Denton County Friends of the Family, Inc. and Affiliate

Consolidated Financial Statements with Compliance Reports and Supplementary Information
December 31, 2024

SFC
Certified Public Accountants

Denton County Friends of the Family, Inc. and Affiliate

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Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Denton County Friends of the Family, Inc. and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Denton County Friends of the Family, Inc. and Affiliate (nonprofit organizations)(collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2024, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Affiliate were not audited in accordance with *Government Auditing Standards.*

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. 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* and the *Texas Grant Management Standards*, 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 GAAS. In our opinion, the supplementary 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 August 22, 2025 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 the effectiveness of Denton County Friends of the Family'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 Denton County Friends of the Family, Inc.'s internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
August 22, 2025

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2024

Assets	
Current assets:	
Cash and cash equivalents	$ 625,816
Investments	5,374
Grants receivable	6,029,728
Prepaid expenses	38,806
Total current assets	6,699,724
Noncurrent assets:	
Property and equipment, net	2,184,602
Right-of-use assets - operating leases, net	631,886
Security deposits	4,922
Total noncurrent assets	2,821,410
Total assets	$ 9,521,134
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 347,071
Due to others	7,562
Right-of-use liabilities - operating, current	167,097
Notes payable - current	39,939
Total current liabilities	561,669
Noncurrent liabilities:	
Right-of-use liabilities - operating leases, net	489,491
Notes payable, net	430,241
Total noncurrent liabilities	919,732
Total liabilities	1,481,401
Net assets:	
Without donor restrictions	8,036,857
With donor restrictions	2,876
Total net assets	8,039,733
Total liabilities and net assets	$ 9,521,134

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of financial assets	$ 513,392	$ 20,000	$ 533,392
Contributions of nonfinancial assets	259,125	-	259,125
Government grants and contracts	10,927,440	-	10,927,440
Explorium	75,905	-	75,905
United Way	141,690	-	141,690
Special events, net of direct costs of $44,412	73,950	-	73,950
Thrift store sales	747,762	-	747,762
Program service fees	223,519	-	223,519
Miscellaneous income	41,784	-	41,784
Net assets released from restriction	17,124	(17,124)	-
Total revenue and support	13,021,691	2,876	13,024,567
Operating Expenses:			
Program services	6,394,889	-	6,394,889
Supporting services:			
Fundraising	741,501	-	741,501
Administration	345,297	-	345,297
Total operating expenses	7,481,687	-	7,481,687
Change in net assets from operations	5,540,004	2,876	5,542,880
Non-operating gain and other income:			
Gain on acquisition	57,968	-	57,968
Interest income	10,976	-	10,976
Investment loss	(196)	-	(196)
Total non-operating gain and other income	68,748	-	68,748
Change in net assets	5,608,752	2,876	5,611,628
Net assets at beginning of year	2,428,105	-	2,428,105
Net assets at end of year	$ 8,036,857	$ 2,876	$ 8,039,733

