Denton County Friends of the Family, Inc. and Affiliate

Consolidated Financial Statements with Supplementary Information and Compliance Reports
December 31, 2021

SFC
Sutton Frost Cary LLP
Certified Public Accountants

Denton County Friends of the Family, Inc. and Affiliate

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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), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in their net assets and their 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 Denton County Friends of the Family, Inc. and Affiliate 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 opinion. The financial statements of the Affiliate were not audited 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.

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 Denton County Friends of the Family, Inc. and Affiliate'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 Denton County Friends of the Family, Inc. and Affiliate'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 Denton County Friends of the Family, Inc. and Affiliate'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 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 GAAS. In our opinion, the schedule of expenditures of federal awards 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 5, 2022 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 5, 2022

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2021

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Assets				
Current assets:				
Cash and cash equivalents	$ 442,383	$ 77,562	$ -	$ 519,945
Investments	5,728	-	-	5,728
Grants receivable	536,479	-	-	536,479
Related party receivable	-	43,453	(43,453)	-
Total current assets	984,590	121,015	(43,453)	1,062,152
Assets restricted for capital campaign:				
Cash	-	13,686	-	13,686
Construction in progress	-	21,452	-	21,452
Total assets restricted for capital campaign	-	35,138	-	35,138
Security deposits	4,886	-	-	4,886
Property and equipment, net	258,168	1,028,894	-	1,287,062
Total assets	$ 1,247,644	$ 1,185,047	$ (43,453)	$ 2,389,238
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ 33,695	$ -	$ -	$ 33,695
Accrued expenses	196,288	-	-	196,288
Deferred rent	5,373	-	-	5,373
Related party payable	43,453	-	(43,453)	-
Current maturities of note payable	-	27,301	-	27,301
Total current liabilities	278,809	27,301	(43,453)	262,657
Note payable, net of current maturities	-	598,585	-	598,585
Total liabilities	278,809	625,886	(43,453)	861,242
Net assets:				
With donor restrictions	20,000	35,138	-	55,138
Without donor restrictions	948,835	524,023	-	1,472,858
Total net assets	968,835	559,161	-	1,527,996
Total liabilities and net assets	$ 1,247,644	$ 1,185,047	$ (43,453)	$ 2,389,238

See notes to the consolidated financial statements.

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2021

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Net assets without donor restrictions:				
Support:				
Contributions	$ 369,233	$ -	$ -	$ 369,233
Government grants and contracts	4,343,870	-	-	4,343,870
United Way	141,556	-	-	141,556
Total support without donor restrictions	4,854,659	-	-	4,854,659
Revenue:				
Thrift store sales	393,034	-	-	393,034
Program service fees	105,255	-	-	105,255
Miscellaneous	4,986	152,937	(143,770)	14,153
Total support and revenue without donor restrictions	5,357,934	152,937	(143,770)	5,367,101
Expenses:				
Program services:				
Clinical services	1,632,999	-	(71,885)	1,561,114
Shelter	682,515	-	-	682,515
BIPP	281,366	-	-	281,366
Advocacy	702,193	-	(71,885)	630,308
Legal services	549,342	-	-	549,342
Community engagement	425,258	-	-	425,258
Thrift store	304,966	-	-	304,966
Volunteer program	57,229	-	-	57,229
Transitional housing	346,464	-	-	346,464
Total program services	4,982,332	-	(143,770)	4,838,562
Supporting services:				
Fundraising	150,333	-	-	150,333
Administration	345,743	72,622	-	418,365
Total supporting services	496,076	72,622	-	568,698
Total operating expenses	5,478,408	72,622	(143,770)	5,407,260
Change in net assets without donor restrictions	(120,474)	80,315	-	(40,159)
Net assets with donor restrictions:				
Contributions	20,000	22,178	-	42,178
Change in net assets with donor restrictions	20,000	22,178	-	42,178
Change in net assets	(100,474)	102,493	-	2,019
Net assets at beginning of year	1,069,309	456,668	-	1,525,977
Net assets at end of year	$ 968,835	$ 559,161	$ -	$ 1,527,996

