DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE

Consolidated Financial Statements

December 31, 2025

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Denton County Friends of the Family, Inc. and Affiliate

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Denton County Friends of the Family, Inc. and Affiliate
Denton, Texas 76202

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Denton County Friends of the Family, Inc. and Affiliate (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2025, 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, 2025, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Emphasis of Matter

As described in Note 12 to the financial statements, a prior period adjustment was recorded to adjust beginning net assets in the prior year. Our opinions are not modified with respect to this matter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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 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 supplementary information, as listed in the table of contents, and 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the Organization'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 Organization's internal control over financial reporting and compliance.

Vail + Park, P.C.

Frisco, Texas
June 10, 2026

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FINANCIAL STATEMENTS

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2025

ASSETS		
Current assets:		
Cash and cash equivalents	$	6,369,433
Investments		5,274
Grants receivable		2,451,393
Inventory		62,843
Prepaid expenses		64,210
Total current assets		8,953,153
Noncurrent assets:		
Property and equipment, net		2,822,855
Right-of-use leased assets, net		501,830
Security deposits		4,922
Total noncurrent assets		3,329,607
Total assets	$	12,282,760
LIABILITIES & NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$	382,930
Lease liabilities - current		202,699
Notes payable - current		41,562
Total current liabilities		627,191
Noncurrent liabilities:		
Lease liabilities, net of current portion		322,454
Notes payable, net of current portion		368,964
Total noncurrent liabilities		691,418
Total liabilities		1,318,609
Net assets:		
Without donor restrictions		10,964,151
Total net assets		10,964,151
Total liabilities and net assets	$	12,282,760

The notes to the financial statements are an integral part of this statement.

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Activities
For the Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of financial assets	$ 674,055	$ -	$ 674,055
Government grants and contracts:			
Federal	5,593,406	-	5,593,406
State	743,570		743,570
Local	2,700,672	-	2,700,672
Explorium	182,399	-	182,399
United way	157,708	-	157,708
Special events	69,447	-	69,447
Thrift store revenues	1,591,722	-	1,591,722
Program service fees	211,830	-	211,830
Miscellaneous income	79,420	-	79,420
Net assets released from restriction	2,876	(2,876)	-
Total revenue and support	12,007,104	(2,876)	12,004,228
Operating expenses:			
Program services	8,182,743	-	8,182,743
Supporting services:			
Fundraising	582,835	-	582,835
Administration	571,435	-	571,435
Total operating expenses	9,337,013	-	9,337,013
Change in net assets from operations	2,670,091	(2,876)	2,667,215
Non-operating gain and other income:			
Gain from insurance proceeds	51,728	-	51,728
Interest income	186,461	-	186,461
Investment loss	(246)	-	(246)
Total non-operating gain and other income	237,943	-	237,943
Change in net assets	2,908,034	(2,876)	2,905,158
Net assets at beginning of year (restated)	8,056,117	2,876	8,058,993
Net assets at end of year	$ 10,964,151	$ -	$ 10,964,151

The notes to the financial statements are an integral part of this statement.

