DENTON COUNTY FRIENDS OF THE FAMILY, INC.
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Denton County Friends of the Family, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with 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 consolidated financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2013, 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, 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 the Organization's internal control over financial reporting and compliance.

Hankins Eastup Deaton Tonn Seay & Scarborough, LLC

Denton, Texas

April 28, 2023

FINANCIAL SECTION

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 398,838	$ 168,886	$ -	$ 567,724
Investments	5,512			5,512
Grants receivable	812,888			812,888
Total current assets	1,217,238	168,886	-	1,386,124
Property and equipment, net of accumulated depreciation	948,060	1,061,110		2,009,170
Right-of-use assets	184,071			184,071
Security deposits	4,886			4,886
TOTAL ASSETS	$ 2,354,255	$ 1,229,996	$ -	$ 3,584,251
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 8,550	$ -	$ -	$ 8,550
Accrued expenses	217,572			217,572
Current maturities of note payable		23,373		23,373
Current maturities of lease liabilities - operating	29,651			29,651
Total current liabilities	255,773	23,373	-	279,146
Note payable, net of current maturities		584,195		584,195
Lease liabilities - operating, net of current maturities	154,420			154,420
Total liabilities	410,193	607,568	-	1,017,761
Net Assets:				
Without donor restrictions	1,944,062	622,428		2,566,490
Total Net Assets	1,944,062	622,428	-	2,566,490
TOTAL LIABILITIES AND NET ASSETS	$ 2,354,255	$ 1,229,996	$ -	$ 3,584,251

See accompanying notes to consolidated financial statements.

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Support:				
Contributions	$ 1,297,063	$ 26,738	$ -	$ 1,323,801
Governmental grants and contracts	4,941,781			4,941,781
United Way	121,137			121,137
Total support without donor restrictions	6,359,981	26,738	-	6,386,719
Revenue:				
Thrift store sales	581,214			581,214
Program service fees	156,574			156,574
Rental income		131,789	(131,789)	-
Miscellaneous	16,646			16,646
Total support and revenue without donor restrictions	7,114,415	158,527	(131,789)	7,141,153
Expenses:				
Program services:				
Clinical services	1,465,244		(32,947)	1,432,297
Shelter	809,787			809,787
BIPP	383,780			383,780
Advocacy	833,179		(32,947)	800,232
Legal services	722,274		(32,947)	689,327
Community engagement	418,912			418,912
Thrift store	351,040			351,040
Volunteer program	68,974			68,974
Transitional housing	435,313			435,313
Total program services	5,488,503	-	(98,841)	5,389,662
Supporting services:				
Fundraising	295,090			295,090
Administration	355,595	95,260	(32,948)	417,907
Total supporting services	650,685	95,260	(32,948)	712,997
Total expenses	6,139,188	95,260	(131,789)	6,102,659
Change in net assets with without donor restrictions	975,227	63,267	-	1,038,494
Net assets, beginning of year	968,835	559,161		1,527,996
Net assets, end of year	$ 1,944,062	$ 622,428	$ -	$ 2,566,490

See accompanying notes to consolidated financial statements.

