

**the Montrose Center**

Financial Statements  
and Single Audit Reports  
for the year ended August 31, 2017

# the Montrose Center

## Table of Contents

---

	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of August 31, 2017 and 2016	3
Statement of Activities for the year ended August 31, 2017	4
Statement of Activities for the year ended August 31, 2016	5
Statement of Functional Expenses for the year ended August 31, 2017	6
Statement of Functional Expenses for the year ended August 31, 2016	7
Statements of Cash Flows for the years ended August 31, 2017 and 2016	8
Notes to Financial Statements for the years ended August 31, 2017 and 2016	9
<b>Supplementary Information:</b>	
Schedule of Expenditures of Federal Awards for the year ended August 31, 2017	14
Schedule of Expenditures of State Awards for the year ended August 31, 2017	17
Note to Schedules of Expenditures of Federal and State Awards for the year ended August 31, 2017	18
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	19
<b>Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance</b>	20
Schedule of Findings and Questioned Costs for the year ended August 31, 2017	22
Summary Schedule of Prior Audit Findings	23

---

## Independent Auditors' Report

To the Board of Directors of  
the Montrose Center:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Montrose Center, which comprise the statements of financial position as of August 31, 2017 and 2016 and the related statements of activities, of functional expenses, and of cash flows for the years 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 audits. We conducted our audits 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 our audits 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*

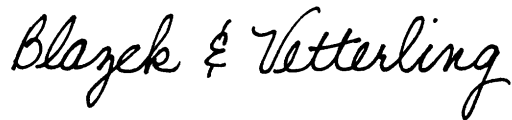
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montrose Center as of August 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended August 31, 2017 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. The accompanying supplementary information in the schedule of expenditures of state awards for the year ended August 31, 2017 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018 on our consideration of the Montrose Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Montrose Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Montrose Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Blazek & Vetterling".

January 18, 2018

## the Montrose Center

Statements of Financial Position as of August 31, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents ( <i>Note 3</i> )	\$ 205,337	\$ 314,416
Receivables:		
Government contracts	895,531	941,574
Client fees, net	527,194	499,807
Operating pledges, net ( <i>Note 4</i> )	328,386	29,543
United Way allocation	46,732	23,732
Prepaid expenses	211,886	192,134
Cash restricted for senior housing ( <i>Note 3</i> )	827,493	
Pledges receivable restricted for senior housing, net ( <i>Note 4</i> )	239,351	106,600
Property, net ( <i>Note 5</i> )	<u>182,920</u>	<u>168,592</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,464,830</u></b>	<b><u>\$ 2,276,398</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 218,420	\$ 109,926
Accrued pension payable	11,022	4,215
Note payable ( <i>Note 7</i> )	59,834	59,834
Deferred revenue – special events	14,500	
Payable to Montrose Counseling Center Permanent Endowment ( <i>Note 2</i> )	<u>114,802</u>	<u>168,744</u>
Total liabilities	<u>418,578</u>	<u>342,719</u>
Net assets:		
Unrestricted	792,330	1,186,027
Temporarily restricted ( <i>Note 6</i> )	<u>2,253,922</u>	<u>747,652</u>
Total net assets	<u>3,046,252</u>	<u>1,933,679</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,464,830</u></b>	<b><u>\$ 2,276,398</u></b>

*See accompanying notes to financial statements.*

---

## the Montrose Center

Statement of Activities for the year ended August 31, 2017

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
Government contracts ( <i>Note 8</i> )	\$ 4,229,930		\$ 4,229,930
Client fees	1,328,921		1,328,921
Contributions	276,886	\$ 1,397,064	1,673,950
Special events	37,590	327,175	364,765
Direct donor benefits	(21,397)	(20,531)	(41,928)
United Way allocation	3,630	136,734	140,364
Other income	<u>133,952</u>		<u>133,952</u>
Total revenue	5,989,512	1,840,442	7,829,954
Net assets released from restrictions:			
Expiration of time restrictions	3,036	(3,036)	
Expenditure for program purposes	<u>331,136</u>	<u>(331,136)</u>	
Total	<u>6,323,684</u>	<u>1,506,270</u>	<u>7,829,954</u>
<b>EXPENSES:</b>			
Program expenses:			
Case Management	2,992,794		2,992,794
LIFE	701,373		701,373
Anti-Violence	510,025		510,025
Education	500,946		500,946
HIV/AIDS	426,497		426,497
Chemical Dependency	420,029		420,029
Youth	231,493		231,493
Senior	174,409		174,409
Women's services	<u>104,909</u>		<u>104,909</u>
Total program expenses	6,062,475		6,062,475
Management and general	382,887		382,887
Fundraising	<u>272,019</u>		<u>272,019</u>
Total expenses	<u>6,717,381</u>		<u>6,717,381</u>
CHANGES IN NET ASSETS	(393,697)	1,506,270	1,112,573
Net assets, beginning of year	<u>1,186,027</u>	<u>747,652</u>	<u>1,933,679</u>
Net assets, end of year	<u>\$ 792,330</u>	<u>\$ 2,253,922</u>	<u>\$ 3,046,252</u>