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, 2024

	Program Services										Supporting Services		
	Clinical & Crisis Services	Residential Services	BIPP	Childcare	Advocacy & Legal Services	Community Engagement	Food Pantry	Thrift Store	Explorium	Total	Fundraising	Administration	Total
Salaries	$ 811,130	$ 826,443	$ 332,508	$ 91,028	$ 1,038,699	$ 538,047	$ -	$ 273,083	$ 91,028	$ 4,001,966	$ 449,371	$ 100,044	$ 4,551,381
Employee benefits	88,287	89,954	36,192	9,908	113,057	58,564	-	29,724	9,908	435,594	48,912	10,889	495,395
Payroll taxes	60,975	62,126	24,996	6,843	78,082	40,447	-	20,528	6,843	300,840	33,780	7,521	342,141
Total salaries and related expenses	960,392	978,523	393,696	107,779	1,229,838	637,058	-	323,335	107,779	4,738,400	532,063	118,454	5,388,917
Advertising and publicity	335	51	1,161	-	87	5,745	-	254	1,793	9,426	16,594	92	26,112
Client assistance	52,157	290,520	18	-	85,484	9,881	16,975	120	350	455,505	-	-	455,505
Contract services	38,683	55,540	37,026	-	55,540	89,528	-	1,429	15,428	293,174	15,428	62,654	371,256
Dues and memberships	1,286	1,286	1,286	-	4,341	1,286	-	-	-	9,485	476	2,029	11,990
Furniture and equipment	16,693	25,039	7,154	-	28,259	14,308	-	357	7,154	98,964	2,385	17,885	119,234
Insurance	34,118	7,675	3,635	-	5,655	5,655	-	-	404	57,142	2,828	8,887	68,857
Interest	-	-	-	-	-	-	-	-	-	-	-	21,035	21,035
Office	709	709	709	-	1,241	709	-	11,572	177	15,826	7	5,831	21,664
Postage	205	762	410	-	337	57	-	898	-	2,669	416	1,404	4,489
Rent	32,183	32,183	18,774	-	53,639	24,138	-	26,820	24,138	211,875	21,456	34,865	268,196
Repairs and maintenance	9,108	26,965	262	-	4,604	1,973	-	3,946	14,469	61,327	2,368	7,892	71,587
Special events	-	-	4,181	-	-	1,346	-	70,362	3,111	79,000	163,199	4,773	246,972
Supplies	27,717	59,697	6,396	194	21,125	14,924	-	17,056	17,056	164,165	21,321	30,217	215,703
Telephone and internet	3,064	12,398	680	-	4,099	1,480	-	987	940	23,648	1,579	2,872	28,099
Training and development	218	-	13	-	4,264	4,406	-	-	-	8,901	643	1,795	11,339
Travel	3,056	6,412	-	-	10,621	20,739	-	-	237	41,065	953	1,231	43,249
Utilities	11,431	30,144	5,427	-	14,907	6,047	-	5,141	4,893	77,990	4,197	11,066	93,253
Total expenses before depreciation	1,191,355	1,527,904	480,828	107,973	1,524,041	839,280	16,975	462,277	197,929	6,348,562	785,913	332,982	7,467,457
Depreciation	7,037	7,037	4,105	-	11,728	5,278	-	5,864	5,278	46,327	-	12,315	58,642
Total operating expenses	1,198,392	1,534,941	484,933	107,973	1,535,769	844,558	16,975	468,141	203,207	6,394,889	785,913	345,297	7,526,099
Less expenses included with revenues on the consolidated statement of activities:													
Direct costs of special events	-	-	-	-	-	-	-	-	-	-	(44,412)	-	(44,412)
Total expenses included in the expense section on the consoldidated statement of activities	$ 1,198,392	$ 1,534,941	$ 484,933	$ 107,973	$ 1,535,769	$ 844,558	$ 16,975	$ 468,141	$ 203,207	$ 6,394,889	$ 741,501	$ 345,297	$ 7,481,687

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, 2024

Cash flows from operating activities:	
Change in net assets	5,611,628
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Donated building	(224,503)
Gain on acquisiton	(57,968)
Depreciation	58,642
Amortization of right-of-use asset	149,508
Amortization of debt issuance costs	1,748
Unrealized loss on investments	196
Changes in assets and liabilities:	
Accounts receivable	56,412
Grants receivable	(5,363,680)
Prepaid expenses	(1,539)
Accounts payable and accrued expenses	(116,077)
Due to others	2,400
Right-of-use liabilty - operating lease	(129,033)
Net cash used by operating activities	(12,266)
Cash flows from investing activities:	
Cash received in acquisiton of Explorium Museum	8,430
Purchases of property and equipment	(59,386)
Net cash used by investing activities	(50,956)
Cash flows from financing activities:	
Payments on notes payable	(64,115)
Change in cash and cash equivalents	(127,337)
Cash and cash equivalents at beginning of year	753,153
Cash and cash equivalents at end of year	$ 625,816
Supplemental disclosure of cash flow information:	
Cash paid for interest during the year	$ 21,035

Noncash investing activity:

During the year ended December 31, 2024, the Organization was granted assets and took over operations of the Explorium Museum. Assets included cash totaling $8,430 and receivables totaling $56,411. Liabilities included accounts payable of $6,874 resulting in a gain on acquisition of $57,968.