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services										Supporting Services		
	Clincal Services	Shelter	BIPP	Advocacy	Legal Services	Community Engagement	Thrift Store	Volunteer Program	Transitional Housing	Total	Fundraising	Administration	Total
Salaries	$ 1,165,788	$ 445,114	$ 250,878	$ 611,364	$ 484,453	$ 260,912	$ 264,160	$ 43,459	$ 128,020	$ 3,654,148	$ 163,220	$ 78,947	$ 242,167
Employee benefits	32,392	13,905	13,662	32,513	16,576	14,991	9,244	2,678	2,802	138,763	10,051	20,334	30,385
Payroll taxes	47,871	45,183	21,883	48,082	41,739	22,235	12,475	3,489	6,333	249,290	16,616	60,183	76,799
Total salaries and related expenses	1,246,051	504,202	286,423	691,959	542,768	298,138	285,879	49,626	137,155	4,042,201	189,887	159,464	349,351
Insurance	5,973	5,973	5,973	5,973	5,973	5,973	25			35,863		5,971	5,971
Rent	73,861	32,099	40,236	38,163	27,203	27,203	36,572		11,846	287,183	700	66,397	67,097
Utilities	12,516	21,311	4,144	10,644	4,426	4,425	4,366		37	61,869		8,554	8,554
Other occupancy	4,328	62,373	633	4,366	3,682	3,692	3,316			82,390	4	13,866	13,870
Travel	2,898	209		3,531	478	10,305	249	266		17,936	962	451	1,413
Conferences and training	820	6,687	710	3,120	451	7,821		16,203		35,812	(1,915)	2,379	464
Telephone	3,513	7,114	932	2,573	2,000	2,000	940			19,072		2,934	2,934
Contract services	32,244	41,872	25,436	30,832	30,099	30,099	1,413	1,228		193,223	4,203	25,393	29,596
Equipment lease	25,829	26,091	6,444	9,835	13,318	10,520	344			92,381	1,999	16,359	18,358
Supplies	18,937	61,788	12,419	11,962	15,632	13,045	16,841	1,651	9,952	162,227	16,774	28,568	45,342
Postage	144	92	430	109	181	82	1,055			2,093		2,374	2,374
Advertising and publicity		24		1,097		4,145	40			5,306	5,543	546	6,089
Dues and memberships	2,571	1,286		1,286	2,036	1,286				8,465	175	1,700	1,875
Specific assistance to individuals	35,559	38,666		17,729	74,027	178			276,323	442,482	6,675	690	7,365
Interest										-		30,289	30,289
Miscellaneous										-	70,083	20,827	90,910
Total expenses before depreciation	1,465,244	809,787	383,780	833,179	722,274	418,912	351,040	68,974	435,313	5,488,503	295,090	386,762	681,852
Depreciation												64,093	64,093
Total expenses	1,465,244	809,787	383,780	833,179	722,274	418,912	351,040	68,974	435,313	5,488,503	295,090	450,855	745,945

See accompanying notes to consolidated financial statements.

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Cash flows from operating activities:				
Change in net assets	$ 975,227	$ 63,267		$ 1,038,494
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	48,745	15,348		64,093
Donated land included in contributions	(782,090)			
Asset impairment - construction in progress		21,452		21,452
Changes in operating assets and liabilities:				
Investments	216			216
Grants receivable	(276,409)			(276,409)
Accounts payable and accrued expenses	(9,234)			(9,234)
Net cash provided (used) by operating activities	(43,545)	100,067	-	838,612
Cash flows from investing activities:				
Purchases of property and equipment		(4,111)		(4,111)
Net cash provided (used) by investing activities	-	(4,111)	-	(4,111)
Cash flows from financing activities:				
Repayment of note payable		(18,318)		(18,318)
Net cash provided (used) by financing activities	-	(18,318)	-	(18,318)
Net change in cash and cash equivalents	(43,545)	77,638	-	34,093
Cash and cash equivalents, beginning of year	442,383	91,248		533,631
Cash and cash equivalents, end of year	$ 398,838	$ 168,886	$ -	$ 567,724
Supplemental disclosure of cash flow information:				
Interest paid during the year	$ -	$ 24,846	$ -	$ 24,846
Non-cash investing and financing activities:				
Increase in right-of-use assets by entering into operating leases	$ 184,071	$ -	$ -	$ -

See accompanying notes to consolidated financial statements.

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization

Denton County Friends of the Family, Inc., is a Texas nonprofit corporation that provides services to families experiencing family violence (including spousal and child abuse) and victims of sexual assault. Friends of the Family accomplishes it mission through a variety of programs including a 24-hour crisis hotline, residential shelter, counseling, community education, a thrift store, and legal advocacy.

DCFOF Realty Investments (the "Affiliate") is a Texas nonprofit corporation that owns property that it leases to Denton County Friends of the Family, Inc. The board of directors of Denton County Friends of the Family, Inc., appoints the board of directors of DCFOF Realty Investments. Thus, the financial statements of the Affiliate have been consolidated into the financial statements of Denton County Friends of the Family, Inc. (collectively, the "Organization").

