

FAMILIES IN CRISIS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
WITH INDEPENDENT AUDITOR'S REPORT

FAMILIES IN CRISIS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Families In Crisis, Inc.
Killeen, Texas

Reporting on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Families In Crisis, Inc. (the "Organization"), (a nonprofit organization), which comprise the 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 financial statements present fairly in all material respects, the financial position of Families In Crisis, Inc. as of December 31, 2022 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Families In Crisis, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 about Families In Crisis, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Families In Crisis, Inc.'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 Families In Crisis, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Families In Crisis, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is 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 schedule of expenditures of federal awards 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 a report dated September 19, 2023, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
September 19, 2023

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FINANCIAL STATEMENTS

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FAMILIES IN CRISIS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 96,747	\$ 240,873
Grants receivable	583,490	327,776
Donated inventory	<u>10,500</u>	<u>10,500</u>
Total current assets	690,737	579,149
Property and equipment:		
Land	68,664	68,664
Buildings	2,192,483	2,192,483
Equipment	35,076	35,076
Furniture and fixtures	24,185	24,185
Vehicles	56,239	56,239
Investment property	153,305	153,305
Less: accumulated depreciation	<u>(1,007,945)</u>	<u>(951,658)</u>
Total property and equipment	<u>1,522,007</u>	<u>1,578,294</u>
Right of use asset	<u>106,066</u>	<u>-</u>
Total assets	<u>\$ 2,318,810</u>	<u>\$ 2,157,443</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accrued liabilities	\$ 101,178	\$ 88,551
Right of use liability - current	38,105	-
Current portion of long-term debt	<u>18,937</u>	<u>17,430</u>
Total current liabilities	158,220	105,981
Long-term liabilities:		
Right of use liability, net of current portion	67,961	-
Note payable, net of current portion	<u>130,692</u>	<u>166,963</u>
Total long-term liabilities	<u>198,653</u>	<u>166,963</u>
Total liabilities	<u>356,873</u>	<u>272,944</u>
Net assets:		
Without donor restrictions	<u>1,961,937</u>	<u>1,884,499</u>
Total net assets	<u>1,961,937</u>	<u>1,884,499</u>
Total liabilities and net assets	<u>\$ 2,318,810</u>	<u>\$ 2,157,443</u>

The accompanying notes are an integral part of these financial statements.

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FAMILIES IN CRISIS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

(With summarized financial information for the year ended December 31, 2021)

	Without donor restrictions	With donor restrictions	Totals 2022	Totals 2021
REVENUE				
Grants				
Texas Health and Human Services Commission	\$ 1,204,597	\$ -	\$ 1,204,597	\$ 649,227
Violence Against Women Act (VAWA)	76,884	-	76,884	80,600
Department of Housing and Urban Development	724,715	-	724,715	779,108
Office of Attorney General	166,610	-	166,610	155,293
Bell County TERF	276,985	-	276,985	101,967
Emergency Solutions Grants Program (ESG)	239,367	-	239,367	286,316
Community Development Block Grants	5,007	-	5,007	19,970
Victims of Crime Act	207,508	-	207,508	145,043
Department of Veteran Affairs (SSVF)	1,206,679	-	1,206,679	1,187,112
Texas Veterans Commission	262,733	-	262,733	199,329
Home Investment Partnerships Program	-	-	-	25,438
ESG COVID	-	-	-	280,975
ERA	612,906	-	612,906	91,007
TDHCA Mortgage	268,627	-	268,627	250,865
Home - COVID-19 TDHCA	<u>9,977</u>	<u>-</u>	<u>9,977</u>	<u>782,890</u>
Total grant revenue	5,262,595	-	5,262,595	5,035,140
Other revenues				
Donations	115,326	-	115,326	116,622
Foundations	2,100	-	2,100	39,462
Housing contracts	261,635	-	261,635	210,478
Fund raisers	35,985	-	35,985	2,000
Interest and dividends	518	-	518	3,119
Rent income	6,945	-	6,945	-
Fine fees	-	-	-	50
Volunteer services	84,606	-	84,606	63,953
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,930</u>
Total other revenue	507,115	-	507,115	437,614
Total revenues	<u>5,769,710</u>	<u>-</u>	<u>5,769,710</u>	<u>5,472,754</u>
EXPENSES				
Program expenses	5,312,861	-	5,312,861	5,136,735
Support expenses	<u>379,411</u>	<u>-</u>	<u>379,411</u>	<u>352,082</u>
Total expenses	<u>5,692,272</u>	<u>-</u>	<u>5,692,272</u>	<u>5,488,817</u>
CHANGE IN NET ASSETS	77,438	-	77,438	(16,063)
NET ASSETS, BEGINNING OF YEAR	<u>1,884,499</u>	<u>-</u>	<u>1,884,499</u>	<u>1,900,562</u>
NET ASSETS, ENDING OF YEAR	<u>\$ 1,961,937</u>	<u>\$ -</u>	<u>\$ 1,961,937</u>	<u>\$ 1,884,499</u>