During the year ended December 31, 2024, the Organization received a donated building valued at $224,503.

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, a children's museum 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 board of directors of DCFOF appoints the board of directors of Realty Investments.

During 2024, DCFOF acquired Explorium Denton Children's Museum (Explorium), a 501(c)(3) nonprofit corporation, through a grant and transfer of assets. Upon transfer, the Explorium's separate legal status dissolved and future operations were recorded on DCFOF. A detailed list of assets and liabilities obtained in the acquisition of Explorium are as follows:

Cash	$ 8,430
Accounts receivable	56,412
Accounts payable	(6,874)
Gain on acquistion	$ 57,968

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

In accordance with the provisions of FASB ASC 958-810 Not-for-Profit Entities/Consolidations, the financial statements of DCFOF and Realty Investments have been consolidated and all inter-organization transactions and accounts have been eliminated.

Basis of Accounting

The Organization prepares the consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Consolidated Financial Statement Presentation

Net assets and 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, 2024, 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.

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. The Organization maintains cash balances at financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. All of the Organization’s accounts were fully insured at December 31, 2024. Management has placed these funds with high credit quality financial institutions to minimize risk. The Organization has not experienced any losses on such assets.

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. No allowance was considered necessary as of December 31, 2024.

At December 31, 2024, balances due from one governmental agency totaled approximately 84% of total grants receivable. The Organization received funding from two governmental agencies during the year ended December 31, 2024 accounting for 59% of total revenue and support.

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.

Investments

The Organization's investments in marketable securities are stated at fair value. Interest, dividends and realized and unrealized gains and losses are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

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.

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, 2024.

Debt Issuance Costs

The Organization incurred costs totaling $21,439 in connection with notes payable. Debt issuance costs are amortized over the term of the respective debt agreements through January 2037. Amortization expense totaled $1,748 for the year ended December 31, 2024. Debt issuance costs related to this loan are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability.

Advertising and Publicity Costs

Advertising and publicity costs are expensed when paid and totaled $26,112 for the year ended December 31, 2024.

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 totaling $7,385,121 that have not been recognized at December 31, 2024 because qualifying expenditures have not yet been incurred.

Donated goods, food and supplies are reflected as contributions of nonfinancial assets at their estimated fair values 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 recognizes special events revenue when the event takes place.

Explorium revenue is recognized at the time of sale for museum entry fees. Other fees for Explorium related services are recognized when the contracted services are performed.

The Organization recognizes program services fees as revenue when the contracted services are performed.

Thrift store sales are recognized at point of sale.

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.

Allocation of Functional Expenses

The costs of providing various programs have been summarized by program in the combined statement of activities and by program and natural classification in the combined statement of functional expenses. Some expenses are allocated to programs based on reasonable estimates of square footage used and time spent by employees on the Organization's programs.

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.

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, 2024, 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, 2024, 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.

3. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

Level 3 Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Equities: These investments are valued at closing prices reported in active markets in which the individual securities are traded.

The Organization's investments at December 31, 2024 consists of equities totaling $5,374 and are measured using level 1 inputs. Total investments consisted of three securities at December 31, 2024.

Net investment loss consists of an unrealized loss on investments totaling $196 for the year ended December 31, 2024.

4. Property and Equipment

Property and equipment consist of the following as of December 31, 2024:

Land and improvements	$ 1,311,200
Buildings and improvements	1,111,595
Furniture and equipment	150,970
Vehicles	131,400
	2,705,165
Less accumulated depreciation	(520,563)
Property and equipment, net	$ 2,184,602

Depreciation expense totaled $58,642 for the year ended December 31, 2024.

