Denton County Friends of the Family, Inc. and Affiliate

Consolidated Financial Statements with Supplementary Information and Compliance Reports

December 31, 2020

Sutton Frost Cary LLP
Certified Public Accountants

Denton County Friends of the Family, Inc. and Affiliate

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Sutton Frost Cary LLP
Certified Public Accountants

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Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Denton County Friends of the Family, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement. The financial statements of DCFOF Realty Investments, Inc., the affiliate, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Denton County Friends of the Family, Inc. and Affiliate as of December 31, 2020, and their changes in net assets and 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 18, 2021 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 18, 2021

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2020

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Assets				
Current assets:				
Cash and cash equivalents	$ 550,729	$ 59,030	$ -	$ 609,759
Investments	5,125	-	-	5,125
Grants receivable	542,964	-	-	542,964
Security deposits	4,886	-	-	4,886
Related party receivable	-	29,675	(29,675)	-
Total current assets	1,103,704	88,705	(29,675)	1,162,734
Property and equipment, net	277,929	1,057,668	-	1,335,597
Total assets	$ 1,381,633	$ 1,146,373	$ (29,675)	$ 2,498,331
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ 987	$ 16,892	$ -	$ 17,879
Accrued expenses	175,131	-	-	175,131
Deferred rent	5,373	-	-	5,373
Refundable advances	101,158	-	-	101,158
Related party payable	29,675	-	(29,675)	-
Current maturities of note payable	-	25,779	-	25,779
Total current liabilities	312,324	42,671	(29,675)	325,320
Note payable, net of current maturities	-	647,034	-	647,034
Total liabilities	312,324	689,705	(29,675)	972,354
Net assets:				
With donor restrictions	-	12,960	-	12,960
Without donor restrictions	1,069,309	443,708	-	1,513,017
Total net assets	1,069,309	456,668	-	1,525,977
Total liabilities and net assets	$ 1,381,633	$ 1,146,373	$ (29,675)	$ 2,498,331

See notes to the consolidated financial statements.

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2020

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Net assets without donor restrictions:				
Support:				
Contributions	$ 450,836	$ -	$ -	$ 450,836
Government grants and contracts	4,503,141	-	-	4,503,141
United Way	390,970	-	-	390,970
Special events	87,441	-	-	87,441
Total support without donor restrictions	5,432,388	-	-	5,432,388
Revenue:				
Thrift store sales	219,407	-	-	219,407
Program service fees	109,509	-	-	109,509
Miscellaneous	10,194	164,322	(164,081)	10,435
Total support and revenue without donor restrictions	5,771,498	164,322	(164,081)	5,771,739
Expenses:				
Program services:				
Victim outreach	883,027	-	(82,040)	800,987
Shelter	671,978	-	-	671,978
BIPP	320,429	-	-	320,429
Advocacy and legal services	1,364,209	-	(82,041)	1,282,168
Community services	532,457	-	-	532,457
Thrift store	221,532	-	-	221,532
Volunteer program	106,396	-	-	106,396
Transitional housing	650,869	-	-	650,869
Total program services	4,750,897	-	(164,081)	4,586,816
Supporting services:				
Fundraising	266,399	-	-	266,399
Administration	356,446	62,896	-	419,342
Total supporting services	622,845	62,896	-	685,741
Total operating expenses	5,373,742	62,896	(164,081)	5,272,557
Change in net assets without donor restrictions	397,756	101,426	-	499,182
Net assets with donor restrictions:				
Contributions	-	12,960	-	12,960
Change in net assets with donor restrictions	-	12,960	-	12,960
Change in net assets	397,756	114,386	-	512,142
Net assets at beginning of year	671,553	342,282	-	1,013,835
Net assets at end of year	$ 1,069,309	$ 456,668	$ -	$ 1,525,977

See notes to the consolidated financial statements.