Denton County Friends of the Family, Inc. and Affiliate

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2025

	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	$ 1,392,217	$ 1,188,708	$ 421,824	$ 34,429	$ 1,378,477	$ 1,047,699	$ -	$ 380,444	$ 168,986	$ 6,012,784	$ 349,495	$ 271,432	$ 6,633,711
Total salaries and related expenses	1,392,217	1,188,708	421,824	34,429	1,378,477	1,047,699	-	380,444	168,986	6,012,784	349,495	271,432	6,633,711
Cost of goods sold - in-kind	-	-	-	-	-	-	-	691,277	-	691,277	-	-	691,277
Public awareness	-	611	272	-	-	30,262	-	254	5,425	36,824	2,167	1,055	40,046
Client assistance	355,021	15,121	98	-	54,098	1,771	16,051	-	-	442,160	13,998	671	456,829
Contract services	5,712	-	40,999	-	50,889	41,621	-	7,277	24,243	170,741	5,986	44,307	221,034
Dues and memberships	3,095	3,150	3,095	-	6,508	3,095	-	-	(98)	18,845	1,086	3,649	23,580
Furniture and equipment	15,036	6,969	1,250	-	2,860	5,883	-	218	929	33,145	1,029	1,473	35,647
Insurance	7,283	6,708	7,283	-	9,641	7,283	-	-	575	38,773	7,151	31,289	77,213
Interest	-	-	-	-	-	-	-	-	-	-	2,587	18,173	20,760
Office	105	19	-	-	-	-	-	-	42	166	-	1,538	1,704
Postage	999	515	437	-	292	210	-	870	-	3,323	283	1,331	4,937
Rent	25,808	19,082	36,856	-	26,366	13,383	-	38,980	104,734	265,209	21,167	55,894	342,270
Repairs and maintenance	7,105	24,672	3,416	-	4,049	623	-	2,492	1,164	43,521	3,620	38,756	85,897
Special events	-	99	7,234	-	795	655	-	85,086	13,728	107,597	142,607	1,967	252,171
Supplies	30,386	50,680	6,752	-	17,191	16,261	-	20,054	19,933	161,257	20,814	19,501	201,572
Telephone and internet	4,053	7,795	1,436	-	2,857	1,917	-	1,574	1,423	21,055	2,805	-	23,860
Training and development	3,818	-	170	-	3,554	5,785	-	-	-	13,327	27	2,627	15,981
Travel	7,936	1,530	612	-	5,020	20,652	-	-	1,121	36,871	169	9,485	46,525
Utilities	18,206	29,386	7,227	-	14,178	4,419	-	5,960	6,492	85,868	7,844	7,545	101,257
Total expenses before depreciation	1,876,780	1,355,045	538,961	34,429	1,576,775	1,201,519	16,051	1,234,486	348,697	8,182,743	582,835	510,693	9,276,271
Depreciation	-	-	-	-	-	-	-	-	-	-	-	60,742	60,742
Total operating expenses	1,876,780	1,355,045	538,961	34,429	1,576,775	1,201,519	16,051	1,234,486	348,697	8,182,743	582,835	571,435	9,337,013
Total expenses	$ 1,876,780	$ 1,355,045	$ 538,961	$ 34,429	$ 1,576,775	$ 1,201,519	$ 16,051	$ 1,234,486	$ 348,697	$ 8,182,743	$ 582,835	$ 571,435	$ 9,337,013

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2025

Cash flows from operating activities:	
Change in net assets	$ 2,905,158
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Gain from insurance proceeds	(51,728)
Depreciation	36,984
Loss on investments	246
Changes in assets and liabilities:	
Grants receivable	3,569,477
Prepaid expenses	(11,195)
Right-of-use leased assets	130,056
Accounts payable and accrued expenses	(35,859)
Lease liability	(131,435)
Net cash provided by/(used in) operating activities	6,411,704
Cash flows from investing activities:	
Purchase of property and equipment	(608,433)
Net cash provided by/(used in) investing activities	(608,433)
Cash flows from financing activities:	
Payments on notes payable	(59,654)
Net cash provided by/(used in) financing activities	(59,654)
Change in cash and cash equivalents	5,743,617
Cash and cash equivalents at beginning of year	625,816
Cash and cash equivalents at end of year	$ 6,369,433
Supplemental disclosure of cash flow information:	
Cash paid for interest during the year	$ 20,669
Right-of-use leased assets acquired through lease liabilities	$ 274,435

The notes to the financial statements are an integral part of this statement.

NOTE 1: ORGANIZATION

Organization and Nature of Activities

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.

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.

NOTE 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, 2025, no such net asset restrictions existed.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Basis of Entity-Wide Financial Statements
The financial statements are presented on an entity-wide basis and include all operations of the Organization. Inter-entity transactions have been eliminated in the combining process to prevent duplication and ensure the financial statements are not misleading.