The accompanying notes are an integral part of these financial statements.

FAMILIES IN CRISIS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(With summarized financial information for the year ended December 31, 2021)

	Program Services			Total Program Expenses
	Shelter	Outreach	Housing Assistance	
Wages, payroll, fringe benefits	\$ 1,437,586	\$ 70,891	\$ 714,751	\$ 2,223,228
Advertising, printing, postage	2,994	-	-	2,994
Client services, auto, cab fare	63,872	-	2,536,343	2,600,215
Building and truck lease	30,000	-	-	30,000
Depreciation expense	56,287	-	-	56,287
Food	20,205	-	-	20,205
Dues, licenses, permits, subscriptions	20,222	-	-	20,222
Insurance	10,947	-	-	10,947
Interest expense	6,957	-	-	6,957
Housing furniture	-	-	-	-
Repairs and maintenance	43,248	-	-	43,248
Travel mileage and per diem	37,396	3,420	-	40,816
Supplies	11,334	-	-	11,334
Training and education	6,703	-	-	6,703
Temple shelter	35,276	-	-	35,276
Utilities	91,671	23	-	91,694
Volunteer hours expended	73,436	11,170	-	84,606
Other expenses	10,253	-	-	10,253
Legal and accounting	17,876	-	-	17,876
Total expenses	<u>\$ 1,976,263</u>	<u>\$ 85,504</u>	<u>\$ 3,251,094</u>	<u>\$ 5,312,861</u>

The accompanying notes are an integral part of these financial statements.

Support Services					
Administrative	Fundraising	Total Support Expenses	Total 2022 Expenses	Total 2021 Expenses	
\$ 234,442	\$ -	\$ 234,442	\$ 2,457,670	\$ 2,211,850	
6,198	-	6,198	9,192	12,780	
59,314	-	59,314	2,659,529	2,688,832	
12,420	-	12,420	42,420	37,332	
-	-	-	56,287	56,349	
-	-	-	20,205	15,708	
-	-	-	20,222	9,175	
-	-	-	10,947	15,595	
-	-	-	6,957	8,345	
-	-	-	-	405	
-	-	-	43,248	104,789	
-	-	-	40,816	18,038	
36,212	-	36,212	47,546	72,657	
-	-	-	6,703	6,421	
-	-	-	35,276	35,494	
15,667	-	15,667	107,361	102,782	
-	9,278	9,278	93,884	63,953	
5,880	-	5,880	16,133	15,921	
-	-	-	17,876	12,391	
<u>\$ 370,133</u>	<u>\$ 9,278</u>	<u>\$ 379,411</u>	<u>\$ 5,692,272</u>	<u>\$ 5,488,817</u>	

FAMILIES IN CRISIS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 77,438	\$ (16,063)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	56,287	56,349
(Increase) decrease in grants receivable	(255,714)	182,307
Increase (decrease) in accrued expenses	12,627	8,623
Total adjustments	<u>(186,800)</u>	<u>247,279</u>
Net cash provided (used) by operating activities	<u>(109,362)</u>	<u>231,216</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	<u>(34,764)</u>	<u>(16,980)</u>
Net cash used by financing activities	<u>(34,764)</u>	<u>(16,980)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(144,126)	214,236
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>240,873</u>	<u>26,637</u>
CASH AND CASH EQUIVALENTS, ENDING OF YEAR	<u>\$ 96,747</u>	<u>\$ 240,873</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 6,957</u>	<u>\$ 8,345</u>

The accompanying notes are an integral part of these financial statements.