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	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	$ 593,963	$ 444,882	$ 248,221	$ 880,777	$ 401,578	$ 84,429	$ 93,990	$ 316,180	$ 3,064,020	$ 172,036	$ 80,722	$ 252,758	$ 3,316,778
Employee benefits	35,824	20,957	10,040	49,907	23,779	7,805	4,241	15,238	167,791	4,968	34,909	39,877	207,668
Payroll taxes	45,635	34,297	18,932	67,073	30,016	6,729	6,966	24,291	233,939	13,197	6,013	19,210	253,149
Total salaries and related expenses	675,422	500,136	277,193	997,757	455,373	98,963	105,197	355,709	3,465,750	190,201	121,644	311,845	3,777,595
Insurance	5,316	10,120	2,291	8,613	3,767	1,769	-	2,179	34,055	-	7,521	7,521	41,576
Rent	-	7,732	19,008	-	25,086	46,644	-	28,545	127,015	17,217	49,840	67,057	194,072
Utilities	11,714	18,507	1,765	17,789	2,389	3,457	-	3,595	59,216	1,513	2,766	4,279	63,495
Other occupancy	2,398	24,750	245	1,543	245	5,566	-	1,874	36,621	355	7,542	7,897	44,518
Travel	1,529	106	-	2,175	1,366	78	556	955	6,765	483	5,535	6,018	12,783
Conferences and training	1,245	-	-	241	25	-	-	-	1,511	-	-	-	1,511
Telephone	5,392	3,422	745	5,265	748	509	-	1,399	17,480	454	3,366	3,820	21,300
Contract services	31,267	37,494	14,192	36,944	14,484	56,375	-	17,894	208,650	9,502	39,912	49,414	258,064
Equipment lease	7,793	3,341	2,709	7,245	3,655	1,476	-	4,037	30,256	961	3,071	4,032	34,288
Supplies	38,785	32,357	2,040	23,781	13,650	6,177	643	7,690	125,123	11,795	64,735	76,530	201,653
Postage	715	57	189	392	206	518	-	95	2,172	538	2,339	2,877	5,049
Advertising/publicity	1,298	1,675	-	1,298	10,110	-	-	560	14,941	869	247	1,116	16,057
Dues and memberships	2,571	1,286	-	3,241	1,286	-	-	-	8,384	375	2,149	2,524	10,908
Specific assistance to individuals	10,907	30,995	28	175,884	28	-	-	226,185	444,027	-	-	-	444,027
Interest	-	-	-	-	-	-	-	-	-	-	46,391	46,391	46,391
Fundraising costs	-	-	-	-	-	-	-	-	-	32,136	-	32,136	32,136
Miscellaneous	24	-	24	-	39	-	-	152	239	-	592	592	831
Total expenses before depreciation	796,376	671,978	320,429	1,282,168	532,457	221,532	106,396	650,869	4,582,205	266,399	357,650	624,049	5,206,254
Depreciation	4,611	-	-	-	-	-	-	-	4,611	-	61,692	61,692	66,303
Total expenses	$ 800,987	$ 671,978	$ 320,429	$ 1,282,168	$ 532,457	$ 221,532	$ 106,396	$ 650,869	$ 4,586,816	$ 266,399	$ 419,342	$ 685,741	$ 5,272,557

See notes to the consolidated financial statements.

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	Denton County Friends of the Family, Inc.	Denton County Friends of the Family Realty Investments, Inc.	Eliminations	Consolidated Total
Cash flows from operating activities:				
Change in net assets	$ 397,756	$ 114,386	$ -	$ 512,142
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	50,955	15,348	-	66,303
Changes in assets and liabilities:				
Grants receivable	(139,804)	-	-	(139,804)
Security deposits	351	-		351
Related party receivable	22,176	-	(22,176)	-
Accounts payable and accrued expenses	(14,261)	16,892	-	2,631
Related party payable	-	(22,176)	22,176	-
Deferred rent	(3,070)	-	-	(3,070)
Refundable advances	101,158	-	-	101,158
Net cash provided by operating activities	415,261	124,450	-	539,711
Cash flows from investing activities:				
Purchases of investments	(5,125)	-	-	(5,125)
Purchases of property and equipment	(82,536)	(21,452)	-	(103,988)
Net cash used by financing activities	(87,661)	(21,452)	-	(109,113)
Cash flows from financing activities:				
Repayment of note payable	-	(44,145)	-	(44,145)
Net cash used by investing activities	-	(44,145)	-	(44,145)
Net change in cash and cash equivalents	327,600	58,853	-	386,453
Cash and cash equivalents at beginning of year	223,129	177	-	223,306
Cash and cash equivalents at end of year	$ 550,729	$ 59,030	$ -	$ 609,759
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	$ -	$ 46,166	$ -	$ 46,166

See notes to the consolidated financial statements.

1. Organization

Denton County Friends of the Family, Inc. (DCFOF) 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. DCFOF 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.

During 2019, DCFOF established a long-term leasehold interest which is owned by a separate 501(c)(2) nonprofit corporation, DCFOF Realty Investments, Inc. (Realty Investments). The same board of directors governs DCFOF and Realty Investments. DCFOF and Realty Investments are collectively referred to herein as the Organization. The Organization is primarily supported by government and private grants and contributions from individuals and other organizations.