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. The Organization maintains its cash balances with financial institutions located in Texas. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. As of year-end, the Organization held $5,090,372 in deposits in excess of the FDIC-insured limit. Management mitigates this risk by placing funds only with financial institutions of high credit quality. The Organization has not incurred any losses on these 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, 2025.

At December 31, 2025, balances due from one governmental agency totaled approximately 63% of total grants receivable.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2025.

Debt Issuance Costs

Debt issuance costs written off during the year totaled $7,164 for the year ended December 31, 2025.

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Inventory

Inventory consists of donated items held for sale by the Organization's thrift store and is stated at the lower of estimated cost or market. In accordance with ASC 958-605-25-2, contributed inventory is recognized as revenue and as an asset in the period received. Fair value is assigned to donated items based on donor-provided valuations where available; for items without assigned fair value, management estimates value using a sales-based methodology. Management evaluates inventory for obsolescence on an annual basis and has determined that no allowance for obsolete inventory is necessary as of December 31, 2025.

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, 2025, 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, 2025, 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.

NOTE 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:

NOTE 3: INVESTMENTS *(continued)*

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, 2025 consists of equities totaling $5,274 and are measured using level 1 inputs.

Net investment loss consists of an unrealized loss on investments totaling $246 for the year ended December 31, 2025.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2025:

	Balance at 12/31/24	Additions	(Retirements) / Transfers	Balance at 12/31/2025
Land	$ 1,311,200	$ -	$ -	$ 1,311,200
Construction in progress	-	585,342	-	585,342
Building and improvements	1,111,595	216,531	(215,728)	1,112,398
Furniture & equipment	150,970	-	-	150,970
Vehicles	131,400	22,288	-	153,688
Total	2,705,165	824,161	(215,728)	3,313,598
Less: accumulated depreciation	(520,563)	(60,742)	90,562	(490,743)
Total capital assets	$ 2,184,602	$ 763,419	$ (125,166)	$ 2,822,855

For the year ended December 31, 2025, the Organization recorded a gain of $51,728 related to insurance proceeds.

NOTE 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. One lease includes a use restriction requiring the premises to be used solely for the Organization's nonprofit activities.

As of December 31, 2025, the right-of-use (ROU) asset had a balance of $501,830 as shown in noncurrent assets on the consolidated statement of financial position; the lease liability is included in other current liabilities ($202,699) and other long-term liabilities ($322,454).

Additional information about the Organization's leases is as follows:

Lease costs (included in program services expenses):	
Operating lease cost	$ 317,228
Other information:	
Cash paid for amounts included in measuring operating lease liabilities:	
Operating cash flows from operating leases	$ 317,228
Weighted-average remaining lease term (years)	3.25
Weighted-average discount rate	4.00%

NOTE 5: LEASES *(continued)*

Maturities of operating lease liabilities as of December 31, 2025:

Year	Amount
2026	$ 216,057
2027	150,804
2028	86,400
2029	86,400
2030	21,600
Thereafter	-
Total	561,261
Imputed Interest	(36,108)
Total lease liability	$ 525,153

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

Lease term:	For 10 years, from September 1st 2019 to July 30, 2029
Rent amount:	$ 11,980.84 per month
Payment of rent:	1st of every month
Renewal:	Shall have a total of 2 renewal periods
	1st - From September 1, 2029 to August 30, 2034
	2nd - From September 1, 2034 to August 30, 2039

NOTE 6: LINE OF CREDIT

The Organization has a $250,000 line of credit with interest at 7.49% 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 are 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, 2025.

NOTE 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 January 01, 2037. The note accrues interest at 3.99% and is collateralized by buildings and improvements. The balance at December 31, 2025 totaled $410,526.