*See accompanying notes to financial statements.*

## the Montrose Center

Statement of Activities for the year ended August 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government contracts ( <i>Note 8</i> )	\$ 4,019,274		\$ 4,019,274
Client fees	1,307,465		1,307,465
Contributions	247,205	\$ 789,497	1,036,702
Special events	91,349		91,349
Direct donor benefits	(16,991)		(16,991)
United Way allocation	75,000	140,480	215,480
Other income	<u>174,406</u>		<u>174,406</u>
Total revenue	5,897,708	929,977	6,827,685
Net assets released from restrictions:			
Expiration of time restrictions	45,566	(45,566)	
Expenditure for program purposes	<u>716,364</u>	<u>(716,364)</u>	
Total	<u>6,659,638</u>	<u>168,047</u>	<u>6,827,685</u>
EXPENSES:			
Program expenses:			
Case Management	3,003,992		3,003,992
LIFE	654,058		654,058
Anti-Violence	452,070		452,070
Education	350,289		350,289
HIV/AIDS	510,105		510,105
Chemical Dependency	410,137		410,137
Youth	204,937		204,937
Senior	211,944		211,944
Women's services	<u>30,167</u>		<u>30,167</u>
Total program expenses	5,827,699		5,827,699
Management and general	442,395		442,395
Fundraising	<u>273,423</u>		<u>273,423</u>
Total expenses	<u>6,543,517</u>		<u>6,543,517</u>
CHANGES IN NET ASSETS	116,121	168,047	284,168
Net assets, beginning of year	<u>1,069,906</u>	<u>579,605</u>	<u>1,649,511</u>
Net assets, end of year	<u>\$ 1,186,027</u>	<u>\$ 747,652</u>	<u>\$ 1,933,679</u>

*See accompanying notes to financial statements.*

**the Montrose Center**

Statement of Functional Expenses for the year ended August 31, 2017

	CASE MANAGEMENT	LIFE	ANTI- VIOLENCE	EDUCATION	HIV/AIDS	CHEMICAL DEPENDENCY	YOUTH	SENIOR	WOMEN'S SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 1,281,968	\$ 464,335	\$ 267,632	\$ 296,163	\$ 289,425	\$ 253,865	\$ 114,557	\$ 112,937	\$ 49,282	\$ 176,313	\$ 194,415	\$ 3,500,892
Benefits	352,762	91,146	45,488	95,867	46,332	63,529	27,237	21,815	10,279	32,426	28,285	815,166
Payroll taxes	96,591	34,586	19,945	22,343	21,523	19,006	8,425	8,579	3,753	12,982	14,745	262,478
Client assistance	850,038		95,997	230		688	3,915		22,440			973,308
Occupancy	210,876	62,018	41,545	53,292	35,635	37,509	16,809	19,789	7,775	88,434	8,120	581,802
In-kind professional services	28,814	21,113	21,111		21,113	21,113	35,418					148,682
Contract services	49,891	8,008	4,364	2,218	2,856	3,038	1,440	1,012	919	39,347	353	113,446
Supplies	32,057	1,988	1,059	1,814	865	1,400	8,046	1,653	1,082	589	15,006	65,559
Local travel	31,817	798	1,477	15,897	70	4,876	7,789	1,452	1,118	76	54	65,424
Telephone	11,248	3,301	3,461	2,803	1,899	3,145	896	1,055	430	1,373	437	30,048
Professional development	14,587	2,420	249	3,573	138	2,501	75	210	204	411	5	24,373
Equipment rental and purchases	8,419	3,414	1,727	2,206	1,790	1,563	706	821	323	2,275	337	23,581
Depreciation	10,118	2,375	1,789	1,706	1,531	1,454	711	827	427	1,294	495	22,727
Printing	6,482	82	107	268	179	70	293	429	989	306	283	9,488
Bad debt		1,822	698		644	1,754		601				5,519
Postage	1,057	327	213	244	168	190	92	103	641	207	388	3,630
Other	<u>6,069</u>	<u>3,640</u>	<u>3,163</u>	<u>2,322</u>	<u>2,329</u>	<u>4,328</u>	<u>5,084</u>	<u>3,126</u>	<u>5,247</u>	<u>26,854</u>	<u>9,096</u>	<u>71,258</u>
Total expenses	<u>\$ 2,992,794</u>	<u>\$ 701,373</u>	<u>\$ 510,025</u>	<u>\$ 500,946</u>	<u>\$ 426,497</u>	<u>\$ 420,029</u>	<u>\$ 231,493</u>	<u>\$ 174,409</u>	<u>\$ 104,909</u>	<u>\$ 382,887</u>	<u>\$ 272,019</u>	<u>\$ 6,717,381</u>
Grant reimbursed management expenses by program	\$120,637	\$428	\$30,718	\$40,417	\$12,986	\$18,262	\$6,699	\$7,196				