2. Summary of Significant Accounting Policies

Principles of Consolidation

DCFOF and Realty Investments are consolidated in accordance with U.S. generally accepted accounting principles (GAAP), and all inter-organization transactions and accounts have been eliminated.

Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting, in accordance with GAAP.

Consolidated 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, 2020, 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. Donor restrictions related to the construction or acquisition of property and equipment are released when the asset is placed in service.

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 $66,303 for the year ended December 31, 2020.

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, 2020.

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

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is 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. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization’s revenue is derived from cost-reimbursable contract and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization has been awarded cost-reimbursable grants of $3,118,592 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

Fees for contract services are recognized as revenue when the contracted services are performed. Revenue from thrift store sales is recognized at the time of sale.

Volunteers, business firms and others contribute substantial amounts of supplies and other items toward the fulfillment of programs initiated by the Organization. To the extent that noncash contributions which are under the control of the Organization are objectively measurable and represent program or support expenses which would be otherwise incurred, they are reflected as in-kind contributions and expense in the accompanying consolidated financial statements. In-kind contributions are stated at their estimated value at date of receipt.

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated 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 other occupancy and depreciation, which are allocated on a square footage basis, as well as salaries, employee benefits, payroll taxes, insurance, rent, utilities, travel, conferences and training, telephone, contract services, equipment lease, supplies, postage, advertising/publicity, dues and memberships, interest and fundraising costs, which are allocated on the basis of estimates of time and effort.

Estimates and Assumptions

The preparation of the consolidated 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 consolidated 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 consolidated financial statements.

Concentrations

At December 31, 2020, balances due from one governmental agency totaled approximately 58% of total grants receivable. The Organization received funding from one state agency during the year ended December 31, 2020 totaling approximately 51% of total revenue.

Federal Income Tax

DCFOF 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. Realty Investments is exempt from federal income taxes under Section 501(c)(2) of the IRC. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. For the year ended December 31, 2020, 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 consolidated 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, 2020, 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 consolidated 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 2016, the FASB issued its leasing standard in ASU 2016-02*, Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) 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, 2021.

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

3. Property and Equipment

Property and equipment consist of the following as of December 31, 2020:

	DCFOF	Realty Investments
Land and improvements	$ 30,000	$ 499,110
Buildings and improvements	359,437	564,565
Furniture and equipment	261,988	-
Vehicles	106,728	-
Construction in progress	-	21,452
	758,153	1,085,127
Accumulated depreciation	(480,224)	(27,459)
	$ 277,929	$ 1,057,668

4. Line of Credit

The Organization has a line of credit (Line) with interest at 4.75% 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 12, 2021. The total Line availability is $250,000 and is collateralized by the Organization’s deposit accounts, grants receivable, property and equipment. There were no outstanding advances on the Line at December 31, 2020.

5. Note Payable

Realty Investments entered into a promissory note agreement with a bank requiring monthly payments of principal and interest totaling $5,411 until maturity on August 25, 2027. The note accrues interest at 5.75% and is collateralized by buildings and improvements. The balance at December 31, 2020 is $672,813.

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

2021	$ 25,779
2022	27,301
2023	28,913
2024	30,620
2025	32,428
Thereafter	527,772
	$ 672,813

6. Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic and recommended containment and mitigation measures worldwide. The coronavirus outbreak has caused business disruption through mandated closings of non-essential businesses and severely restricted the level of economic activity around the world. The Organization has adjusted operational plans to protect the employees and individuals served while still meeting client needs for essential services. The Organization has not experienced a decline in donations or pledge payments to date. The Organization continues to closely monitor the impact of COVID-19 on all aspects of the business. Given the uncertainty of the spread and duration of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

On April 17, 2020, the Organization entered into an unsecured loan (PPP Loan) in the aggregate amount of $515,611 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration (SBA), and is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act). The PPP provides for loans to qualifying businesses, the proceeds of which may only be used for payroll costs, rent, utilities, mortgage interest and interest on other pre-existing indebtedness. The PPP Loan, and accrued interest, may be forgiven partially or in full if certain conditions are met. The Organization has elected to record the PPP Loan as government grants and contract revenue. The Organization received formal forgiveness for the full amount of $515,611 in March 2021.

