Denton County Friends of the Family, Inc.

Financial Statements with Compliance Reports and Supplemental Information
December 31, 2018

Sutton Frost Cary LLP
Certified Public Accountants

Denton County Friends of the Family, Inc.

Contents

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Independent Auditors' Report

Board of Directors
Denton County Friends of the Family, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Denton County Friends of the Family, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audit 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denton County Friends of the Family, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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 20, 2019 on our consideration of Denton County Friends of the Family, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Denton County Friends of the Family, Inc.'s internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 20, 2019

Denton County Friends of the Family, Inc.
Statement of Financial Position
December 31, 2018

Assets

Current assets:		
Cash and cash equivalents	$	130,327
Grants receivable		576,331
Security deposits		5,237
Total current assets		711,895
Property and equipment, net		1,306,030
Total assets	$	2,017,925

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	33,257
Accrued expenses		156,344
Deferred rent		11,513
Line of credit		100,000
Current maturities of note payable		41,695
Total current liabilities		342,809
Note payable, net of current maturities		702,715
Total liabilities		1,045,524
Net assets:		
Without donor restrictions		972,401
Total net assets		972,401
Total liabilities and net assets	$	2,017,925

See notes to financial statements.

Denton County Friends of the Family, Inc.
Statement of Activities
Year Ended December 31, 2018

Net assets without donor restrictions:	
Support:	
Public contributions	$ 406,988
Government grants and contracts	3,588,863
United Way	147,691
Special events	190,135
Total support	4,333,677
Revenue:	
Thrift store sales	206,260
Program service fees	120,827
Miscellaneous	6,939
Total support and revenue	4,667,703
Expenses:	
Program services:	
Victim outreach	798,854
Shelter	548,296
BIPP	248,487
Advocacy and legal services	896,439
Community services	607,433
Thrift store	278,093
Volunteer program	46,267
Transitional housing	502,843
Total program services	3,926,712
Supporting services:	
Fundraising	345,517
Administration	287,158
Total supporting services	632,675
Total expenses	4,559,387
Change in net assets	108,316
Net assets at beginning of year	864,085
Net assets at end of year	$ 972,401

See notes to financial statements.

Denton County Friends of the Family, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services									Supporting Services			
	Victim outreach	Shelter	BIPP	Advocacy and legal services	Community services	Thrift store	Volunteer program	Transitional housing	Total	Fundraising	Administration	Total	Total
Salaries	$ 505,838	$ 409,654	$ 171,376	$ 648,254	$ 398,842	$ 75,328	$ 39,469	$ 231,179	$ 2,479,940	$ 233,826	$ 150,162	$ 383,988	$ 2,863,928
Employee benefits	30,623	24,800	10,375	36,628	24,146	4,560	2,389	13,995	147,516	12,702	7,346	20,048	167,564
Pension				2,617					2,617	1,454	1,745	3,199	5,816
Payroll taxes	40,139	32,506	13,599	51,439	31,648	5,977	3,132	18,344	196,784	18,554	11,915	30,469	227,253
Total salaries and related expenses	576,600	466,960	195,350	738,938	454,636	85,865	44,990	263,518	2,826,857	266,536	171,168	437,704	3,264,561
Insurance	4,694	2,414	2,144	5,800	2,369	2,144	-	2,144	21,709	-	21,717	21,717	43,426
Rent	58	186	26,545	59	29,386	78,794	-	25,758	160,786	365	2,084	2,449	163,235
Utilities	15,476	21,902	2,588	12,126	3,729	5,553	-	4,733	66,107	-	2,941	2,941	69,048
Other occupancy	50,192	12,319	80	11,123	838	8,321	-	930	83,803	-	3,439	3,439	87,242
Travel	520	2,459	799	13,879	3,592	217	358	2,140	23,964	2,248	13,041	15,289	39,253
Conferences and training	-	-	-	1,322	-	-	-	-	1,322	-	4,993	4,993	6,315
Telephone	5,882	3,746	625	5,881	720	1,319	-	682	18,855	-	1,064	1,064	19,919
Contract services	27,372	11,160	12,382	24,116	77,740	79,486	646	11,022	243,924	180	26,268	26,448	270,372
Legal Fees									-		6,355	6,355	6,355
Accounting Fees									-		16,000	16,000	16,000
Equipment lease	8,681	5,816	1,853	9,196	5,758	4,544	-	4,361	40,209	-	3,746	3,746	43,955
Supplies	75,136	-	1,197	7,357	9,461	4,704	254	2,184	100,293	8,312	2,940	11,252	111,545
Postage	1,625	-	153	1,113	-	1,011	-	13	3,915	225	3,283	3,508	7,423
Advertising/publicity	932	403	403	9,155	7,598	997	19	481	19,988	2,897	794	3,691	23,679
Dues and memberships	-	-	-	735	175	-	-	-	910	1,984	1,224	3,208	4,118
Specific assistance to individuals	107	11,293	-	22,783	650	-	-	184,877	219,710	(205)	159	(46)	219,664
Interest	17,234	-	-	17,028	-	-	-	-	34,262	-	5,182	5,182	39,444
Fundraising costs	304	-	-	71	104	250	-	-	729	62,975	760	63,735	64,464
Total expenses before depreciation	784,813	538,658	244,119	880,682	596,756	273,205	46,267	502,843	3,867,343	345,517	287,158	632,675	4,500,018
Depreciation	14,041	9,638	4,368	15,757	10,677	4,888	-	-	59,369	-	-	-	59,369
Total expenses	$ 798,854	$ 548,296	$ 248,487	$ 896,439	$ 607,433	$ 278,093	$ 46,267	$ 502,843	$ 3,926,712	$ 345,517	$ 287,158	$ 632,675	$ 4,559,387
Less Special Events Expenses	(304)			(71)	(104)	(250)			(729)	(62,975)	(760)	(63,735)	(64,464)
Net expenses	$ 798,550	$ 548,296	$ 248,487	$ 896,368	$ 607,329	$ 277,843	$ 46,267	$ 502,843	$ 3,925,983	$ 282,542	$ 286,398	$ 568,940	$ 4,494,923