5. Leases

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As the leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments was derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into operating lease arrangements for buildings and office spaces used in its operations. These leases require the Organization to pay all executory costs (property taxes, maintenance and insurance) and expire at various dates through 2030.

Future minimum lease payments and reconciliation to the consolidated statement of the financial position are as follows for the years ending December 31:

2025	$ 167,097
2026	171,264
2027	150,804
2028	86,400
2029	86,400
Thereafter	21,601
Total future undiscounted lease payments	683,566
Less present value discount	(26,978)
Lease liability	$ 656,588

The following represents lease cost and required information for the year ended December 31, 2024:

Total lease cost	$ (129,033)
Other information:	
Cash paid for accounts included in the measurement of lease liability:	
Operating cash flows from lease:	$ 129,033
Weighted-average remaining lease term	4.41 years
Weighted-average discount rate	2.16%

DCFOF also leases a building from Reality Investments. The effect of this lease has been eliminated in consolidation.

6. Line of Credit

The Organization has a $250,000 line of credit with interest at 3.25% 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 January 1, 2028. The line is collateralized by the Organization’s deposit accounts, grants receivable and property and equipment. There were no outstanding advances on the line at December 31, 2024.

7. Note Payable

Realty Investments entered into a promissory note agreement with a bank requiring monthly payments of principal and interest totaling $4,855 until maturity on August 25, 2037. The note accrues interest at 3.99% and is collateralized by buildings and improvements. The balance at December 31, 2024 totaled $477,344.

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

2025	$	39,939
2026		41,562
2027		43,250
2028		45,008
2029		46,837
Thereafter		260,748
Total future lease payments		477,344
Less: unamortized debt issuance costs		(7,164)
	$	470,180

8. Net Assets with Donor Restrictions

Net assets with donor restrictions totaling $2,876 as of December 31, 2024 are for the food pantry.

9. Contributions of Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2024:

	Program Services	General and Administration	Assets	Total
Goods	$ 17,390	$ -	$ -	$ 17,390
Food	335	-	-	335
Building	-	-	224,503	224,503
Supplies	14,842	2,055	-	16,897
	$ 32,567	$ 2,055	$ 224,503	$ 259,125

Goods, Food and Supplies

Donated goods, food and supplies are valued at the estimated fair value based on sales prices of similar items.

Building

The donated building is valued and reported at the estimated fair value based on sales prices for similar buildings in North Texas.

10. Employment Benefit Plan

The Organization has a voluntary 401(k) retirement plan available to full-time employees after completion of an eligibility period. Employer contributions are based on years of service with the Organization. These contributions range between 3% to 6% of annual salaries. Employees may make contributions, subject to certain limitations, on a pre-tax basis. During the year ended December 31, 2024, the Organization contributed $67,667 to the plan.

11. 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, 2024 that are available to meet general expenditures within one year of the consolidated statement of financial position:

Cash and cash equivalents	$ 625,816
Investments	5,374
Grants receivable	6,029,728
Total financial assets	6,660,918
Less amounts not available for general expenditures within one year:	
Donor restricted net assets	(2,876)
Financial assets available for general expenditures within one year	$ 6,658,042

In the event of an unanticipated liquidity need, the Organization could draw up to $250,000 from its available line of credit noted in footnote 6.

12. Subsequent Events

The Organization has evaluated subsequent events through August 22, 2025, the date the consolidated financial statements were issued and concluded that no additional disclosures are required.

Compliance Reports and Supplementary Information

SFC
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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Denton County Friends of the Family, Inc. (DCFOF) which comprise the statement of financial position as of December 31, 2024, 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 August 22, 2025. 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered DCFOF's internal control over financial reporting (internal control) as a basis for designing 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 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 DCFOF'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.