*See accompanying notes to financial statements.*



## the Montrose Center

### Statement of Functional Expenses for the year ended August 31, 2016

	CASE MANAGEMENT	LIFE	ANTI- VIOLENCE	EDUCATION	HIV/AIDS	CHEMICAL DEPENDENCY	YOUTH	SENIOR	WOMEN'S SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 1,304,996	\$ 414,388	\$ 248,906	\$ 209,828	\$ 336,865	\$ 243,985	\$ 102,196	\$ 110,810	\$ 20,319	\$ 192,777	\$ 208,491	\$ 3,393,561
Benefits	343,851	84,919	39,674	57,292	57,075	52,673	25,012	19,755	3,973	38,106	24,073	746,403
Payroll taxes	98,452	31,003	18,525	16,043	25,102	18,536	7,520	8,315	1,501	14,119	15,910	255,026
Client assistance	762,188		57,599	231		456		262				820,736
Occupancy	217,477	55,279	42,748	38,913	43,126	39,032	20,935	19,391	2,719	94,863	9,922	584,405
In-kind professional services	34,706	22,542	22,542		22,542	19,661	28,935					150,928
Contract services	32,241	20,664	5,186	1,149	8,709	11,604	440	40,715	89	31,480	280	152,557
Supplies	39,940	2,708	1,254	2,241	3,876	1,191	6,377	1,906	209	1,332	3,040	64,074
Local travel	36,708	1,207	987	10,662	15	4,688	7,421	2,180	438	18	240	64,564
Telephone	8,454	2,354	2,765	1,531	1,701	2,786	643	750	176	1,398	398	22,956
Professional development	8,334	2,582	585	7,881	137	4,980		32		237	165	24,933
Equipment rental and purchases	8,914	3,096	1,740	1,560	1,823	1,611	735	799	112	1,151	716	22,257
Depreciation	12,433	2,843	1,912	1,493	2,158	1,735	874	1,036	125	1,899	1,395	27,903
Printing	1,605	301	217	209	48	300		1,816	99	40	480	5,115
Bad debt	89,000	5,123	3,540		3,995	3,212		1,919		36,857		143,646
Postage	1,006	309	195	183	217	194	81	87	14	200	633	3,119
Other	<u>3,687</u>	<u>4,740</u>	<u>3,695</u>	<u>1,073</u>	<u>2,716</u>	<u>3,493</u>	<u>3,768</u>	<u>2,433</u>	<u>131</u>	<u>27,918</u>	<u>7,680</u>	<u>61,334</u>
Total expenses	<u>\$ 3,003,992</u>	<u>\$ 654,058</u>	<u>\$ 452,070</u>	<u>\$ 350,289</u>	<u>\$ 510,105</u>	<u>\$ 410,137</u>	<u>\$ 204,937</u>	<u>\$ 211,944</u>	<u>\$ 30,167</u>	<u>\$ 442,395</u>	<u>\$ 273,423</u>	<u>\$ 6,543,517</u>
Grant reimbursed management expenses by program	\$155,386	\$705	\$23,937	\$35,957	\$15,550	\$20,947	\$9,486	\$5,527				

*See accompanying notes to financial statements.*

## the Montrose Center

### Statements of Cash Flows for the years ended August 31, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 1,112,573	\$ 284,168
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	22,727	27,903
Contributions restricted for senior housing	(1,071,950)	(193,106)
Changes in operating assets and liabilities:		
Receivables	(303,187)	(78,800)
Prepaid expenses	(19,752)	(1,062)
Deferred revenue – special events	14,500	
Payables and accrued expenses	<u>61,359</u>	<u>(144,255)</u>
Net cash used by operating activities	<u>(183,730)</u>	<u>(105,152)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Change in cash restricted for senior housing	(827,493)	
Purchases of property	<u>(37,055)</u>	<u>(40,525)</u>
Net cash used by investing activities	<u>(864,548)</u>	<u>(40,525)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from debt		59,834
Proceeds from contributions restricted for senior housing	<u>939,199</u>	<u>174,825</u>
Net cash provided by financing activities	<u>939,199</u>	<u>234,659</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(109,079)</b>	<b>88,982</b>
Cash and cash equivalents, beginning of year	<u>314,416</u>	<u>225,434</u>
Cash and cash equivalents, end of year	<u>\$ 205,337</u>	<u>\$ 314,416</u>