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services										Supporting Services			
	Clinical services	Shelter	BIPP	Advocacy	Legal services	Community engagement	Thrift store	Volunteer program	Transitional housing	Total	Fundraising	Administration	Total	Total
Salaries	$ 1,244,301	$ 375,567	$ 167,303	$ 467,430	$ 407,414	$ 296,083	$ 151,334	$ 43,429	$ 149,425	$ 3,302,286	$ 86,899	$ 62,474	$ 149,373	$ 3,451,659
Employee benefits	40,302	26,919	17,234	33,568	26,903	30,400	7,554	4,191	17,325	204,396	5,508	37,577	43,085	247,481
Payroll taxes	38,189	29,559	12,573	35,525	30,587	21,643	12,085	3,308	11,516	194,985	6,794	57,593	64,387	259,372
Total salaries and related expenses	1,322,792	432,045	197,110	536,523	464,904	348,126	170,973	50,928	178,266	3,701,667	99,201	157,644	256,845	3,958,512
Insurance	13,715	9,279	8,697	9,732	14,137	8,812	-	-	3,063	67,435	-	9,151	9,151	76,586
Rent	-	60,495	21,993	-	-	22,088	35,340	-	13,825	153,741	12,618	56,554	69,172	222,913
Utilities	13,212	20,553	2,772	10,551	4,948	2,128	4,285	-	1,752	60,201	1,158	8,692	9,850	70,051
Other occupancy	4,669	30,098	164	3,726	3,617	915	5,406	-	239	48,834	119	9,260	9,379	58,213
Travel	4,916	1,028	51	1,435	130	2,852	-	446	256	11,114	862	6,408	7,270	18,384
Conferences and training	1,600	1,200	500	2,800	1,494	800	-	-	1,200	9,594	-	2,650	2,650	12,244
Telephone	3,750	4,998	680	2,571	2,006	956	770	-	490	16,221	326	3,125	3,451	19,672
Contract services	39,348	27,222	20,171	29,925	22,730	19,578	69,577	614	11,904	241,069	1,466	33,922	35,388	276,457
Equipment lease	12,988	14,263	22,446	7,665	5,035	2,856	3,613	-	11,327	80,193	13,294	13,158	26,452	106,645
Supplies	44,925	52,269	4,784	6,949	9,955	13,848	13,696	5,088	5,037	156,551	12,725	1,088	13,813	170,364
Postage	360	160	133	231	230	178	643	-	77	2,012	265	969	1,234	3,246
Advertising/publicity	415	-	-	403	-	1,036	-	-	-	1,854	5,106	13	5,119	6,973
Dues and memberships	3,504	3	3	3	1,461	3	-	-	3	4,980	375	418	793	5,773
Specific assistance to individuals	94,920	28,902	23	17,794	18,695	169	511	131	119,025	280,170	-	-	-	280,170
Interest	-	-	-	-	-	-	-	-	-	-	-	42,418	42,418	42,418
Miscellaneous	-	-	1,839	-	-	913	152	22	-	2,926	2,818	67	2,885	5,811
Total expenses before depreciation	1,561,114	682,515	281,366	630,308	549,342	425,258	304,966	57,229	346,464	4,838,562	150,333	345,537	495,870	5,334,432
Depreciation		-	-	-	-	-	-	-	-	-	-	72,828	72,828	72,828
Total expenses	$ 1,561,114	$ 682,515	$ 281,366	$ 630,308	$ 549,342	$ 425,258	$ 304,966	$ 57,229	$ 346,464	$ 4,838,562	$ 150,333	$ 418,365	$ 568,698	$ 5,407,260