FAMILIES IN CRISIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. ORGANIZATION

Families In Crisis, Inc. (the "Organization") is a non-profit organization established in 1980 to provide aid to victims of family violence. The Organization's mission is to provide a safe, supportive and nonjudgmental environment where the victims of domestic violence and sexual assault can assess their individual situation, explore alternatives, and develop resources to make effective choices for redirecting their lives through non-violent means. The Organization receives funding primarily from grants and donations for the promotion of its mission. The Organization serves Bell, Coryell, and Hamilton Counties, which includes the Fort Hood area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key accounting policies that include significant judgments and estimates include the useful lives of fixed assets and the value of donated goods and services.

Basis of Presentation

Net assets, revenues, gains and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Such net assets are available for any purpose consistent with the Organization's mission. Designations of net assets by the governing board do not have the same legal requirements as do restrictions of funds and are included in this category.

Net Assets With Donor Restrictions – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Adoption of New Accounting Standard

On January 1, 2022, the Organization adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Accounting Standards Codification ("ASC") 842)*, which resulted in recording operating lease liabilities and right of use assets in the balance sheets. The operating and finance lease liabilities and right of use asset balances were \$106,066 and \$106,066 as of December 31, 2022, respectively. The balance is recorded based on the present value of the remaining minimum rental payments under the leasing standard for existing operating leases. The key estimates for these leases include the discount rate used to discount the unpaid lease payments to present value. The Organization's leases generally do not include a readily determinable implicit rate, therefore, using a portfolio approach, the Organization determined the collateralized incremental borrowing rate to discount the lease payments based on the information available at least commencement.

Leases include the noncancellable period of the lease plus any additional periods covered by either an option to extend the lease that the Organization is reasonably certain to exercise, or an option to extend the lease controlled by the lessor. The Organization has determined it is not reasonably certain to exercise renewal options, and as a result, the lease's initial stated term was used in the calculation of lease liabilities.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2022 and 2021.

Grants Receivable

Amounts recorded as grants receivable include amounts due from federal and state agencies on cost reimbursement contracts. The Organization considers these receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Property and Equipment

The Organization has established a capitalization policy that purchases of property and equipment of \$5,000 or more are recorded at cost as fixed assets. Expenses for normal maintenance and repairs are charged to operations, while expenses for betterments and major renewals are capitalized. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	32 - 40
Furniture, fixtures and equipment	5 - 12
Vehicles	5

The Organization had depreciation expense in the amount of \$56,287 and \$56,349 for the years ended December 31, 2022 and 2021, respectively.

Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of net assets without donor restriction to assure adequate financing of such improvements and acquisitions. There were no Board designated net assets for the years ending December 31, 2022 or 2021.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Grant Revenue and Cost Recognition

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant awards that are contributions – grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. These grants are recognized according to ASC 958, *Not-for-profit Entities*.

Grant awards that are exchange transactions - exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in advance are reflected as grant funds received in advance. These grants are recognized according to ASC 606, *Revenue from Contracts with Customers*.

Contributions are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets are restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Inventory

Donations of clothing and household items are valued at the estimated fair market value. Ending inventory is estimated to be equal to thrift store value. Items not utilized within a short period of time are salvaged.

Volunteer Services

Volunteer hours and donated services are recognized as contributions if the services create or enhance non-financial assets or if the services require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Organization. The Organization has included in its statements of activities the value of these services in contributions and a like amount in program expenditures of the program to which the services apply. These services are valued at what the Organization would have to pay for professional services. For the years ended December 31, 2022 and 2021, the amount included in these statements is \$84,606 and \$63,953 respectively. Total volunteer hours recorded by the Organization, including those that do not meet the definition to be reported in the statements of activities as revenue and expense, were 15,814 and 10,948 for the years ended December 31, 2022 and 2021, respectively.

Advertising Expense

Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2022 and 2021 were \$4,756 and \$9,176, respectively.

Income Taxes

Families in Crisis, Inc. is a tax-exempt organization for federal income tax purposes under Internal Revenue Code Section 501(c)(3) as long as the income derived is from the activities for which its charitable exemption was granted. Unrelated business income is subject to federal income taxes at corporate tax rates. The Organization had no unrelated business income in the years ended December 31, 2022 and 2021. There were also no uncertain tax positions in either year.

The Organization's tax returns are generally no longer subject to examination by the Internal Revenue Service after three years.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in local financial institutions. All noninterest and interest-bearing accounts are insured by the FDIC up to \$250,000. The Organization's cash balances were fully insured as of December 31, 2022 and 2021.