7. Capital Campaign and Net Assets with Donor Restrictions

During the year ended December 31, 2020, the Organization initiated a capital campaign to construct a family justice facility. At December 31, 2020, net assets restricted for the capital campaign consist of construction in progress totaling $12,960.

8. Leases

The Organization leases program facilities under non-cancelable operating lease agreements expiring May 2025. Rent expense totaled $201,336 for the year ended December 31, 2020.

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

2021	$ 96,828
2022	60,450
2023	17,316
2024	17,316
2025	17,316
	$ 209,226

9. 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, 2020 that are available to meet general expenditures within one year of the consolidated statement of financial position:

Cash and cash equivalents	$ 609,759
Investments	5,125
Grants receivable	542,964
Financial assets available for general expenditures within one year	$ 1,157,848

In the event of an unanticipated liquidity need, the Organization could draw up to $250,000 from its available line of credit.

10. Subsequent Events

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

Compliance Reports and Supplementary Information

Sutton Frost Cary LLP
Certified Public Accountants

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 audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Denton County Friends of the Family, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 18, 2021. The financial statements of DCFOF Realty Investments, Inc. (Affiliate) were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Affiliate.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Denton Country Friends of the Family, Inc.'s (DCFOF) 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCFOF's internal control. Accordingly, we do not express an opinion on the effectiveness of DCFOF'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 consolidated 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 DCFOF'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 DCFOF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCFOF'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 18, 2021

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 (DCFOF) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DCFOF's major federal programs for the year ended December 31, 2020. DCFOF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, DCFOF 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, 2020.

Sutton Frost Cary LLP
600 Six Flags Drive, Suite 600 Arlington, Texas 76011
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Phone 817.649.8083

Report on Internal Control over Compliance

Management of DCFOF 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 DCFOF'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 DCFOF'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 18, 2021

Denton County Friends of the Family, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I – Summary of Auditors' Results

Consolidated 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?	__X__ yes	_____ 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 Awards
Year Ended December 31, 2020

Federal Agency/ Pass-through Grantor/Program Title	CFDA #	Pass-through Grantor's #	Federal Expenditures
U.S. Department of Health and Human Services:			
Texas Health and Human Services Commission:			
Social Services Block Grant (Family Violence Program)	93.667	HHS000380000033	$ 16,312
Family Violence Prevention and Services Grant	93.671	HHS000380000033	81,562
Temporary Assisance for Needy Familiies	93.558	HHS000380000033	157,596
Texas Council on Family Violence			
Family Violence Prevention & Services/Grants for Battered Women's Shelters - Discretionary Grants	93.592	-	45,000
Total U.S. Department of Health and Human Services			300,470
U.S. Department of Housing and Urban Development:			
CDBG - Entitlement Grants Cluster:			
City of Denton:			
Community Development Block Grant Program	14.218	B-20-MC-48-0036	37,411
City of Lewisville:			
Community Development Block Grant Program - COVID	14.218	0283-20-RES	1,000
Community Development Block Grant Program	14.218	4428-10-2019R	17,693
Total CDBG - Entitlement Grants Cluster			56,104
City of Denton:			
Emergency Solutions Grant Program - COVID	14.231	E-20-DW-48-0001	106,864
Emergency Solutions Grant Program	14.231	E-20-DC-48-0001	195,452
Total Emergency Solutions Grant Program			302,316
Total U.S. Department of Housing and Urban Development			358,420
U.S. Department of Justice:			
Texas Department of Criminal Justice:			
Crime Victim Assistance	16.575	2554407	1,509,671
Crime Victim Assistance	16.575	3347703	529,248
Crime Victim Assistance	16.575	3416202	409,448
Crime Victim Assistance	16.575	3990401	62,336
Texas Council on Family Violence			
Crime Victim Assistance	16.575	-	22,747
Total Crime Victim Assistance			2,533,450
Total U.S. Department of Justice			2,533,450
Federal Emergency Management Agency			
Emergency Food and Shelter National Board Program	97.024	Phase XXXVIII	40,256
Emergency Food and Shelter National Board Program - COVID	97.024	CARES	30,000
Total Emergency Food and Shelter National Board Program			70,256
Total Federal Emergency Management Agency			70,256
Total expenditures of federal awards			$ 3,262,596

See notes to schedule of expenditures of federal awards.

Denton County Friends of the Family, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Denton County Friends of the Family, Inc. (DCFOF). 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 DCFOF, it is not intended and does not present the financial position, changes in net assets, or cash flows of DCFOF.

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. DCFOF has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.