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, 2021

	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	$ (100,474)	$ 102,493	$ -	$ 2,019
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	57,480	15,348	-	72,828
Contributions restricted for capital campaign	-	(22,178)	-	(22,178)
Changes in assets and liabilities:				
Grants receivable	6,485	-	-	6,485
Related party receivable	13,778	-	(13,778)	-
Accounts payable and accrued expenses	53,865	(16,892)	-	36,973
Related party payable	-	(13,778)	13,778	-
Refundable advances	(101,158)	-	-	(101,158)
Net cash provided (used) by operating activities	(70,024)	64,993	-	(5,031)
Cash flows from investing activities:				
Purchases of investments	(603)	-	-	(603)
Purchases of property and equipment	(37,719)	(8,026)	-	(45,745)
Net cash used by financing activities	(38,322)	(8,026)	-	(46,348)
Cash flows from financing activities:				
Repayment of note payable	-	(46,927)	-	(46,927)
Collections of contributions restricted for capital campaign	-	22,178	-	22,178
Net cash used by investing activities	-	(24,749)	-	(24,749)
Net change in cash and cash equivalents	(108,346)	32,218	-	(76,128)
Cash and cash equivalents at beginning of year	550,729	59,030	-	609,759
Cash and cash equivalents at end of year	$ 442,383	$ 91,248	$ -	$ 533,631
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	$ -	$ 46,166	$ -	$ 46,166
Reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statement of financial position to the consolidated statement of cash flows:				
Cash and cash equivalents	$ 442,383	$ 77,561	$ -	$ 519,944
Restricted cash	-	13,687	-	13,687
Cash and cash equivalents and restricted cash reported on the consolidated statement of cash flows	$ 442,383	$ 91,248	$ -	$ 533,631

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 board of directors of DCFOF appoints the board of directors of 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 accounting principles generally accepted in the United States of America (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, 2021, 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 $72,828 for the year ended December 31, 2021.

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, 2021.

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, 2021 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, 2021, balances due from two governmental agencies totaled approximately 75% of total grants receivable. The Organization received funding from one state agency during the year ended December 31, 2021 totaling approximately 46% 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, 2021, 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, 2021, 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.

In 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The Organization will be required to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 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, 2021:

	DCFOF	Realty Investments
Land and improvements	$ 30,000	$ 499,110
Buildings and improvements	397,156	572,591
Furniture and equipment	261,988	-
Vehicles	106,728	-
Construction in progress	-	21,452
	795,872	1,093,153
Accumulated depreciation	(537,704)	(42,807)
	$ 258,168	$ 1,050,346

4. Line of Credit

The Organization has a $250,000 line of credit (Line) 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, 2025. The Line is collateralized by the Organization's deposit accounts, grants receivable, property and equipment. There were no outstanding advances on the Line at December 31, 2021.

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, 2021 is $625,886.

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

2022	$ 27,301
2023	28,914
2024	30,620
2025	32,428
2026	34,343
Thereafter	472,280
	$ 625,886

6. 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, 2021, net assets restricted for the capital campaign consist of construction in progress totaling $21,452 and cash totaling $13,686.

At December 31, 2021 net assets with donor restrictions consisted of $35,138 restricted for the capital campaign and $20,000 restricted for food pantry operations.

7. Leases

The Organization leases program facilities under non-cancelable operating lease agreements expiring May 2025. Rent expense totaled $210,192 for the year ended December 31, 2021.

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

2022	$ 135,450
2023	54,816
2024	17,316
2025	17,316
	$ 224,898

8. 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, 2021 that are available to meet general expenditures within one year of the consolidated statement of financial position:

Cash and cash equivalents	$ 533,631
Investments	5,728
Grants receivable	536,479
Total financial assets	1,075,838
Less amounts not available for general expenditures within one year:	
Donor restricted net assets	33,686
Financial assets available for general expenditures within one year	$ 1,042,152

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

9. Involuntary Conversion

In March 2021, the Organization suffered extensive water damage due to burst pipes. Insurance covered the damage that resulted in a gain on involuntary conversion of assets in the amount of $8,785 reported as miscellaneous revenue in the consolidated statement of activities.