4. INSURANCE COVERAGE

The by-laws require that the assets of the Organization be insured. Current policies owned by the Organization are as follows for the years ended December 31, 2022 and 2021:

<u>Property Coverage</u>	
Buildings	\$ 2,305,700
Business Personal Property	204,370
Auto Liability	1,000,000
Commercial General Liability Aggregate	3,000,000
Products/Completed Operations	1,000,000
Personal/Advertising Injury	1,000,000
Medical Payments	20,000
Directors and Officers	500,000
Worker's Compensation	1,000,000

5. LEASES

The Organization determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Organization leases certain buildings and vehicles for varying periods. The incremental borrowing rate utilized to calculate the lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. The operating lease agreements do not contain any material guarantees or restrictive covenants.

As of December 31, 2022, the Organization has three operating leases, no finance leases, and no sublease activities. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the balance sheets. For the purposes of calculating lease liabilities, all lease and non-lease components, if applicable, are combined.

During 2022, the Organization recognized rent expense associated with leases under ASC 842 as follows:

	For the year ended December 31, 2022
Operating lease cost:	
Fixed expense	\$ 39,249
Short-term lease cost	<u>3,171</u>
Total lease cost:	<u>\$ 42,420</u>

Supplemental information related to leases is as follows:

	As of December 31, 2022
Supplemental information:	
Weighted average remaining lease term:	
Operating leases	1.61 years
Weighted average discount rate:	
Operating leases	3.0%

The future payments due under operating leases as of December 31, 2022 are as follows:

2023	\$ 39,249
2024	30,000
2025	30,000
2026	<u>10,000</u>
	\$ <u>109,249</u>

6. CONCENTRATIONS OF FUNDING SOURCES

The Organization is largely dependent on a major portion of revenues received from various governmental grant programs offered by both federal and state departments. The monies available from these grant programs fluctuates from year to year based upon the amount allocated to the various federal and state departments and the amounts awarded to the Organization. As of December 31, 2022, and 2021, the Support for Veteran Families and Supportive Housing Program grants accounted for approximately 23% and 24% of the Organization's total grant revenue, respectively. In addition, as of December 31, 2022, support from Texas Health and Human Services Commission accounted for 23% of total grant revenue.

Given the Organization's close proximity to the military base located at nearby Fort Hood, the fluctuation in population of this area plays a major role in the yearly activities of the Organization.

7. EMPLOYEE RETIREMENT PLAN

For the year ended December 31, 2021, the Organization provided a Simple IRA Plan. The Plan covered all employees who have earned more than \$5,000 any two previous calendar years and expect to earn greater than \$5,000 in the current year. The Organization had contribution expense for the year ended 2021 of \$25,368.

In 2022, the Organization provided a 401(k) Plan to its employees. The Plan covers employees who have worked more than 1,000 hours with a minimum age of 21. The Organization will match 100% of the participants contributions up to 6% of the participant's base compensation for the Plan year. The Organization had contribution expense for the year ended 2022 of \$54,343.

8. NOTES PAYABLE

Long-term debt consists of the following:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Note payable dated October 1, 2015 to Extraco Banks, N.A., in monthly installments of \$2,077.50 through January 1, 2031, including interest at 4.25%, collateralized by land and renovated building and building improvements.	\$ 149,629	\$ 184,393
Less current maturities	(18,937)	(17,430)
Total long-term debt, net of current maturities	\$ <u>130,692</u>	\$ <u>166,963</u>

Future maturities of long-term debt are as follows:

<u>December 31</u>	<u>Amount</u>
2023	\$ 18,937
2024	19,757
2025	20,614
2026	21,507
2027	22,439
Thereafter	<u>46,375</u>
	<u>\$ 149,629</u>

The Organization paid interest expense of \$6,957 and \$8,345 during 2022 and 2021, respectively.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Cash & cash equivalents	\$ 96,747	\$ 240,873
Grant receivable	<u>583,490</u>	<u>327,776</u>
Financial assets, at year-end	680,237	568,649
Less:		
Assets restricted by donor	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 680,237</u>	<u>\$ 568,649</u>

10. RELATED PARTIES

In the normal course of business, the Organization has business dealings with individuals who are members of the board. In the opinion of Management, all business dealings are conducted at arm's length.

11. RECLASSIFICATIONS

Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results.