*See accompanying notes to financial statements.*

---

## **the Montrose Center**

Notes to Financial Statements for the years ended August 31, 2017 and 2016

---

### **NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Organization – Montrose Counseling Center, Inc., doing business as the Montrose Center (the Center), is a Texas non-profit corporation created in 1978 to provide outpatient mental health care services, substance abuse treatment, and case management services in the Houston area.

In 2015, the Center and AssistHers, Inc. (AssistHers), a Texas non-profit corporation organized to provide services to lesbian women, entered into an agreement in which the Center was to provide specified administrative services to AssistHers. The agreement contained provisions whereby on its first anniversary date, the AssistHers corporate entity would be dissolved and the Center would assume responsibility for its programs and services. Under the terms of the agreement, the net assets of AssistHers would be transferred to the Center to support the continuance of AssistHers activities, an advisory panel for such activities would be formed consisting of the former board members of AssistHers, and efforts would be undertaken to add two of the former AssistHers board members to the Board of Directors of the Center.

On April 21, 2016, the Board of Directors of the Center adopted a resolution to continue the services of AssistHers as a program of the Center, so named, and to accept the assets of AssistHers for that purpose. Approximately \$220,000 of cash was transferred to the Center in connection with this transaction.

Program services are as follows:

*Case Management* – Services are provided by the Center to assist clients in dealing with basic everyday challenges including access to health and psychosocial services in a timely and coordinated manner. Services include housing financial assistance, assistance with obtaining and completing governmental forms, as well as locating transportation, housing, and other resources. The Center’s primary goal is to promote continuity of care so that clients can function interdependently by using government, private and community resources. In addition to case management services to those living with HIV disease, specialized case management services are available to those who are living with HIV, as well as deaf/hard-of-hearing, mental retardation, severe learning disability or severe cognitive impairment; or survivors of sexual assault, same-sex domestic violence or a bias/hate crime. Activities of the AssistHers program are reported as a part of case management services.

*Living Insightfully for Empowerment (LIFE)* is a psychotherapy and counseling program that provides quality counseling within a supportive atmosphere in which a person may feel empowered to explore all issues without fear of encountering prejudice, ignorance, homophobia or heterosexism.

*Anti-Violence* provides counseling services to address issues related to domestic violence, sexual assault, hate crimes and childhood sexual abuse.

*Education* programs provide current and accessible information on HIV, sexually transmitted infections, chemical dependency, hepatitis and tuberculosis, and offer seminars on issues such as homophobia, heterosexism and cultural sensitivity. The Center also provides anti-violence education. The programs provide education and training not only to LGBT individuals, but to the greater Houston metropolitan area as a whole. These services are provided in prisons, half-way houses, inpatient and outpatient recovery centers, schools, social organizations, businesses and corporations, community and neighborhood groups, health care and legal professionals, churches and families.

*HIV/AIDS* provides individual, couple, and group counseling to people infected and affected with HIV and/or AIDS.

*Chemical Dependency* provides a combination of education, therapy, and counseling. It is a state licensed, outpatient treatment program designed primarily for the Lesbian, Gay, Bisexual and Transgender (LGBT) communities. All phases of the program offer services to family members and others significant in the lives of clients participating in the program.

*Youth* provides adolescents and young adults who identify as LGBTQ outreach, counseling, role models and peer support to help prevent homelessness among youth.

*Senior* provides counseling services, case management services, social and recreational activities and health and wellness education to LGBT people age 60 and older.

*Women's services* include AssistHers, Lesbian Health Initiative, and Kindred Spirits. AssistHers provides a network or support to lesbian women struggling with debilitating or life-threatening illnesses in order for them to live as normally as possible, educates lesbian women and others about important health issues and eradicates discrimination and breaks down barriers which lesbians face when accessing health and social service systems. Lesbian Health Initiative works to illuminate and eliminate barriers to accessing health care for lesbians and trans men through advocacy, professional and community education and case management. Kindred Spirits is an annual celebration dance supporting women and their friends.