See notes to financial statements.

Denton County Friends of the Family, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:		
Change in net assets	$	108,316
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		59,369
Changes in assets and liabilities:		
Grants receivable		(307,206)
Security deposits		11,982
Accounts payable and accrued expenses		55,920
Deferred rent		(10,213)
Net cash used by operating activities		(81,832)
Cash flows from financing activities:		
Net proceeds on line of credit		100,000
Repayment of note payable		(47,707)
Net cash provided by financing activities		52,293
Net decrease in cash and cash equivalents		(29,539)
Cash and cash equivalents at beginning of year		159,866
Cash and cash equivalents at end of year	$	130,327
Supplemental cash flow information - interest paid	$	39,444

See notes to financial statements.

1. Organization

Denton County Friends of the Family, Inc. (Organization) is a Texas nonprofit corporation with a mission to provide services to families experiencing family violence, including but not limited to spousal and/or child abuse, and to provide services to victims of sexual assault. The Organization accomplishes its mission by providing a variety of programs and services including a 24-hour crisis line, a residential shelter, counseling, community education, a thrift store and legal advocacy. The Organization is primarily supported by government and private grants and contributions from individuals and other organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy. As of December 31, 2018, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Organization chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents and grants receivable. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk.

Grants receivable are unsecured and are due from various grantor agencies under cost reimbursement grants. The Organization continually evaluates the collectability of grants receivable and maintains allowances, as considered necessary, for potentially uncollectible amounts.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 40 years for buildings and improvements and 5 to 7 years for equipment. Depreciation expense totaled $59,369 for the year ended December 31, 2018.

Impairment of Long-Lived Assets

The Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. No such losses were recognized during the year ended December 31, 2018.

Deferred Rent

The Organization has a lease which includes escalating rent over the lease term. In accordance with GAAP, rent cost is accounted for on a straight-line basis over the term of the lease.

Revenue Recognition

Government grants are recognized as contract terms are fulfilled. Cost reimbursement contracts are recognized as support when the allowable costs are incurred.

Fees for contract services are recognized as revenue when the contracted services are performed. Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts.

Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

Donated goods are reflected as contributions at their estimated fair value at date of receipt. Donated use of facilities is reflected as a contribution at the estimated fair value of the rent. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization. No donated services were utilized that met the criteria to be recorded as revenue in the Organization's financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Certain costs are charged directly to the functions they benefit.

Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, equipment rental, professional fees, office expenses, information technology, mileage, training and other, which are allocated on the basis of estimates of time and effort.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Contract Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's financial statements.

Concentrations

At December 31, 2018, balances due from two governmental agencies totaled approximately 89% of total grants receivable. The Organization received funding from one state agency during the year ended December 31, 2018 totaling approximately 73% of total revenue.

Federal Income Tax

The Organization is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the Internal Revenue Service Code (IRC) that is exempt from federal income taxes under Section 501(a) of the IRC. For the year ended December 31, 2018, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification. The Organization considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (*Topic 606*)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02*, Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

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

Accounting Pronouncement Adopted

The Organization adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended December 31, 2018. As a result, the major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits disclose a summary of the allocation methods used to allocate costs, and (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. The adoption of this ASU had no effect on net assets or in the change in net assets presented for the year ended December 31, 2018.

3. Property and Equipment

Property and equipment consist of the following as of December 31, 2018:

Land and improvements	$ 529,110
Buildings and improvements	1,064,456
Furniture and equipment	134,494
Vehicles	106,728
	1,834,788
Accumulated depreciation	(528,758)
	$ 1,306,030

4. Line of Credit

The Organization has a line of credit (Line) with interest at 4.25% to be used for working capital. Interest is due monthly and outstanding principal is due on demand, but if no demand is made, all unpaid principal and interest is due on August 23, 2019. The total line availability is $250,000 and is collateralized by the Organization's deposit accounts, grants receivable, property and equipment. There was $100,000 outstanding on the Line at December 31, 2018.

