DENTON COUNTY
FRIENDS OF THE FAMILY, INC.

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

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

Members of the Board:

We have audited the accompanying financial statements of Denton County Friends of the Family, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denton County Friends of the Family, Inc. as of December 31, 2016, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Denton County Friends of the Family, Inc. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the basic 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 March 10, 2017 on our consideration of Denton County Friends of the Family, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and 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.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas
March 10, 2017

FINANCIAL SECTION

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:	
Cash and cash equivalents	$ 186,256
Due from grantor agencies	221,386
Prepaid expenses	16,882
Security deposits	7,365
Total Current Assets	431,889
Investments, at fair value	5,436
Fixed Assets:	
Land	529,110
Building and improvements	1,033,893
Furniture and equipment	148,007
Vehicles	106,728
	1,817,738
Less: accumulated depreciation	(431,634)
Total Fixed Assets (net)	1,386,104
TOTAL ASSETS	$ 1,823,429

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	$ 2,366
Payroll deductions payable	12,543
Accrued payroll	73,895
Deferred revenue	6,000
Current portion of Northstar Bank mortgage	39,078
Total Current Liabilities	133,882
Long-Term Liabilities:	
Mortgage payable – Northstar Bank	775,559
Total Long-Term Liabilities	775,559
Net Assets:	
Unrestricted	913,988
Total Net Assets	913,988
TOTAL LIABILITIES AND NET ASSETS	$ 1,823,429

The accompanying notes are an integral part of this statement.

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted
Revenue, Gains and Other Support:	
Grants from governmental agencies	$ 2,091,541
Special events and fundraising	65,121
Thrift store sales	235,300
Contributions	119,367
Corporate and foundation support	222,580
Allocated by United Way	107,343
Program service fees	83,364
Insurance proceeds	8,028
Investment income	186
Unrealized gain on investments	545
Miscellaneous income	4,296
Total Revenue, Gains and Other Support	2,937,671
Expenses and Losses:	
Expenses:	
Program services:	
Victim outreach	776,630
Shelter	556,841
Advocacy and legal services	463,249
Violence intervention program	104,818
Community services	243,654
Volunteer program	4,134
Total Program Services	2,149,326
Supporting services:	
Fundraising	120,431
Thrift store	159,918
Administration	154,209
Total Supporting Services	434,558
Total Expenses	2,583,884
Loss on disposal of fixed assets	339
Total Expenses and Losses	2,584,223
Change in net assets	353,448
Net Assets, Beginning of Year	560,540
Net Assets, End of Year	$ 913,988

The accompanying notes are an integral part of this statement.

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			
	Victim Outreach	Shelter	Violence Intervention Program	Advocacy and Legal Services
Salaries	$ 580,455	$ 388,244	$ 86,185	$ 315,784
Employee Benefits	31,045	20,765	4,610	16,890
Payroll Taxes	46,005	30,772	6,831	25,029
Total Salaries and Related Expenses	657,505	439,781	97,626	357,703
Insurance	7,359	3,672	274	8,393
Rent	80	40	-	80
Utilities	11,518	16,917	-	11,542
Other occupancy	2,318	13,770	-	1,941
Travel	786	294	407	7,101
Conferences/training	6,228	-	484	3,000
Telephone	4,862	6,763	19	4,672
Contract services	23,853	11,504	735	29,639
Equipment lease	5,267	7,649	-	5,022
Supplies	19,301	26,463	3,802	7,677
Postage	1,168	608	-	1,350
Advertising/publicity	1,494	-	-	1,371
Dues and memberships	2,314	1,157	-	2,874
Specific assistance to individuals	10,022	10,699	-	2,473
Interest	13,015	-	-	13,015
Fundraising costs	-	-	-	-
Total Expenses Before Depreciation	767,090	539,317	103,347	457,853
Depreciation	9,540	17,524	1,471	5,396
TOTAL EXPENSES	$ 776,630	$ 556,841	$ 104,818	$ 463,249

The accompanying notes are an integral part of this statement.

