

MCFS, Inc. qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and have no provision for income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). See Note H for current tax exempt status.

MID-COAST FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts at local banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank accounts, at times, exceeded federally insured limits. The Organization has not experienced any losses on such accounts.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires MCFS, Inc.'s management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Promises to Give:

Unconditional promises to give consist of the following at August 31, 2021:

Receivables in less than one year	\$ 75,916
Receivable in one to five years	<u>-0-</u>
Total Pledges receivable	<u>\$ 75,916</u>

Conditional promises to give consist of the following at August 31, 2021:

Contingent upon goal attainment	<u>\$ -0-</u>
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D. Liquidity and Availability of Financial Assets:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end	
Cash	\$ 461,011
Accounts Receivable	818,522
Inventory	<u>47,738</u>
Total Financial assets at year-end	<u>\$ 1,327,271</u>
Less those unavailable for general expenditures	
within one year, due to:	
Donor-restricted imposed restrictions as to use or time:	38,585
Financial assets available to meet cash needs for general	
expenditure within one year	<u>\$ 1,288,686</u>

MID-COAST FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

D. Liquidity and Availability of Financial Assets: (Continued):

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization.

E. Operating Lease Commitments:

MCFS, Inc. leases its office space under non-cancellable lease agreements. These leases are being accounted for as operating leases. MCFS, Inc.'s minimum annual lease commitments are as follows:

<u>Year ending August 31</u>	<u>Amount</u>
2022	<u>\$ 39,285</u>
Total	<u>\$ 39,285</u>

Operating lease expense amounted to \$163,140 for the twelve months ended August 31, 2021.

F. Notes Payable:

The Organization's obligations under notes payable consists of the following:

Emergency Injury Disaster Loan with monthly installments of \$641 bearing interest of 2.75%, starting 30-months from the date of the promissory note. Balance and principle to be payable thirty years from the date of the promissory note.	\$ 150,000
Paycheck Protection Program Loan with monthly installments of \$19,516 bearing interest of 1%. The loan has a maturity date of April 21, 2022.	<u>149,920</u>
Total notes payable	299,920
Less: current portion of notes payables	<u>(149,920)</u>
Notes payable net of current portion	<u>\$ 150,000</u>

MID-COAST FAMILY SERVICES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

F. Notes Payable: (Continued)

Maturities of notes payable over the next five years are as follows:

Year Ending August 31,	Amount
2022	\$ 149,920
2023	2,670
2024	3,687
2025	3,790
2026	3,896
Thereafter	135,957
Total	\$ 299,920

G. Net Assets With Donor Restrictions:

Net Assets With Donor Restrictions at August 31, 2021, are available for the following periods:

Youth Services	\$ 38,585
Net assets with donor restrictions	\$ 38,585

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

United Way	\$ 113,116
Contributions and Grants	6,957
Other Income	19,603
Federal Assistance	4,348,942
State Assistance	469,483
Total restrictions released	\$ 4,958,101

MID-COAST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

H. Subsequent Event:

On April 25, 2022, the Organization was notified by the Internal Revenue Service that effective January 15, 2022 their tax-exempt status was automatically revoked due to missed filings of their 990 tax returns. In accordance with the Internal Revenue Service, the organization has 15 months to apply for retroactive reinstatement. Reinstatement of tax-exempt status if completed within the 15 months, will retroactively reinstate the Organization's tax-exempt status back to the revocation date of January 15, 2022. The Organization is eligible for retroactive restatement as failure to file the 990 tax returns was through no fault of their own. The Organization is taking steps towards retroactive reinstatement of their tax-exempt status and expects this issue to be resolved with the allotted time.

I. Prior Period Adjustment:

During the current year, The Organization was notified by their financial institution that the Payment Protection Loan was forgiven in full, leaving a remaining balance in the amount of \$155,543. The full PPP Loan was recognized as revenue in fiscal year 2020. An adjustment was made establish remaining balance in PPP Loan and reduce net assets. See notes payable details in Note F.

J. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through May 26, 2022 the date which the financial statements were available to be issued.

MID-COAST FAMILY SERVICES, INC.  
SCHEDULE OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Governmental grantor/pass-through grantor/ Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
<b>FEDERAL ASSISTANCE:</b>			
U.S. Department of Housing & Urban Development Supportive Housing Program	14.267		\$ 782,008
Continuum of Care Program	14.267		125,418
Passed through Texas Department of Housing and Community Affairs:			
Emergency Solutions Grant Program	14.231	42196070036	41,380
	14.231	42206070034	213,330
Passed through City of Victoria - Entitlement Grant Community Development Block Grant	14.218		<u>270,000</u>
<b>Total U.S. Department of Housing &amp; Urban Development, non-COVID 19 Assistance</b>			<u>1,432,136</u>
Passed through Texas Department of Housing and Community Affairs:			
COVID-19 - Emergency Solutions Grant Program of the Coronavirus Aid, Relief And Economic Security (CARES) Act	14.231	43206070036	597,898
COVID-19 - Emergency Solutions Grant Program Coronavirus Aid, Relief And Economic Security (CARES) Act	14.231	44206070036	<u>445,114</u>
<b>Total U.S. Department of Housing &amp; Urban Development, COVID 19 Assistance</b>			<u>1,043,012</u>
<b>Total U.S. Department of Housing &amp; Urban Development</b>			<u>\$ 2,475,148</u>
U.S. Department of Health & Human Services Passed through Texas Health and Human Services Commission:			
Public Health Service II; Block Grant for the Prevention & Treatment of Substance Abuse	93.959	HHS000077600035	\$ 222,750
	93.959	HHS000539700063	197,500
	93.959	HHS000539700113	280,381
Family Violence Prevention Services Act (FVPSA)	93.671	HHS000380000049	51,760
Social Security Block Grant	93.667	HHS000380000049	10,605
Temporary Assistance for Needy Families to Title XX	93.558	HHS000380000049	100,011
Passed through Texas Department of Family and Protective Services (DFPS)			
Promoting Safe and Stable Families	93.556	HHS000535600001	<u>398,904</u>
<b>Total U.S. Department of Health &amp; Human Services, non-COVID 19 Assistance</b>			<u>1,261,911</u>

MID-COAST FAMILY SERVICES, INC.