The Organization is supported primarily by government grants and charitable contributions.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation
The financial statements of Denton County Friends of the Family, Inc. and DCFOF Realty Investments are consolidated for reporting purposes. All transactions between the two organizations have been eliminated in consolidation.

Basis of Accounting
The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. Revenue and related assets are recognized when earned; expenses and related liabilities are recognized when incurred, regardless of when cash is exchanged.

Presentation of Net Assets
Net assets are classified in accordance with donor-imposed stipulations:

> *Net assets with donor restrictions* are net assets subject to donor-imposed stipulations that are satisfied by actions of the Organization or the passage of time.
>
> *Net assets without donor restrictions* are net assets without donor-imposed stipulations.

Revenues are reported as either net assets with or without donor restrictions (unless the donor restriction is satisfied in the same year). All expenses, however, are reported as net assets without donor restrictions as expenses are incurred and donor stipulations are satisfied. Donor restrictions pertaining to property and equipment are satisfied when the asset is placed in service.

Cash and Cash Equivalents
Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

Financial Instruments and Credit and Market Risk Concentrations
Financial instruments are subject to concentrations of credit and market risk. Cash and cash are placed in financial institutions with high credit ratings to minimize risk. Grants receivable are unsecured and due from grantor agencies under cost reimbursement agreements. The Organization continually evaluates the collectability of grants receivable for potentially uncollectible amounts.

Property and Equipment
Property and equipment are recorded at cost, or if donated, at estimated fair market value on the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 40 years for buildings and improvements and 5 to 7 years for equipment. Depreciation expense totaled $64,093 for the year ended December 31, 2022.

Leases
The Organization implemented new lease accounting standards in 2022. ASU 2016-02 permits an entity to elect a series of practical expedients when implementing the new standards. Under the practical expedients, previous operating leases are automatically classified as operating leases, and previous capital leases are automatically classified as finance leases. The Company has implemented the new lease accounting standards in accordance with the practical expedients. For its operating leases executed in 2022 and future years, a right-of-use assets and lease liabilities are recorded at the present value of future lease payments; lease expenses is recorded over the lease term.

Revenue Recognition
Charitable contributions are recognized as revenue at their present value when an unconditional promise to give is received. Conditional promises to give are not recognized as revenue until all conditions have been satisfied.

The Organization recognizes contribution revenue for services that create or enhance non-financial assets or require specialized skills typically purchased if not provided by donation.

Grant revenue is recognized when qualifying expenses are incurred in accordance with specific or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances (deferred revenue) on the Organization's consolidated statement of financial position.

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

Estimates and Assumptions
The preparation of consolidated financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimated.

Contract Compliance
The Organization is responsible for compliance with the requirements of contracts and grant agreements. Noncompliance could result in disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowances, if any, would not be material to the Organization's consolidated financial statements.

Grant Funding Concentrations
As of December 31, 2022, the Organization had balances due from two government agencies totaling approximately 49% of total grants receivable. In addition, the Organization received funding from one state agency during 2022 totaling approximately 49% of total revenue.

Federal Income Tax
The Organization is exempt from federal income tax. However, income generated from unrelated business income is subject to income tax. For the year ended December 31, 2022, the Organization did not have any unrelated business income or uncertain tax positions. Therefore, no tax provision is reported in the accompanying consolidated financial statements.

Note 3 - Property and Equipment

Property and equipment consist of the following as of December 31, 2022:

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.
Land and improvements	$ 812,090	$ 499,110
Buildings and improvements	353,703	620,155
Furniture and equipment	261,988	
Vehicles	106,728	
	1,534,509	1,119,265
Accumulated Depreciation	(586,449)	(58,155)
Total	$ 948,060	$ 1,061,110

On August 31, 2022, a donor contributed approximately 6.5 acres of land in Denton, Texas, to Denton County Friends of the Family, Inc. The land was appraised by the Denton Center Appraisal District at $782,090.