Community Services	Volunteer Program	Total
$ 162,766	$ -	$ 1,533,434
8,705	-	82,015
12,901	-	121,538
184,372	-	1,736,987
3,398	-	23,096
40	-	240
4,719	-	44,696
1,763	-	19,792
2,997	119	11,704
-	-	9,712
2,507	-	18,823
16,958	1,671	84,360
2,674	40	20,652
10,658	2,304	70,205
546	-	3,672
2,777	-	5,642
621	-	6,966
-	-	23,194
6,507	-	32,537
-	-	-
240,537	4,134	2,112,278
3,117	-	37,048
$ 243,654	$ 4,134	$ 2,149,326

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Supporting Services				
	Fundraising	Thrift Store	Administration	Total	Total Expenses
Salaries	$ 72,266	$ 85,570	$ 63,015	$ 220,851	$ 1,754,285
Employee Benefits	3,865	4,577	3,370	11,812	93,827
Payroll Taxes	5,728	6,782	4,994	17,504	139,042
Total Salaries and Related Expenses	81,859	96,929	71,379	250,167	1,987,154
Insurance	-	-	9,570	9,570	32,666
Rent	-	42,000	40	42,040	42,280
Utilities	508	9,590	2,344	12,442	57,138
Other occupancy	1,582	5,889	11,531	19,002	38,794
Travel	473	-	594	1,067	12,771
Conferences/training	-	-	-	-	9,712
Telephone	-	1,400	3,034	4,434	23,257
Contract services	7,850	1,641	18,012	27,503	111,863
Equipment lease	276	605	2,014	2,895	23,547
Supplies	1,372	1,720	3,095	6,187	76,392
Postage	116	-	1,746	1,862	5,534
Advertising/publicity	754	144	692	1,590	7,232
Dues and memberships	1,122	-	1,603	2,725	9,691
Specific assistance to individuals	-	-	-	-	23,194
Interest expense	-	-	17,138	17,138	49,675
Fundraising costs	24,519		-	24,519	24,519
Late fees/penalties	-	-	3,050	3,050	3,050
Total Expenses Before Depreciation	120,431	159,918	145,842	426,191	2,538,469
Depreciation	-	-	8,367	8,367	45,415
TOTAL EXPENSES	$ 120,431	$ 159,918	$ 154,209	$ 434,558	$ 2,583,884

The accompanying notes are an integral part of this statement.

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows used by operating activities:	
Change in net assets	$ 353,448
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	45,415
(Increase) Decrease in due from grantor agencies	(34,909)
(Increase) Decrease in other receivables	10,423
(Increase) Decrease in prepaid expenses	(2,396)
(Increase) Decrease in security deposits	(350)
Increase (Decrease) in accounts payable and accrued expenses	(98,396)
Increase (Decrease) in payroll deductions payable	8,848
Increase (Decrease) in accrued payroll	65,521
Increase (Decrease) in deferred revenue	6,000
Net cash provided by operating activities	353,604
Cash flows provided (used) by investing activities:	
Unrealized (gain) loss on investments	(545)
Purchase of fixed assets	(130,722)
Book value of fixed assets disposed of	339
Net cash provided (used) by investing activities	(130,928)
Cash flows provided (used) by financing activities:	
Principal reduction on debt	(60,743)
Net cash provided (used) by financing activities	(60,743)
Net increase in cash and cash equivalents	161,933
Cash and cash equivalents, beginning of year	24,323
Cash and cash equivalents, end of year	$ 186,256
Supplemental disclosure:	
Interest paid during the year	$ 47,366

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Denton County Friends of the Family, Inc. (the "Organization") is a United Way agency whose purpose is to provide services to families experiencing family violence, including but not limited to spousal and/or child abuse, and to provide services for victims of sexual assault.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No, 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Fixed Assets

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $500 for a single item with an estimated useful life of three years or more. Purchased fixed assets are valued at historical cost. Donated fixed assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Vehicles	7 years
Equipment	5-7 years
Furniture and fixtures	7 years

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income.

NOTE B - INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. All non cash contributions are recorded at fair value at the date of receipt. Stock is recorded at the average of the high and low selling price on the date received. Investments sold are recorded at amount received on the trade date.

Investment income and realized gains and losses are reported as increases in unrestricted net assets unless the donor placed restrictions on the income's use. The change in fair value between years along with realized gains or losses are reflected in the statement of activities in the year of the change.