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

NOTE 7: NOTE PAYABLE *(continued)*

Year	Amount
2026	41,562
2027	43,250
2028	45,008
2029	46,837
2030	48,740
Thereafter	185,129
Total future debt payments	**$ 410,526**

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

There are no net assets with donor restrictions as of December 31, 2025.

NOTE 9: CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the year ended December 31, 2025, the Organization recognized the following nonfinancial asset contributions, with the associated amounts included in Thrift Store revenues as presented in the Consolidated Statement of Activities:

	Program Services	Total
Goods and supplies	$ 754,120	$ 754,120
Total	$ 754,120	754,120

Donated goods and supplies are recorded at their estimated fair value on the date of donation. For the year ended December 31, 2025, the Organization recognized $754,120 of in-kind donated goods and supplies, valued based on sales prices of similar items. The Organization maintains an inventory of in-kind donated goods and supplies totaling $62,843 at December 31, 2025. Inventory is reviewed for usability and potential obsolescence, and adjustments are recorded as necessary.

NOTE 10: 403(b) PLAN

The Organization maintains a voluntary defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, which is available to eligible full-time employees upon completion of a specified service requirement. Employer contributions to the plan are discretionary and are determined based on employees' years of service, with contribution rates ranging from 1% to 7% of eligible compensation. In addition, employees are permitted to make elective deferrals to the plan on a pre-tax basis, subject to applicable Internal Revenue Service limitations.

For the year ended December 31, 2025, the Organization recognized employer contributions to the plan totaling $85,150.

NOTE 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, 2025 that are available to meet general expenditures within one year of the consolidated statement of financial position:

Cash and cash equivalents	$	6,369,433
Investments		5,274
Grants receivable		2,451,393
Total financial assets	$	8,826,100

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

NOTE 12: RESTATEMENTS

During fiscal year 2025, the Organization corrected an error related to the treatment of lease renewal options. As a result, beginning net assets were restated to reflect renewal periods that are reasonably certain to be exercised in determining the lease term.

Net Assets Restatement		Amount
Net assets - as originally reported	$	8,039,733
Right-of-use leased assets, understatement		749,652
Lease liability, understatement		(730,392)
Net assets - as restated	$	8,058,993

NOTE 13: RELATED-PARTY TRANSACTIONS

During the year, the Organization received contributions totaling $34,635 from members of its Board of Directors. These transactions were conducted in the ordinary course of operations.

NOTE 14: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 10, 2026, the date the consolidated financial statements were issued and concluded that no additional disclosures are required.

COMPLIANCE REPORTS AND SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S 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.
Denton, Texas 76202

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. and Affiliate (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2025, 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, and have issued our report thereon dated June 10, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

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

Vail + Park, P.C.

Frisco, Texas
June 10, 2026

Michael G. Vail, CPA
Charlie S. Park, CPA
Matt P. Chen, CPA
Tung V. Pham, CPA

Charles T. Gregg, CPA
Don E. Graves, CPA
Susan K. LaFollett, CPA
Steven R. Huber, CPA
Leslie L. Henson, CPA

INDEPENDENT AUDITOR'S 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.
Denton, Texas 76202

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Denton County Friends of the Family, Inc. and Affiliate's (the "Organization") 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 the Organization's major federal programs for the year ended December 31, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization's 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, 2025.

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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization's 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 the Organization'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 the Organization's federal programs.

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Auditor's 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 the Organization'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 generally accepted auditing standards, Government Auditing Standards, 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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 the Organization'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 the Organization'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 the Organization'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.

Vail + Park, P.C.