Federal income tax status – The Center is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash equivalents are highly liquid investments with original maturities of three months or less.

Pledges receivable that are due within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are reported at the present value of the expected future cash flows.

Allowance for uncollectible receivables – An allowance for receivables is provided when it is believed balances may not be collected in full. The amount of bad debt expense or loss on receivables recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and analysis of individual balances. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Property is reported at cost if purchased and at estimated fair value at the date of gift if donated. Depreciation is calculated on a straight-line basis over estimated useful lives of 5 to 20 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Fee revenue – Revenue from government contracts and client fees are recognized when the related services are provided.

Contributions are recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

Recent financial accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. The Center plans to adopt this ASU for its fiscal year ending August 31, 2021. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

**NOTE 2 – MONTROSE COUNSELING CENTER PERMANENT ENDOWMENT, INC.**

Montrose Counseling Center Permanent Endowment, Inc. (the Endowment) is a nonprofit organization established to provide financial support for the Center. The Endowment is governed by an independent, self-perpetuating board of directors and serves as a permanent fund whereby donations are held in perpetuity. The financial activity of the Endowment is not included in these financial statements.

In 2007, the Endowment purchased an office building to house the operations of the Center. The office building is leased to the Center under a noncancelable operating lease agreement through December 31, 2028. The Center pays the expenses for building personnel and supplies, insurance, accounting and other administrative services. The property has annual rental payments of approximately \$567,000 through 2028. At August 31, 2017 and 2016, the Center had a payable to the Endowment in the amount of \$114,802 and \$168,744, respectively.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2017</u>	<u>2016</u>
Bank deposits	\$ 979,022	\$ 260,878
Money market mutual funds	25,733	25,463
Certificates of deposit	<u>28,075</u>	<u>28,075</u>
Total cash and cash equivalents	<u>\$ 1,032,830</u>	<u>\$ 314,416</u>

#### NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable – operating	\$ 328,835	\$ 29,992
Pledges receivable restricted for senior housing	<u>272,656</u>	<u>117,000</u>
Total	601,491	146,992
Allowance for uncollectible pledges	(27,974)	(10,262)
Discount to net present value at 1.19% to 1.70%	<u>(5,780)</u>	<u>(587)</u>
Pledges receivable, net	<u>\$ 567,737</u>	<u>\$ 136,143</u>

Pledges receivable at August 31, 2017 are expected to be collected as follows:

Within one year	\$ 416,577
In one to five years	<u>184,914</u>
Total pledges receivable	<u>\$ 601,491</u>

The Center has conditional pledges totaling \$200,000 to provide funding for a LGBT-friendly senior housing project to be developed and managed by the Center. The Center has not recognized any of the pledges as contribution revenue because the conditions have not been met.

#### NOTE 5 – PROPERTY

Property is comprised of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 479,971	\$ 462,048
Construction in progress	121,926	102,795
Accumulated depreciation	<u>(418,977)</u>	<u>(396,251)</u>
Property, net	<u>\$ 182,920</u>	<u>\$ 168,592</u>

#### NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Senior housing	\$ 1,188,950	\$ 117,000
Hurricane Harvey relief	288,834	
Women’s services	205,100	216,222
Safe Zones program	189,035	198,391
Hatch Youth program	162,185	94,196
Homelessness prevention	61,478	
SPRY program	49,217	
United Way allocation	46,732	23,732
NEST program	26,066	56,502
Pledges restricted for use in future periods	1,956	4,992
Other	<u>34,369</u>	<u>36,617</u>
Total temporarily restricted net assets	<u>\$ 2,253,922</u>	<u>\$ 747,652</u>

## NOTE 7 – NOTE PAYABLE

The Center has a non-interest bearing note payable with an organization that funded architectural, survey, and market study costs for the senior housing project.

## NOTE 8 – GOVERNMENT CONTRACTS

The Center is a party to contracts with federal, state, and local governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant federal and state grants received as direct and pass-through funding include the following:

	<u>2017</u>	<u>2016</u>
Federal grants:		
U. S. Department of Health and Human Services	\$ 2,425,323	\$ 2,103,821
U. S. Department of Housing and Urban Development	1,115,778	1,055,660
U. S. Department of Justice	<u>218,746</u>	<u>180,090</u>
Total federal grants	<u>3,759,847</u>	<u>3,339,571</u>
State grants:		
Texas Department of State Health Services	384,443	590,989
Texas Office of the Attorney General	47,604	53,079
Texas Health and Human Services Commission	<u>38,036</u>	<u>35,635</u>
Total state grants	<u>470,083</u>	<u>679,703</u>
Total government grants	<u>\$ 4,229,930</u>	<u>\$ 4,019,274</u>

The Center's contracts from federal, state and local governmental agencies require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Center with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Center's financial position or changes in net assets.