The Organization's investments at December 31, 2016 consisted of the following:

	Cost	Fair Value	Unrealized Gain(Loss)
95 shares Dow Chemical stock	$ 2,018	$ 5,436	$ 3,418
Total	$ 2,018	$ 5,436	$ 3,418

NOTE C - DUE FROM GRANTOR AGENCIES

The Organization has amounts due from grantor and passthrough agencies in connection with the maintenance of its programs which were earned and due at December 31, 2016. All amounts are expected to be collected so no provision is made for uncollectible accounts. As of December 31, 2016, receivables from grants and contracts was composed of:

Texas Health & Human Services Commission	$ 33,066
Office of the Attorney General	13,884
Office of the Governor - Criminal Justice Division	136,372
United Way	21,000
City of Lewisville	1,500
City of Denton	11,397
Denton County	4,167
	$ 221,386

NOTE D – THRIFT STORE

Activities of the Organization include the operations of a thrift store opened in December, 1988. It is staffed by employees as well as many volunteers, and the inventory consists entirely of donated items. These items are available for distribution to clients at the shelter as well as for sale to the public. Sales proceeds above the store expenses are available to help fund the Organization's operations.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization has estimated fair value of financial instruments in accordance with requirements of SFAS No. 157. The estimated fair value amounts have been determined by the Organization, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Organization could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The carrying amount of cash and cash equivalents, and receivables approximated fair market value at December 31, 2016 because of their relatively short maturity and market terms. The fair value of long term investments at December 31, 2016 is determined based on quoted market values for equity securities.

Financial instruments are considered Level 1 when their values are determined using quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1, such as quoted prices for similar assets in active or inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

In accordance with these definitions, the following table represents the Organization's fair value hierarchy for its investments measured at fair value as of December 31, 2016:

	Quoted Prices for Active Markets for Identical Assets (Level 1)	Total
Equity securities	$ 5,436	$ 5,436
Total	$ 5,436	$ 5,436

NOTE F - CONCENTRATION OF RISK

The Organization is located in Denton County, Texas. It primarily services individuals in Denton and Wise Counties, Texas. The Organization relies heavily on funds from governmental agencies. A significant amount of receivables as of December 31, 2016 are due from governmental agencies (national, state, or local).

The Organization invests its surplus operating funds in mutual, money market, or trust funds. During 2016, the Organization's cash balances did not exceed the Federal Deposit Insurance Corporation insured limit. At December 31, 2016 the Organization had no uninsured cash balances.

NOTE G - DONATED SERVICES

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

NOTE H – LINE OF CREDIT

The Organization has a $25,000 line of credit available through Northstar Bank. Interest is payable monthly at 5.75% on any drawn balance. At December 31, 2016, the outstanding balance on the line of credit was zero.

NOTE I – LONG-TERM DEBT

Long-term debt of the Organization at December 31, 2016 consists of a bank mortgage loan obtained for the purchase of property. The following is a summary of the changes in the Organization's long-term debt for the year ended December 31, 2016:

Description	Interest Rate Payable	Amounts Outstanding 01/01/16	Additions	Retired	Amounts Outstanding 12/31/16	Due Within One Year
Mortgage loan – Northstar Bank	5.75%	$850,380	$ -	$35,743	$814,637	$39,078
TOTAL		$850,380	$ -	$35,743	$814,637	$39,078

The mortgage loan with Northstar Bank is secured by a deed of trust on the office building for which the loan proceeds were used for purchase. Presented below is a summary of the bank loan debt service requirements to maturity:

Year Ended December 31,	Principal	Interest	Total Requirements
2017	$ 39,078	$ 45,822	$ 84,900
2018	41,385	43,515	84,900
2019	43,828	41,072	84,900
2020	46,416	38,484	84,900
2021	49,156	35,744	84,900
2022-2026	292,895	131,605	424,500
2027-2030	301,879	36,651	338,530
Total	$ 814,637	$ 372,893	$1,187,530

NOTE J – COMPONENTS OF INVESTMENT RETURN

Investment return, including interest and dividends on investments and interest earned on cash balances is summarized as follows:

Interest and dividend income	$ 186
Unrealized gain on investments	545
Total Investment Return	$ 731

NOTE K – SUBSEQUENT EVENTS

Management has reviewed events subsequent to December 31, 2016 through March 10, 2017, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

FEDERAL AND STATE AWARDS SECTION

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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
Denton County Friends of the Family, Inc.
Denton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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., as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Denton County Friends of the Family, Inc.'s basic financial statements, and have issued our report dated March 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exits 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of the audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

March 10, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDNACE

To the Board of Trustees
Denton County Friends of the Family, Inc.
Denton, Texas

Report on Compliance for Each Major Federal Program

We have audited Denton County Friends of the Family, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Denton County Friends of the Family, Inc.'s major federal programs for the year ended December 31, 2016. Denton County Friends of the Family, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Denton County Friends of the Family, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *The Audit Requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denton County Friends of the Family, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Denton County Friends of the Family, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Denton County Friends of the Family, Inc. 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, 2016.