10. Subsequent Events

In January 2022, the Organization refinanced its note payable resulting in a new note totaling $656,796. The note requires monthly payments of $4,855 beginning February 1, 2022 and bears interest at a rate of 3.99%. The note matures January 1, 2037, at which time all principal and interest will be due.

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 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 consolidated financial statements of Denton County Friends of the Family, Inc. (DCFOF) and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2021, 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 5, 2022. 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 consolidated financial statements, we considered Denton Country Friends of the Family, Inc.'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 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.

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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
May 5, 2022

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

Opinion on Each Major Federal 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* that could have a direct and material effect on each of DCFOF's major federal programs for the year ended December 31, 2021. DCFOF's major federal 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 programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal 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). 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 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 programs.

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*, and the Uniform Guidance 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 program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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, 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 program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 5, 2022

Denton County Friends of the Family, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

<u>Section I – Summary of Auditors' Results</u>

Consolidated 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 Awards

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	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)?	No

Identification of major federal programs:

Assistance Listing 16.575 Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

<u>Section II – Financial Statement Findings</u>

None

<u>Section III – Federal Award Findings and Questioned Costs</u>

None

<u>Section IV – Prior Federal Award Findings and Questioned Costs</u>

None

Denton County Friends of the Family
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Agency/ Pass-through Grantor/Program Title	Assistance Listing #	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	$ 18,449
Family Violence Prevention and Services Grant	93.671	HHS000380000033	92,199
Family Violence Prevention and Services Grant - COVID	93.671	-	31,939
Total Family Violence Prevention and Services Grant			124,138
Temporary Assisance for Needy Familiies	93.558	HHS000380000033	243,098
Office of the Attorney General:			
Preventive Health and Health Services Block Grant	93.991	2112217	33,398
Total U.S. Department of Health and Human Services			419,083
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	42,723
City of Lewisville:			
Community Development Block Grant Program	14.218	4428-10-2019R	9,419
Total CDBG - Entitlement Grants Cluster			52,142
City of Denton:			
Emergency Solutions Grant Program - COVID	14.231	E-20-DW-48-0001	260,595
Emergency Solutions Grant Program	14.231	E-20-DC-48-0001	153,572
Total Emergency Solutions Grant Program			414,167
Total U.S. Department of Housing and Urban Development			466,309
U.S. Department of Justice:			
Texas Association Against Sexual Assault:			
Sexual Assualt Services Formula Program	16.017	SASP	44,248
Total Sexual Assualt Services Formula Program			44,248
Texas Department of Criminal Justice:			
Crime Victim Assistance	16.575	2554408	1,645,650
Crime Victim Assistance	16.575	3347703	291,317
Crime Victim Assistance	16.575	3416202	277,880
Crime Victim Assistance	16.575	3990401	259,969
Texas Council on Family Violence			
Crime Victim Assistance	16.575	-	25,219
Total Crime Victim Assistance			2,500,035
International Association of Chiefs of Police:			
Crime Victim Assistance/Discretionary Grants	16.582	2019-V3-GX-K007	16,181
Direct:			
Encourage Arrest Policies and Enforcement of Protection Orders	16.590	21-GG-02041-I	9,932
Total U.S. Department of Justice			2,570,396
U.S. Department of the Treasury:			
City of Lewisville:			
Coronavirus Relief Fund	21.019	CARES	20,000
Total U.S. Department of the Treasury			20,000
U.S. Department of Homeland Security:			
Community Council of Greater Dallas:			
Emergency Food and Shelter National Board Program	97.024	Phase XXXVIII	82,756
United Way:			
Emergency Food and Shelter National Board Program - COVID	97.024	CARES	30,000
Total U.S. Department of Homeland Security:			112,756
Total expenditures of federal awards			$ 3,588,544

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, 2021

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.