12. RECOGNITION OF REVENUE

The Organization earns revenue from a variety of sources. The Organization's principal sources of revenue are grants and contracts, donations, contributions, and fundraisers as discussed above in note 2.

Grants and contracts that are exchange transactions are within the scope of and accounted for under ASC 606. ASC 606 requires revenue to be recognized when the Organization satisfies the related performance obligations by transferring the goods or services to a customer through a 5-step process:

- 1) Identify the contract with the customer,
- 2) Identify the associated performance obligations,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to the performance obligations, and
- 5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

Grants and contract awards that are considered contributions, donations, contributions and fundraisers are not considered exchange transactions under ASC 606, therefore revenue from these transactions are recognized in accordance with ASC 958, *Not-for-profit Entities*.

ASC 606 related revenue consists of grant and contract awards that are exchange transactions and housing contracts, which are recognized in the period the service is performed or the performance obligation is satisfied. For the years ended December 31, 2022 and 2021, all grants and contracts were considered to be exchange transactions.

For all revenue streams, the overall economy will have a direct impact on the Organization. If the economy were impacted negatively, it will result in less disposable income for programs, and thus, less investment in non-essential items.

13. SUBSEQUENT EVENTS

For the year ended December 31, 2022, the Organization has evaluated subsequent events through September 19, 2023, the date which the financial statements were available to be issued. No events have occurred that require additional disclosure.

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COMPLIANCE SECTION

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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**

To the Board of Directors and Management of
Families In Crisis, Inc.
Killeen, Texas

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 Families In Crisis, Inc. (the "Organization") (a nonprofit organization), which comprise the statements 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, and have issued our report thereon dated September 19, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 financial statements. 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 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
September 19, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors and Management of
Families In Crisis, Inc.
Killeen, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Families In Crisis, Inc.'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 Families In Crisis, Inc.'s major federal programs for the year ended December 31, 2022. 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 complied, in all material respects, with the 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 accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston

NEW MEXICO | Albuquerque

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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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 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 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 Auditor's Responsibilities for the Audit of Compliance 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
September 19, 2023

FAMILIES IN CRISIS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Agency/Program Name	Program/Grant/ Project Number	Assistance Listing Number	Expenditures
US Department of Housing and Urban Development			
Pass-through The City of Killeen:			
CDBG - Entitlement Grants Cluster:			
CDBG - Homeless Shelter Client Case Manager	B-21-MC-48-0020	14.218	\$ 5,007
Total CDBG - Entitlement Grants Cluster			5,007
Total pass-through the City of Killeen			5,007
Pass-through Texas Department of Housing and Community Affairs:			
Emergency Solutions Grants Program (ESG)	42216070028	14.231	181,496
Emergency Solutions Grants Program (ESG)	42206070061	14.231	57,871
Subtotal 14.231			239,367
COVID-19-CDBG CARES-Texas Emergency Mortgage Assistance Program (TEMAP)	70700001005	14.228	248,075
HOME - Tenant Based Rental Assistance Program	559957	14.239	9,977
Total pass-through Texas Department of Housing and Community Affairs			497,419
Direct Program:			
Continuum of Care Program	TX0467L6T072004	14.267	406,609
Continuum of Care Program	TX0468L6T072004	14.267	126,604
Continuum of Care Program	TX0467L6T072105	14.267	145,489
Continuum of Care Program	TX0468L6T072105	14.267	46,013
Subtotal 14.267			724,715
Total Direct Program			724,715
Total US Department of Housing and Urban Development			<u>1,227,141</u>

(Continued)