SCHEDULE OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

Governmental grantor/Pass-through grantor/ Program Title	CFDA Number	Pass-through Grantor's number	Expenditures
<b>FEDERAL ASSISTANCE:</b>			
U.S. Department of Health & Human Services Passed through Texas Health and Human Services Commission:			
COVID-19 - Family Violence Prevention Services Act (FVPSA) of Coronavirus Aid, Relief And Economic Security (CARES) Act	93.671	HHS000380000049	24,059
Total U.S. Department of Health & Human Services, COVID 19 Assistance			24,059
<b>Total U.S. Department of Health &amp; Human Services</b>			<b>\$ 1,285,970</b>
U.S. Department of Homeland Security Emergency Food and Shelter National Board Program	97.024		\$ 10,000
Total U.S. Department of Homeland Security, non-COVID 19 Assistance			10,000
U.S. Department of Homeland Security COVID-19 Emergency Food and Shelter National Board Program Coronavirus Aid, Relief And Economic Security (CARES) Act	97.024		3,078
Total U.S. Department of Homeland Security, COVID 19 Assistance			3,078
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 13,078</b>
U.S. Department of Justice Passed through Office of the Attorney General VA- Victims of Crime Act Formula Grant Program Victims Services - Family Violence and Sexual Assault Victim Assistance - Transitional Housing Initiative	16.575 16.575	2893304 3423602	\$ 317,419 212,834
<b>Total U.S. Department of Justice</b>			<b>\$ 530,253</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 4,304,449</b>



MID-COAST FAMILY SERVICES, INC.

NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying schedule of federal and state awards (the Schedule) includes federal grant activity of MCFS, Inc. under programs of the federal government for the year ended August 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) 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 operation of MCFS, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of MCFS, Inc.

***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, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

***Indirect Cost Rate***

MCFS, Inc. utilizes the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

***Subrecipients***

The organization did not provide federal awards to subrecipients.

***Reconciliation of Functional Expenses to Expenditures per Schedule of Expenditures of Federal Awards (SEFA) and Federal Grant Revenue:***

Total expenditure of federal awards per the SEFA	\$ 4,304,449
FAYS Program Funds Not Expended	44,493
Total Federal Revenue per the Statement of Activities	<u>\$ 4,348,942</u>

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### INDEPENDENT AUDITOR'S 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 of  
Mid-Coast Family Services, Inc.  
Victoria, Texas

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 nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2022.

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

In planning and performing our audit of the financial statements, we considered MCFS, 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 MCFS, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

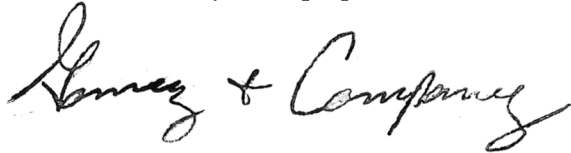
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "Ramsey & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX  
May 26, 2022

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Board of Directors of  
Mid-Coast Family Services, Inc.  
Houston, Texas

#### **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 MCFS, Inc.'s major federal programs for the year ended August 31, 2021. MCFS, Inc.'s major federal programs are identified in the summary of auditor's 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 programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of MCFS, 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 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 MCFS, 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. However, our audit does not provide a legal determination of MCFS, Inc.'s compliance.

#### ***Opinion on Each Major Federal***

In our opinion, MCFS, 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, 2021.

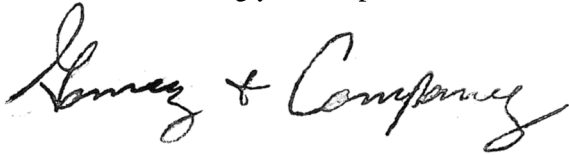
## Report on Internal Control over Compliance

Management of MCFS, 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 MCFS, 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 MCFS, 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.

A handwritten signature in cursive script that reads "Honey & Company".

Houston, TX  
May 26, 2022

MID-COAST FAMILY SERVICES, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal award programs.
6. The audit did not disclose any audit findings which are required to be reported accordance with 2 CFR section 200.516(a) of the Uniform Guidance.

7. Major programs:

<u>Federal Grantor</u>	<u>CFDA Number</u>
U.S. Department of Housing & Urban Development Continuum of Care Program Supportive Housing Program	14.267
Passed through Texas Department of Housing and Community Affairs: Emergency Solutions Grant Program	14.231

8. A \$750,000 Federal threshold was used to distinguish between Type A and Type B programs as described in 2 CFR section 200.718.
9. Mid-Coast Family Services, Inc. qualifies as a low-risk auditee.

Current Year Findings

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a) of the Uniform Guidance.

<u>Questioned Costs</u>
\$ -0-

MID-COAST FAMILY SERVICES, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2021

Summary Schedule of Prior Year Findings

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a) of the Uniform Guidance for the year ended August 31, 2020.

\$ -0-

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