## NOTE 9 – RETIREMENT PLAN

The Center participates in a §403(b) defined contribution annuity plan. Contributions to the plan include the employee's deferral of salary plus an employer match. The Center matches 50% of the employee's contributions, up to a maximum of 3% of the employee's salary. The Center contributed \$42,900 to this plan in 2017 and \$40,600 in 2016.

## NOTE 10 – COMMITMENTS

At August 31, 2017, the Center had unfunded construction commitments totaling approximately \$648,000.

## NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 18, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

## the Montrose Center

### Schedule of Expenditures of Federal Awards for the year ended August 31, 2017

#### GRANTOR

<u>Pass-through Grantor</u>	<u>CFDA</u>	<u>Grant</u>	<u>Award</u>	<u>Revenue</u>	<u>Allowable</u>
<u>Program Title &amp; Period</u>	<u>Number</u>	<u>Number</u>	<u>Amount</u>		<u>Expenses</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through City of Houston Department of Health and Human Services Area Agency on Aging:					
Special Programs for the Aging Title III, Part B					
Grants for Supportive Services and Senior Centers (Aging Cluster)					
#1	10/01/15 – 09/30/16	93.044	4500094971	\$22,788	\$ 3,924 \$ 5,222
#2	10/01/16 – 09/30/17	93.044	4600010084	\$53,000	27,600 55,903
					31,524 61,125
Passed through Neighborhood Centers Inc. and Harris County Area Agency on Aging:					
Special Programs for the Aging, Title III, Part C, Nutrition Services					
Nutrition Services (Aging Cluster)					
#3	10/01/15 – 09/30/16	93.045	3618	\$8,159	552 552
#4	10/01/16 – 09/30/17	93.045	3618	\$8,159	6,612 6,612
					7,164 7,164
					38,688 68,289
Passed through the Center for Success and Independence:					
Administration for Children & Families, Family and Youth Services Bureau					
Affordable Care Act (ACA) Personal Responsibility Education Program					
#5	10/01/15 – 09/30/18	93.092	N/A	\$790,611	238,334 238,334
Passed through Houston Regional HIV/AIDS Resource Group, Inc.:					
Coordinated Services and Access to Research for Women, Infants, Children and Youth					
Ryan White, Part D, Mental Health					
#6	08/01/16 – 07/31/17	93.153	17TMC00PTD	\$16,352	14,951 14,951
#7	08/01/17 – 07/31/18	93.153	18TMC00PTD	\$14,500	945 945
					15,896 15,896
Passed through Change Happens:					
Department of Health and Human Services Centers for Medicare and Medicaid Services					
Cooperative Agreement to Support Navigators in Federally-facilitated and					
State Partnership Marketplaces					
#8	09/02/16 – 09/01/17	93.332	6NAVCA150277-01-01	\$81,500	81,500 81,500
Passed through Texas Health and Human Services Commission:					
Temporary Assistance for Needy Families					
Exceptional Item Funding Project					
#9	09/01/15 – 08/31/17	93.558	529-16-0015-00010	\$58,470	22,256 22,256
Administration for Children and Families					
Social Services Block Grant Supplemental Fund					
#10	09/01/16 – 08/31/17	93.667	529-15-0031-00005C	\$38,036	38,036 38,036
Family Violence Program Prevention and Service Act					

(continued)



**the Montrose Center**

Schedule of Expenditures of Federal Awards for the year ended August 31, 2017 (continued)