FAMILIES IN CRISIS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Agency/Program Name	Program/Grant/ Project Number	Assistance Listing Number	Expenditures
US Department of Justice			
Pass-through Texas Association Against Sexual Assault:			
TAASA Sexual Assault Services (SASP)	FI-0024	16.017	\$ 57,834
TAASA Sexual Assault Services (SASP)	FI-0101	16.017	<u>19,050</u>
Subtotal 16.017			<u>76,884</u>
Total pass-through Texas Association Against Sexual Assault			<u>76,884</u>
 Pass-through the State's Governor's Office - Criminal Justice Division:			
VOCA - Victim Intervention Program	2125910	16.575	135,731
VOCA - Victim Intervention Program	2125911	16.575	<u>71,777</u>
Subtotal 16.575			<u>207,508</u>
Total pass-through State's Governor's Office - Criminal Justice Division			<u>207,508</u>
		Total US Department of Justice	<u>284,392</u>
US Department of Treasury			
Pass-through Texas Department of Housing and Community Affairs:			
COVID-19 - Emergency Rental Assistance Program (ERA1)	20210000012	21.023	\$ 365,979
COVID-19 - Emergency Rental Assistance Program (ERA2)	20220000025	21.023	<u>246,927</u>
Subtotal 21.023			<u>612,906</u>
Total pass-through Texas Department of Housing and Community Affairs			<u>612,906</u>
		Total US Department of Treasury	<u>612,906</u>
US Department of Veterans Affairs			
Direct Program:			
Supportive Services for Veteran Families (SSVF)	12-TX-071-21	64.033	\$ 439,027
Supportive Services for Veteran Families (SSVF)	12-TX-071-22	64.033	555,778
COVID-19 - Supportive Services for Veteran Families (SSVF)	12-TX-071-HL	64.033	23,992
COVID-19 - Supportive Services for Veteran Families (SSVF) - Shallow	12-TX-071-SS	64.033	165,691
COVID-19 - Supportive Services for Veteran Families (SSVF) - Shallow LT	12-TX-071-LT	64.033	<u>22,191</u>
Subtotal 64.033			<u>1,206,679</u>
Total Direct Program			<u>1,206,679</u>
		Total US Department of Veterans Affairs	<u>1,206,679</u>

(Continued)

FAMILIES IN CRISIS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Agency/Program Name	Program/Grant/ Project Number	Assistance Listing Number	Expenditures
US Department of Health and Human Services			
Pass-through Texas Health and Human Services Commission:			
<i>Social Security Block Grant</i>	HHS000380000061	93.667	\$ <u>21,675</u>
<i>Family Violence Program Residential and Non-residential Services</i>	HHS000380000061	93.671	105,796
<i>COVID-19 - Family Violence Prevention Services Act- ARP Supplemental</i>	HHS000380000061	93.671	147,770
<i>Special NonResidential Project Family Violence Services</i>	HHS000679900003	93.671	<u>89,608</u>
Total 93.671			<u>343,174</u>
<i>Temporary Assistance for Needy Families</i>	HHS000380000061	93.558	204,420
<i>COVID-19 - Temporary Assistance for Needy Families (PEAF)</i>	HHS000380000061	93.558	188,588
<i>Temporary Assistance for Needy Families</i>	HHS001102100031	93.558	<u>140,505</u>
Total 93.558			<u>533,513</u>
<i>Texas Homeowner Assistance Fund for Intake Centers</i>	222100001001	93.568	<u>20,552</u>
Total pass-through Texas Health and Human Services Commission			<u>918,914</u>
Total US Department of Health and Human Services			<u>918,914</u>
US Department of Homeland Security			
Pass-through United Way (via Bell County):			
<i>FEMA - Emergency Food & Shelter Program</i>	N/A	97.024	<u>311,417</u>
Total pass-through United Way (via Bell County)			<u>311,417</u>
Total US Department of Homeland Security			<u>311,417</u>
TOTAL FEDERAL PROGRAMS			\$ <u>4,561,449</u>

FAMILIES IN CRISIS, INC.

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

FOR THE YEAR ENDED DECEMBER 31, 2022

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Families In Crisis, Inc., (the "Organization") for the year ended December 31, 2022. The Organization's reporting entity is defined in the Notes to the Organization's financial statements. Federal financial assistance received directly from federal agencies and other agencies are included in the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The accrual basis of accounting is described in Note 2 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance for Federal Awards, *Audits of States, Local Governments, and Nonprofit Organizations*.

3. PASS-THROUGH EXPENDITURES

None of the Federal programs expended by the Organization were provided to subrecipients.

4. INDIRECT COSTS

The Organization did not elect to apply the 10% de minimis indirect cost rate.

FAMILIES IN CRISIS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
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Identification of major programs:

<u>Assistance Listing Number(s)</u> 64.033	<u>Name of Federal Program or Cluster:</u> Supportive Services for Veteran Families
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Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee for federal single audit?	Yes
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Findings Relating to the Financial Statements

**Which are Required to be Reported in
Accordance With Generally Accepted
Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

FAMILIES IN CRISIS, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2022

There were no findings or questioned costs in the prior year.

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