SFC LLP
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Report on 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
August 22, 2025

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Denton County Friends of the Family Inc.'s (DCFOF) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Texas Grant Management Standards* (TxGMS) that could have a direct and material effect on each of DCFOF's major federal and state programs for the year ended December 31, 2024. DCFOF's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 and state programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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); and the audit requirements of the TxGMS. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of DCFOF and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of DCFOF's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to DCFOF's federal and state programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DCFOF's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DCFOF's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding DCFOF's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of DCFOF's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of DCFOF's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 and state 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 and state 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 and state 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 and the TxGMS. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
August 22, 2025

Denton County Friends of the Family, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major federal and state programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major federal and state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or TxGMS?	No
Identification of Major Federal and State programs:	
Federal:	
Crime Victim Assistance	16.575
State:	
Family Violence Program – State General Revenue	HHS000380000033 HHS001108000014
Dollar threshold used to distinguish between type A and type B federal and state programs:	$750,000
Auditee qualified as low-risk auditee?	
Federal	No
State	No

Section II – Financial Statement Findings

None

Section III – Federal and State Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

None

Denton County Friends of the Family, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2024

Federal or State Grantor/Pass-through Grantor/Cluster or Program Title	Assistance Listing Number	Pass-through Grantor's #	Total Expenditures
Federal:			
U.S. Department of Health and Human Services:			
Texas Health and Human Services Commission:			
Social Services Block Grant	93.667	HHS000380000033	$ 217,573
COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Service	93.671	HHS000380000033/HHS001108000014	522,898
Total Texas Health and Human Services Commission			740,471
Texas Association Against Sexual Assault:			
COVID-19 Family Violence Prevention and Services/ Sexual Assault/ Rape Crisis Services and Supports	93.497	ARP-FY24-DC0133-MAP-2/ARP-FY25-DC0133-MAP-2	128,412
Total U.S. Department of Health and Human Services			868,883
U.S. Department of Housing and Urban Development:			
Direct:			
Continuum of Care Program	14.267	TX0691D6T072200	359,124
CDBG - Entitlement Grants Cluster:			
Town of Flower Mound:			
Community Development Block Grant Program	14.218	-	20,671
City of Denton:			
Community Development Block Grant Program	14.218	-	115,071
City of Lewisville:			
Community Development Block Grant Program	14.218	-	27,600
Total CDBG - Entitlement Grants Cluster			163,342
Texas Department of Housing and Community Affairs:			
Emergency Solutions Grants Program	14.231	42236070025/42246070025	313,924
Total U.S. Department of Housing and Urban Development			836,390
U.S. Department of Justice:			
Office of the Governor - Criminal Justice Division:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4450703/5097501	43,609
Crime Victim Assistance	16.575	2554410/2554411	2,624,096
Total Office of the Governor - Criminal Justice Division			2,667,705
Office on Violence Against Women:			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	15JOVW-21-GG-02041-ICJR	230,283
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	15JOVW-23-GG-02956-TRAN	72,945
Sexual Assault Services Formula Program	16.017	SASP-FY24-DCC0159/SASP-FY25-DC0187	126,222
Total Office on Violence Against Women			429,450
Total U.S. Department of Justice			3,097,155
U.S. Department of Homeland Security:			
United Way:			
Emergency Food & Shelter Program	97.024	Phase XLI	74,000
Total Expenditures of Federal Awards			4,876,428
State:			
Texas Health & Human Services Commission:			
Family Violence Program - State General Revenue	N/A	HHS000380000033	580,086
Family Violence Program - State General Revenue	N/A	HHS001108000014	49,259
Total Texas Health & Human Services Commission			629,345
Office of the Governor - Criminal Justice Division:			
SF - State Criminal Justice Planning (421) Fund	N/A	4229604	34,880
Office of the Attorney General:			
Sexual Assault Prevention & Crisis Services	N/A	C-00986	169,596
Other Victim Assistance Grant	N/A	C-00801	43,689
Total Office of the Attorney General			213,285
Texas Department of Criminal Justice:			
Batter Intervention/Prevention - FY22	N/A	-	109,464
Total Expenditures of State Awards			986,974
Total Expenditures of Federal and State Awards			$ 5,863,402

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

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. (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) and the *Texas Grant Management Standards* (TxGMS). 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 or the TxGMS, 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 TxGMS and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

3. Reconciliation of Schedule to Consolidated Statement of Activities

The Organization received a grant totaling $5,064,038 that was included in government grant and contracts revenue on the consolidated statement of activities that was not subject to the audit requirements of the Uniform Guidance or the TxGMS and therefore, was are not included on the Schedule.