Frisco, Texas
June 10, 2026

Denton County Friends of the Family, Inc. and Affiliate
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Grantor/Pass-through Grantor/Cluster or Program Title	Assistance Listing Number	Pass-through Grantor's Number	Total Expenditures
U.S. Department of Health and Human Services			
Pass through from Texas Health & Human Services Commission:			
Social Security Block Grant	93.667	HHS000380000033	427,672
COVID -19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	HHS001108000014/ HHS000380000033/	170,419
Non COVID - 19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	HHS001520200046	275,815
MaryLee Allen Promoting Safe and Stable Families Program	93.556	HHS000969400018	25
Total Texas Health and Human Services Commission			873,931
Pass through from 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-	121,499
Total Texas Association Against Sexual Assault			121,499
Total U.S. Department of Health and Human Services			**995,430**
U.S. Department of Housing and Urban Development			
DV Bonus Continuum of Care Program	14.267	N/A	299,862
CDBG Entitlement Grants Cluster:			
Pass through from City of Denton:			
Community Development Block Grant Program	14.218	N/A	41,389
HUD Community Development Block Grant Program	14.218	22876	122,450
Pass through from Town of Flower Mound:			
Community Development Block Grant Program	14.218	N/A	20,000
Pass through from City of Lewisville:			
Community Develpoment Block Grant Program	14.218	N/A	24,600
Pass through from Other Cities:			
Community Development Block Grant Program	14.218	N/A	3,740
Total CDBG - Entitlement Grants Cluster			212,179
Pass through from Texas Department of Housing and Community Affairs:			
Emergency Solutions Grants Program	14.231	42246070025 42256070025 46256070025 46256070125 42216070027 42196070127	543,592
NCO Home ARP	14.239	92250425706	46,799
Total Texas Department of Housing and Community Affairs			590,391
Total U.S. Department of Housing and Urban Development			**1,102,432**

Denton County Friends of the Family, Inc. and Affiliate
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Grantor/Pass-through Grantor/Cluster or Program Title	Assistance Listing Number	Pass-through Grantor's Number	Total Expenditures
U.S. Department of Justice			
Pass through from Office of the Govenor - Criminal Justice Division:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4450703 / 5097501	42,153
Crime Victim Assistance	16.575	2554410 / 2554411	2,569,309
HRVR - C123 State Crisis Intervention Grant Program	16.738	5097502	321,786
Total Office of the Governor - Criminal Justice Division			2,933,248
Pass through from Office on Violence Against Women:			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	15JOVW-21-GG-02041-ICJR	222,137
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	15JOVW-23-GG-02956-TRAN	244,393
Sexual Assault Services Formula Program	16.017	SASP-FY24-DCC0159 /SASP-FY25-DC0187	95,766
Total Office on Violence Against Women			562,296
Total U.S. Department of Justice			**3,495,544**
Total Expenditures of Federal Awards			**5,593,406**

The notes to the schedule of expenditure of federal awards are an integral part of this statement.

Denton County Friends of the Family, Inc. and Affiliate
Notes to the Schedule of Expenditure of Federal Awards
For the Year Ended December 31, 2025

NOTE 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. and Affiliate’s (the “Organization”) under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule only presents a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented on the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles outlined in the Uniform Guidance, wherein certain costs may be unallowable or subject to limitations as to reimbursement.

The Organization has elected to apply the de minimis indirect cost rate permitted under the Uniform Guidance. During the year ended December 31, 2025, the Organization elected to use the 15% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related federal financial reports filed with the grantor agencies because of accruals made in the schedule which will be included in future reports filed with those agencies.

NOTE 4. CONTINGENT LIABILITIES

The Organization participates in a number of federally assisted programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The purpose of these audits is to ensure compliance with conditions relating to granting of funds and other reimbursement regulations. These programs have compliance requirements, and should federal auditors discover areas of material noncompliance, those funds may be subject to refund if so determined by administrative audit review.

Denton County Friends of the Family, Inc. and Affiliate
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section I – Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unmodified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements	None
4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
5. Type of auditor's report issued on compliance for major programs	Unmodified
6. Findings disclosed by the audit of the financial statements which the auditor is required to report	None
7. Major Programs: (as tested)	
Crime Victim Assistance ALN 16.575	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services ALN 93.671	
8. The dollar threshold used to distinguish between Type A and Type B programs	$ 1,000,000
9. Auditee qualified as a low- risk auditee	No

Section II – Financial Statement Findings

Finding relating to the financial statements which are required to be reported in accordance with generally accepted governmental auditing standards.