Report on Internal Control Over Compliance

Management of Denton County Friends of the Family, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Denton County Friends of the Family, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denton County Friends of the Family, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

March 10, 2017

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.

2. Internal control over financial reporting:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

3. Noncompliance which is material to the financial statements: None

4. Internal controls over major federal programs:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

5. Type of auditor's report on compliance for major federal programs: Unmodified.

6. Did the audit disclose findings which are required to be reported under 2 CFR 200.516 (a)?: No

7. Major programs include:

   16.575 Victims of Crime Act Formula Grant

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Findings and Questioned Costs Related to Federal Awards

None

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through State:			
Texas Health & Human Services Commission:			
Family Violence	93.671	529-15-0032-00056C	$ 42,978
Family Violence	93.671	529-15-0032-00056D	21,669
Special Nonresidential Project Services	93.671	529-15-0006-00022A	45,771
Special Nonresidential Project Services	93.671	529-15-0006-00022B	13,112
EIF-FY16	93.558	529-16-0015	58,269
EIF-FY17	93.558	529-16-0015	23,997
Family Violence	93.667	529-15-0032-00056C	90,020
Family Violence	93.667	529-15-0032-00056D	46,666
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 342,482
U.S. Department of Housing and Urban Development			
Passed through City of Denton:			
Community Development Block Grant	14.218	-	$ 23,915
Community Development Block Grant	14.218	-	3,154
Emergency Solutions Grant Program	14.231	42150002359	120,029
Passed through City of Lewisville:			
Community Development Block Grant	14.218	-	7,500
Community Development Block Grant	14.218	-	2,500
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			$ 157,098
U.S. Department of Justice			
Passed Through State:			
Office of the Governor/Criminal Justice Div.:			
Victims of Crime Act Formula Grant	16.575	2554404	$ 815,186
Victims of Crime Act Formula Grant	16.575	2554405	304,087
TOTAL DEPARTMENT OF JUSTICE			$ 1,119,273

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Grantor/Program Title	Federal Number	Agency or Number	Expenditures
Federal Emergency Management Agency			
Passed Through United Way:			
Emergency Food & Shelter National Board Program	97.024	Phase XXXIII	$ 42,000
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			$ 42,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,660,853
State Awards:			
			State Expenditures
Texas Health & Human Services Commission:			
Family Violence – Crime Victims Compensation funds	N/A	529-15-0032-00056C	$ 90,020
Family Violence – Crime Victims Compensation funds	N/A	529-15-0032-00056D	46,666
Passed Through Texas Council on Family Violence:			
Project Safe	N/A	-	42,442
Office of the Attorney General:			
Sexual Assault Prevention & Crisis Services	N/A	1665629	59,666
Sexual Assault Prevention & Crisis Services	N/A	1770205	24,058
TOTAL TEXAS HEALTH & HUMAN SERVICES COMMISSION			262,852
Texas Department of Criminal Justice:			
Batterers' Intervention/Prevention - FY16	N/A	-	30,157
Batterers' Intervention/Prevention - FY16	N/A	-	5,493
Batterers' Intervention/Prevention - FY17	N/A	-	30,156
TOTAL TEXAS DEPARTMENT OF CRIMINAL JUSTICE			65,806
TOTAL EXPENDITURES OF STATE AWARDS			$ 328,658

DENTON COUNTY FRIENDS OF THE FAMILY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. The accrual basis of accounting is used for Federal and State funds. This basis of accounting recognizes revenues in the accounting period in which they are earned, and expenditures in the accounting period in which the liability is incurred.

   Federal and State grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

2. The Organization participates in numerous State and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at December 31, 2016 may be impaired. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying financial statements for such contingencies.