Note 4 – Line of Credit

The Organization has a $250,000 line of credit for working capital purposes. Interest is due monthly at 3.5%, and outstanding principal is due on demand. If no demand is made, all unpaid principal and interest is due on January 1, 2025. The line of credit is collateralized by the Organization's depository accounts, grants receivable, and property and equipment. There were no outstanding balances outstanding as of December 31, 2022.

Note 5 – Note Payable

The Organization has a note payable to a bank totaling $607,568 as of December 31, 2022. Monthly payments at 3.99% are $4,855, and the loan fully amortizes on January 1, 2037. The note is collateralized by the Organization's buildings and improvements.

Principal payments for the next five years are $23,373 in 2023; $21,955 in 2024; $20,479 in 2025; $18,944 in 2026, and $17,346 in 2027.

Note 6 - Leases

The Organization leases program facilities under non-cancelable lease agreements expiring in July 2029. Rent expense totaled $222,491 for the year ended December 31, 2022.

Future minimum lease payments for the next five years are $191,920 in 2023; $203,434 in 2024; $196,048 in 2025; $188,698 in 2026, and $190,042 in 2027.

Note 7 – Liquidity and Availability of Resources

Financial assets that are available to meet general expenditures within one year as of December31, 2022, are as follows:

Cash and cash equivalents	$ 567,724
Investments	5,512
Grants receivable	812,888
Total current assets	$ 1,386,124

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

Note 8 – Subsequent Events

The Organization has evaluated events after the balance sheet date and has concluded that no additional disclosures are required.

FEDERAL AND STATE AWARDS SECTION

HANKINS, EASTUP, DEATON
TONN, SEAY & SCARBOROUGH
A LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Denton County Friends of the Family, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report dated April 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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 and 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 the 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 the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins Eastup Deaton Tonn Seay & Scarborough, LLC

Denton, Texas

April 28, 2023

HANKINS, EASTUP, DEATON
TONN, SEAY & SCARBOROUGH
A LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance

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

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, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally acceptable in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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 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 with 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 or 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.

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 GAAS, *Governmental Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or effort, 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 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 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 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 Auditor's 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 designed for the purpose of expressing an opinion on the effectiveness of internal conrol 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.

Hankins Eastup Deaton Tonn Seay & Scarborough, LLC

Denton, Texas

April 28, 2023

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

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

Consolidated Financial Statements

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

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings that are required to be reported in compliance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
Assistance Listing 21.027 COVID-19 State Fiscal Recovery Fund	
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee?	Yes

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

None

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

None

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

None

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

Grantor/Pass-through Grantor/Program Title	Assistance Listing #	Pass-through Grantor's #	Federal Expenditures	State Expenditures	Pass-through to Subrecipients
FEDERAL AWARDS:					
U.S. Department of Health and Human Services					
Direct Programs:					
None			$ -	$ -	$ -
Total Direct Programs			-	-	-
Pass-through Texas Health and Human Services Commission:					
Temporary Assistance for Needy Families	93.558	HHS000380000033	204,792		
Temporary Assistance for Needy Families	93.558	HHS001102100013	553,215		
Social Service Block Grant (Family Violence Program)	93.667	HHS000380000033	15,451		
Family Violence Prevention and Services Grant	93.671	HHS000380000033	157,490		
COVID 19 - Family Violence Prevention and Services Grant	93.671	-	35,406		
Famly Violence Special Non-Residential Project Grant Program	93.671	HHS001108000014	13,719		
Total Pass-through Texas Health and Human Services Commission			980,073	-	-
Total U.S. Department of Health and Human Services			$ 980,073	$ -	$ -
U.S. Department of Housing and Urban Development					
Direct Programs:					
None			$ -	$ -	$ -
Total Direct Programs			-	-	-
Pass-through City of Denton, Texas:					
Community Development Block Grant	14.218	-	48,718		
Emergency Solutions Grants Program	14.231	E-20-DC-48-0001	243,072		
Total Pass-through City of Denton, Texas			291,790		
Pass-through Town of Flower Mound, Texas:					
Community Development Block Grant	14.218	-	1,197		
Total Pass-through Town of Flower Mound, Texas			1,197	-	-
Pass-through City of Lewisville, Texas:					
Community Development Block Grant	14.218	-	11,438		
Total Pass-through City of Lewisville, Texas			11,438	-	-
Total U.S. Department of Housing and Urban Development			$ 304,425	$ -	$ -

See accompanying notes to schedule of expenditures of federal awards.