<u>GRANTOR</u>						
<u>Pass-through Grantor</u>	<u>CFDA</u>	<u>Grant</u>	<u>Award</u>	<u>Revenue</u>	<u>Allowable</u>	
<u>Program Title &amp; Period</u>	<u>Number</u>	<u>Number</u>	<u>Amount</u>		<u>Expenses</u>	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>(continued)</i>						
#11	09/01/16 – 08/31/17	93.671	529-15-0031-00005C	\$19,624	19,624	19,624
	HIV Care Formula Grants					
	HIV/MAI HIV – Minority AIDS Initiative					
#12	04/01/16 – 03/31/17	93.917	2016-003878-02	\$229,500	126,298	126,298
#13	04/01/17 – 03/31/18	93.917	2016-003878B	\$229,500	<u>97,035</u>	<u>97,035</u>
					<u>303,249</u>	<u>303,249</u>
Passed through Harris County:						
	HIV Emergency Relief Project Grants (Ryan White Care Act, Part A)					
	Case Management					
#14	03/01/16 – 02/28/17	93.914	16GEN0200	\$244,325	100,225	85,676
#15	03/01/17 – 02/28/18	93.914	17GEN0912	\$183,240	122,160	107,128
	Substance Abuse					
#16	03/01/16 – 02/28/17	93.914	16GEN0201	\$35,675	18,431	22,646
#17	03/01/17 – 02/28/18	93.914	17GEN0114	\$45,677	<u>22,813</u>	<u>32,671</u>
					<u>263,629</u>	<u>248,121</u>
Passed through City of Houston Bureau of HIV/STD Prevention:						
	HIV Prevention Activities Health Department Based					
	City – Community PROMISE					
#18	01/01/16 – 12/31/16	93.940	4600012431	\$200,000	62,256	62,256
#19	01/01/17 – 12/31/17	93.940	4600012431	\$200,000	<u>122,806</u>	<u>122,806</u>
					<u>185,062</u>	<u>185,062</u>
Passed through Texas Department of State Health Services:						
	Block Grants for Prevention and Treatment of Substance Abuse					
	HIV Early Intervention					
#20	09/01/16 – 08/31/17	93.959	2016-048268-002	\$409,800	318,303	318,303
	HIV Outreach					
#21	09/01/16 – 08/31/17	93.959	2016-048183-002	\$785,204	766,881	766,881
	Recovery Support Services					
#22	09/01/16 – 08/31/17	93.959	2016-048373-002	\$250,883	195,394	195,394
	Substance Abuse Treatment					
#23	09/01/16 – 08/31/17	93.959	2016-048471-002	\$32,972	<u>18,387</u>	<u>43,691</u>
					<u>1,298,965</u>	<u>1,324,269</u>
Total U. S. Department of Health and Human Services					<u>2,425,323</u>	<u>2,464,720</u>

*(continued)*

**the Montrose Center**

Schedule of Expenditures of Federal Awards for the year ended August 31, 2017 (continued)

GRANTOR

<u>Pass-through Grantor Program Title &amp; Period</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>Revenue</u>	<u>Allowable Expenses</u>
 U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through City of Houston Housing and Community Development Department:					
Housing Opportunities for Persons with AIDS					
#24 05/01/16 – 04/30/18	14.241	4600013822	\$2,387,964	1,000,920	1,000,920
 Passed through The Resource Group:					
AIDS Housing Opportunities Act, Housing Opportunities for Persons with AIDS					
#25 02/01/16 – 01/31/17	14.241	17TMC00HP	\$23,493	4,990	4,990
#26 02/01/17 – 01/31/18	14.241	18TMC00HP	\$13,609	<u>8,339</u>	<u>8,339</u>
				<u>1,014,249</u>	<u>1,014,249</u>
 Passed through Houston Housing Authority:					
Continuum of Care Program					
Rapid Rehousing and Transition Age Youth Case Management Services					
#27 12/01/16 – 11/30/17	14.267	16-31-A	\$60,973	<u>15,887</u>	<u>15,887</u>
 Direct Federal Funding:					
Continuum of Care Program					
Supportive Housing Program					
#28 10/01/15 – 09/30/16	14.267	TX0171L6E001407	\$110,838	6,641	6,641
#29 10/01/16 – 09/30/17	14.267	TX0171L6E001508	\$109,465	<u>79,001</u>	<u>79,001</u>
				<u>85,642</u>	<u>85,642</u>
 Total U. S. Department of Housing and Urban Development				<u>1,115,778</u>	<u>1,115,778</u>
 U. S. DEPARTMENT OF JUSTICE					
Passed through Texas Office of the Governor, Criminal Justice Division:					
Violence Against Women Formula Grants					
#30 10/01/16 – 03/31/18	16.588	16934-13	\$478,922	<u>218,746</u>	<u>218,746</u>
Total U. S. Department of Justice				<u>218,746</u>	<u>218,746</u>
 TOTAL FEDERAL AWARDS				<u>\$ 3,759,847</u>	<u>\$ 3,799,244</u>

*See accompanying note to schedules of expenditures of federal and state awards.*