None identified.

Section III – Federal Award Findings and Questioned Costs

None identified.

Section IV – Summary Schedule of Prior Audit Findings

None identified.

Denton County Friends of the Family, Inc. and Affiliate
Consolidating Statement of Financial Position
For the Year Ended December 31, 2025

	Denton County Friends of the Family, Inc	Denton County Friends of the Family, Realty Investments, Inc	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,264,769	$ 104,664	$ -	$ 6,369,433
Investments	5,274	-	-	5,274
Grants receivable	2,451,393	-	-	2,451,393
Inventory	62,843	-	-	62,843
Prepaid expenses	50,001	14,209	-	64,210
Total current assets	8,834,280	118,873	-	8,953,153
Noncurrent assets:				
Property and equipment, net	1,756,798	1,066,057	-	2,822,855
Right-of-use leased assets, net	2,007,008	-	(1,505,178)	501,830
Security deposits	4,922	-	-	4,922
Total noncurrent assets	3,768,728	1,066,057	(1,505,178)	3,329,607
Total assets	$ 12,603,008	$ 1,184,930	$ (1,505,178)	$ 12,282,760
LIABILITIES & NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	$ 382,930	$ -	$ -	$ 382,930
Lease liabilities - current	287,966	-	(85,267)	202,699
Notes payable - current	-	41,562	-	41,562
Total current liabilities	670,896	41,562	(85,267)	627,191
Noncurrent liabilities:				
Lease liabilities, net of current portion	1,742,365	-	(1,419,911)	322,454
Notes payable, net of current portion	-	368,964	-	368,964
Total noncurrent liabilities	1,742,365	368,964	(1,419,911)	691,418
Total liabilities	2,413,261	410,526	(1,505,178)	1,318,609
Net assets:				
Without donor restrictions	10,189,747	774,404	-	10,964,151
Total net assets	10,189,747	774,404	-	10,964,151
Total liabilities and net assets	$ 12,603,008	$ 1,184,930	$ (1,505,178)	$ 12,282,760

Denton County Friends of the Family, Inc. and Affiliate

Consolidating Statement of Activities
For the Year Ended December 31, 2025

	Denton County Friends of the Family, Inc	Denton County Friends of the Family Realty Investments, Inc	Eliminations	Total
Revenue and support:				
Contributions of financial assets	$ 674,055	$ -	$ -	$ 674,055
Government grants and contracts:				
Federal	5,593,406	-	-	5,593,406
State	743,570	-	-	743,570
Local	2,700,672	-	-	2,700,672
Explorium	182,399	-	-	182,399
United way	157,708	-	-	157,708
Special events	69,447	-	-	69,447
Thrift store revenues	1,591,722	-	-	1,591,722
Rental income	-	143,770	(143,770)	-
Program service fees	211,830	-	-	211,830
Miscellaneous income	36,892	42,528	-	79,420
Total revenue and support	11,961,700	186,298	(143,770)	12,004,228
Operating expenses:				
Program services	8,296,321	-	(113,578)	8,182,743
Supporting services:				
Fundraising	594,337	-	(11,502)	582,835
Administration	481,489	108,636	(18,690)	571,435
Total operating expenses	9,372,147	108,636	(143,770)	9,337,013
Change in net assets from operations	2,589,553	77,662	-	2,667,215
Non-operating gain and other income:				
Gain from insurance proceeds	51,728	-	-	51,728
Interest income	186,461	-	-	186,461
Investment loss	(246)	-	-	(246)
Total non-operating gain and other income	237,943	-	-	237,943
Change in net assets	2,827,496	77,662	-	2,905,158
Net assets at beginning of year (restated)	7,362,251	696,742	-	8,058,993
Net assets at end of year	$ 10,189,747	$ 774,404	$ -	$ 10,964,151