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
YEAR ENDED DECEMBER 31, 2022

Grantor/Pass-through Grantor/Program Title	Assistance Listing #	Pass-through Grantor's #	Federal Expenditures	State Expenditures	Pass-through to Subrecipients
U.S. Department of Treasury					
Direct Programs:					
None			$ -	$ -	$ -
Total Direct Programs			-	-	-
Pass-through Texas Office of Governor Criminal Justice Division:					
COVID-19 Coronavirus State Fiscal Recovery Fund	21.027	2554409	2,457,595		
Total Pass-through Texas Office of Governor Criminal Justic Division			2,457,595	-	-
Pass-through City of Denton, Texas:					
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	22-429	53,700		
Total Pass-through City of Denton, Texas			53,700	-	-
Total U.S. Department of Treasury			$ 2,511,295	$ -	$ -
U.S. Department of Justice					
Direct Programs:					
None			$ -	$ -	$ -
Total Direct Programs			-	-	-
Pass-through Texas Office of Governor Criminal Justice Division:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4450701	4,668		
Total Pass-through Texas Office of Governor Criminal Justic Division			4,668	-	-
Pass-through Texas Office for Victims of Crime:					
Crime Victim Assistance/Discretionary Grants	16.582	2019-V3-GX-K007	21,316		
Improving Criminal Justice Responses to Domestic Violence, Dating Violence, Sexual Assault, and Stalking Grant Program	16.59	15JOVW-21-GG-02041-ICJR	46,539		
Total Pass-through Texas Office for Victims of Crime			67,855	-	-
Total U.S. Department of Justice			$ 72,523	$ -	$ -

See accompanying notes to schedule of expenditures of federal awards.

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
YEAR ENDED DECEMBER 31, 2022

Grantor/Pass-through Grantor/Program Title	Assistance Listing #	Pass-through Grantor's #	Federal Expenditures	State Expenditures	Pass-through to Subrecipients
U.S. Department of Homeland Security					
Direct Programs:					
None			$ -	$ -	$ -
Total Direct Programs			-	-	-
Pass-through United Way:					
Emergency Food and Shelter National Board Program	97.024	Phase 39	60,000		
Total Pass-through United Way			60,000	-	-
Total U.S. Department of Homeland Security			$ 60,000	$ -	$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,928,316	$ -	$ -
STATE AWARDS:					
Texas Health and Human Services Commission					
Family Violence Services	-	HHS000380000033	$ -	$ 81,962	$ -
Family Violence Enhanced Services	-	HHS001102100013		90,483	
Total Texas Health and Human Services Commission			$ -	$ 172,445	$ -
Texas Office of the Governor Criminal Justice Division					
State Criminal Justice Planning (421) Fund	-	4229602	$ -	$ 68,553	$ -
Total Texas Office of the Governor Criminal Justice Division			$ -	$ 68,553	$ -
Texas Office of the Attorney General					
Sexual Assault Prevention & Crisis Services OAG	-	C-00088	$ -	$ 164,783	$ -
Other Victims Assistance Grant (OVAG)	-	C-00279		37,630	
Total Texas Office of the Attorney General			$ -	$ 202,413	$ -
Texas Department of Criminal Justice					
Diversion Program Grant	-	-	$ -	$ 121,991	$ -
Total Texas Department of Criminal Justice			$ -	$ 121,991	$ -
TOTAL EXPENDITURES OF STATE AWARDS			$ -	$ 565,402	$ -

See accompanying notes to schedule of expenditures of federal awards.

DENTON COUNTY FRIENDS OF THE FAMILY, INC. AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Denton County Friends of the Family, Inc. (the "Organization"). 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, change in net assets, or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.