5. Note Payable

The Organization entered into a promissory note with a bank requiring monthly payments of principal and interest totaling $6,085 through August 25, 2027. The note accrues interest at 4.25% and is collateralized by buildings and improvements. The balance at December 31, 2018 is $744,410.

Principal payments for the years ending December 31 are as follows:

2019	$ 41,695
2020	43,502
2021	45,387
2022	47,354
2023	49,407
Thereafter	517,065
	$ 744,410

6. Leases

The Organization leases program facilities under non-cancelable operating lease agreements expiring September 2020 and September 2022. Rent expense totaled $163,235 for the year ended December 31, 2018.

Future minimum lease payments due under these lease agreements are as follows for the years ending December 31:

2019	$ 41,352
2020	40,992
2021	39,912
2022	29,934
	$ 152,190

7. Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover general expenditures for a reasonable period of time. The following table reflects the Organization's financial assets as of December 31, 2018 that is available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions:

Cash and cash equivalents	$ 130,327
Grants receivable	576,331
Financial assets available for general expenditures within one year	$ 706,658

8. Subsequent Events

The Organization has evaluated subsequent events the date the financial statements were issued and concluded that no additional disclosures are required.

Compliance Reports

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Denton County Friends of the Family, Inc.

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Denton County Friends of the Family, Inc. (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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 the Organization'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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 20, 2019

Sutton Frost Cary LLP
Certified Public Accountants

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

Board of Directors
Denton County Friends of the Family, Inc.

Report on Compliance for Each Major Federal Program

We have audited Denton County Friends of the Family Inc.'s (Organization) 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 Organization's major federal programs for the year ended December 31, 2018. The Organization'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 U.S generally accepted auditing standards; the standards applicable to financial audit 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 Audits* (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 Organization'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 Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the Organization 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 Organization'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 Organization'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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 20, 2019

Denton County Friends of the Family, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	X no
• Significant deficiencies identified?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major federal programs:		
• Material weaknesses identified?	_____ yes	X no
• Significant deficiencies identified?	_____ yes	X none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	X no

Identification of major federal programs:

CFDA 16.575 Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	____ yes	X no

Section II – Financial Statement Findings

Audit Findings: None

Section III – Federal Award Findings and Questioned Costs

Audit Findings: None

Section IV – Prior Federal Award Findings and Questioned Costs

None reported.

Denton County Friends of the Family

Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2018

Federal or State Agency/ Pass-through Grantor/Program Title	CFDA #	Pass-through Grantor's #	Federal Expenditures	State Expenditures
U.S. Department of Health and Human Services:				
Texas Health and Human Services Commission:				
Social Services Block Grant (Family Violence Program)	93.667	529-15-0032-00056E	$ 16,234	$ -
			16,234	-
Family Violence Prevention and Services Grant	93.671	529-15-0032-00056D	63,466	-
Family Violence Prevention and Services Grant	93.671	529-15-0032-00056E	72,182	152,177
			135,648	152,177
Temporary Assistance for Needy Families to Title XX HHSC	93.558	529-16-0015-00004	170,397	-
Texas Council of Family Violence:				
Project Safe	N/A	-	-	52,881
Total U.S. Department of Health and Human Services			322,279	205,058
U.S. Department of Housing and Urban Development:				
City of Denton:				
Community Development Block Grant Program	14.218	B-17-MC-48-0036	33,528	-
Community Development Block Grant Program	14.218	B-18-MC-48-0036	9,203	-
City of Lewisville:				
Community Development Block Grant Program	14.218	2849301	10,000	-
Community Development Block Grant Program	14.218	4428-10-2017R	6,750	-
			59,481	-
City of Denton:				
Emergency Solutions Grant Program	14.231	42170002813	125,025	-
Total U.S. Department of Housing and Urban Development			184,506	-
U.S. Department of Justice:				
Texas Department of Criminal Justice:				
Crime Victim Assistance	16.575	2554405	1,035,848	-
Crime Victim Assistance	16.575	2554406	322,683	-
Crime Victim Assistance	16.575	3333801	144,598	-
Crime Victim Assistance	16.575	3347701	488,959	-
Crime Victim Assistance	16.575	3347702	127,356	-
Crime Victim Assistance	16.575	3416201	507,208	-
			2,626,652	-
Batterers' Intervention Program	N/A	N/A	-	60,313
			-	60,313
Total U.S. Department of Justice			2,626,652	60,313
Office of Attorney General of Texas:				
Other Victims Assistance Grants	-	1880871	-	78,837
Other Victims Assistance Grants	-	1988674	-	34,090
			-	112,927
Total expenditures of federal and state awards			$ 3,133,437	$ 378,298

See notes to schedule of expenditures of federal and state awards.

Denton County Friends of the Family, Inc.
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of Denton County Friends of the Family, Inc. (Organization) The information in this schedule is presented in accordance with 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). Because the Schedule only presents a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.