**the Montrose Center**

Schedule of Expenditures of State Awards for the year ended August 31, 2017

---

<u>GRANTOR</u>				
<u>Pass-through Grantor</u>	<u>Contract</u>	<u>Award</u>	<u>Revenue</u>	<u>Allowable</u>
<u>Program Title &amp; Period</u>	<u>Number</u>	<u>Amount</u>		<u>Expenses</u>
TEXAS DEPARTMENT OF STATE HEALTH SERVICES				
Direct Funding:				
HIV Early Intervention				
#1 09/01/16 – 08/31/17	2016-048268-002	\$30,445	\$ 30,445	\$ 30,445
HIV Outreach				
#2 09/01/16 – 08/31/17	2016-048183-002	\$70,125	70,125	70,125
Substance Abuse Treatment				
#3 09/01/16 – 08/31/17	2016-048471-002	\$5,533	5,533	5,533
Passed through Houston Regional HIV/AIDS Resource Group, Inc.:				
Counseling				
#4 09/01/16 – 08/31/17	17MCC00SS	\$300,000	222,165	240,011
Linguistics				
#5 09/01/16 – 08/31/17	17MCC00SS	\$56,175	<u>56,175</u>	<u>56,175</u>
Total Texas Department of State Health Services			<u>384,443</u>	<u>402,289</u>
TEXAS OFFICE OF THE ATTORNEY GENERAL				
Direct Funding:				
Sexual Assault Prevention and Crisis Services – Crisis Intervention				
#6 09/01/16 – 08/31/17	1772847	\$90,000	<u>47,604</u>	<u>47,604</u>
Total Texas Office of the Attorney General			<u>47,604</u>	<u>47,604</u>
TEXAS HEALTH AND HUMAN SERVICES COMMISSION				
Direct Funding:				
Family Violence Prevention and Services Act				
#7 09/01/16 – 08/31/17	529-15-0031-00005C	\$38,036	<u>38,036</u>	<u>38,036</u>
Total Texas Health and Human Services Commission			<u>38,036</u>	<u>38,036</u>
TOTAL STATE AWARDS			<u>\$ 470,083</u>	<u>\$ 487,929</u>

*See accompanying note to schedules of expenditures of federal and state awards.*

---

## the Montrose Center

Note to Schedules of Expenditures of Federal and State Awards for the year ended August 31, 2017

---

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedules of expenditures of federal and state awards are prepared on the accrual basis of accounting. The information in these schedules 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) and State of Texas *Single Audit Circular*. Federal and state expenses include allowable expenses funded by federal and state grants. Non-federal or non-state expenditures include allowable expenses funded by other sources of revenue. Allowable costs are subject to the cost principles of the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, and include both costs that are capitalized and costs that are recognized as expenses in the Center’s financial statements in conformity with generally accepted accounting principles. The Center utilizes the de minimus 10% cost rate for indirect costs or rates as stated by contract.

Because the schedules present only a selected portion of the operations of the Center, they are not intended to and do not present the financial position, changes in net assets, or cash flows of the Center.

---

**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 of  
the Montrose Center:

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 the Montrose Center (the Center), which comprise the statement of financial position as of August 31, 2017 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 18, 2018.

***Internal Control Over Financial Reporting***

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

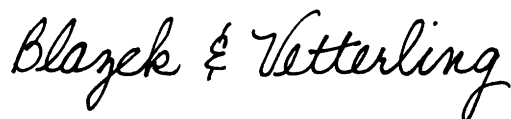
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Center'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



January 18, 2018

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

To the Board of Directors of  
the Montrose Center:

**Report on Compliance for Each Major Federal Program**

We have audited the Montrose Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended August 31, 2017. The Center'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 the requirements of federal statutes, regulations, and the terms and conditions of its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center'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 the Center'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 the Center's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Center complied, in all material respects, with the 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 the Center 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 the Center'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 the Center'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 a 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.

*Blazek & Vetterling*

January 18, 2018







### Summary Schedule of Prior Audit Findings

The following audit finding for the year ended August 31, 2016, is required to be reported in accordance with 2 CFR §200.511.

#### Section III – Federal Award Findings and Questioned Costs

##### **Finding # 2016-001**

***Applicable federal program:*** HIV Early Intervention, CFDA #93.959

***Criteria:*** The contract with Texas Department of State Health Services requires that a service plan be completed within two weeks of a client beginning service.

***Condition and context:*** Out of 20 clients tested, 3 did not have a completed service plan within two weeks of beginning service.

***Questioned costs:*** None

***Recommendation:*** Re-emphasize procedures to ensure that a service plan is completed for every client within two weeks of beginning service.

***Management's response and corrective action plan:*** Management concurs with this recommendation. Management was aware of the deficiencies and implemented retraining of staff and increased monitoring.

***Responsible officer:*** Gary Powers, Finance Director

***Estimated completion date:*** August 31, 2017

***Management's 2017 follow-up response:*** The responsible employees have been retrained. Additionally, all employees are being closely monitored.

Empowering **LGBT** Houston