Denton County Friends of the Family, Inc. and Affiliate
Consolidating Statement of Financial Position
Year Ended December 31, 2024

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Assets				
Current assets:				
Cash and cash equivalents	$ 499,496	$ 126,320	$ -	$ 625,816
Investments	5,374	-	-	5,374
Grants receivable	6,029,728	-	-	6,029,728
Prepaid expenses	36,940	1,866	-	38,806
Total current assets	6,571,538	128,186	-	6,699,724
Noncurrent assets:				
Property and equipment, net	1,145,867	1,038,735	-	2,184,602
Right-of-use assets - operating leases, net	1,231,381	-	(599,495)	631,886
Security deposits	4,922	-	-	4,922
Total noncurrent assets	2,382,170	1,038,735	(599,495)	2,821,410
Total assets	$ 8,953,708	$ 1,166,921	$ (599,495)	$ 9,521,134
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 347,071	$ -	$ -	347,071
Due to others	7,562	-	-	7,562
Right-of-use liabilities - operating, current	478,374	-	(311,277)	167,097
Notes payable - current	-	39,939		39,939
Total current liabilities	833,007	39,939	(311,277)	561,669
Noncurrent liabilities:				
Right-of-use liabilities - operating leases, net	777,709	-	(288,218)	489,491
Notes payable, net	-	430,241	-	430,241
Total noncurrent liabilities	777,709	430,241	(288,218)	919,732
Total liabilities	1,610,716	470,180	(599,495)	1,481,401
Net assets:				
Without donor restrictions	7,340,116	696,741	-	8,036,857
With donor restrictions	2,876	-	-	2,876
Total net assets	7,342,992	696,741	-	8,039,733
Total liabilities and net assets	$ 8,953,708	$ 1,166,921	$ (599,495)	$ 9,521,134

Denton County Friends of the Family, Inc. and Affiliate
Consolidating Statement of Activities
Year Ended December 31, 2024

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Revenue and support:				
Contributions of financial assets	$ 533,392	$ -	$ -	$ 533,392
Contributions of nonfinancial assets	259,125	-	-	259,125
Government grants and contracts	10,927,440	-	-	10,927,440
Explorium	75,905	-	-	75,905
United Way	141,690	-	-	141,690
Special events, net of direct costs of $44,412	73,950	-	-	73,950
Thrift store sales	747,762	-	-	747,762
Program service fees	223,519	-	-	223,519
Rental income	-	143,770	(143,770)	-
Miscellaneous income	41,133	651	-	41,784
Total revenue and support	13,023,916	144,421	(143,770)	13,024,567
Operating expenses:				
Program services	6,474,080	34,387	(113,578)	6,394,889
Supporting services:				
Fundraising	753,003	-	(11,502)	741,501
Administration	313,212	50,775	(18,690)	345,297
Total operating expenses	7,540,295	85,162	(143,770)	7,481,687
Change in net assets from operations	5,483,621	59,259	-	5,542,880
Non-operating gain and other income:				
Gain on acquisition	57,968	-	-	57,968
Interest income	10,976	-	-	10,976
Investment loss	(196)	-	-	(196)
Total non-operating gain and other income	68,748	-	-	68,748
Change in net assets	5,552,369	59,259	-	5,611,628
Net assets at beginning of year	1,790,623	637,482	-	2,428,105
Net assets at end of year	$ 7,342,992	$ 696,741	$ -	$ 8,039,733