

Community Family Centers, Inc.
Financial Statements and Supplementary Information
For the Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Family Centers, Inc.
Houston, Texas

We have audited the accompanying financial statements of Community Family Centers, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
Community Family Centers, Inc.
Re: Independent Auditors' Report

Opinion

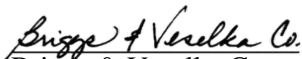
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Family Centers, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of Community Family Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 Community Family Centers, Inc.'s internal control over financial reporting and compliance.


Briggs & Veselka Co.
The Woodlands, Texas

April 12, 2021

COMMUNITY FAMILY CENTERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 643,057 | \$ 180,947 |
| Grants receivable | 198,343 | 265,266 |
| Pledges receivable, current portion, net | 96,944 | 96,941 |
| Other receivables | 49,777 | 10,135 |
| Prepaid expenses | <u>2,918</u> | <u>10,005</u> |
| Total current assets | 991,039 | 563,294 |
| | | |
| Pledges receivable, less current portion | 172,395 | 195,566 |
| Property and equipment, net | 4,132,897 | 4,275,638 |
| Restricted cash | 62,962 | 1,954 |
| Security deposit | <u>1,600</u> | <u>1,600</u> |
| | | |
| TOTAL ASSETS | <u>\$ 5,360,893</u> | <u>\$ 5,038,052</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 10,625 | \$ 39,269 |
| Payroll and related liabilities | 64,177 | 35,059 |
| Notes payable, current portion | <u>64,504</u> | <u>62,766</u> |
| Total current liabilities | 139,306 | 137,094 |
| | | |
| Notes payable, long-term portion | <u>475,168</u> | <u>198,668</u> |
| Total liabilities | 614,474 | 335,762 |
| | | |
| Net assets | | |
| Without donor restrictions | 4,456,758 | 4,497,397 |
| With donor restrictions | <u>289,661</u> | <u>204,893</u> |
| Total net assets | <u>4,746,419</u> | <u>4,702,290</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,360,893</u> | <u>\$ 5,038,052</u> |

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

COMMUNITY FAMILY CENTERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Revenues and reclassifications | | | |
| Federal grants | \$ 1,237,306 | \$ 41,091 | \$ 1,278,397 |
| United Way allocation | - | 514,155 | 514,155 |
| Corporate and other contributions | 763,149 | 53,500 | 816,649 |
| Contributed food and materials | 892,087 | - | 892,087 |
| Special events | 52,597 | - | 52,597 |
| Program service fees | 48,570 | - | 48,570 |
| Rent | 11,478 | - | 11,478 |
| Other income | 3,286 | - | 3,286 |
| Other grant – EIDL | 10,000 | - | 10,000 |
| Net assets released from restrictions | <u>523,978</u> | <u>(523,978)</u> | <u>-</u> |
| Total revenues and reclassifications | 3,542,451 | 84,768 | 3,627,219 |
| Expenses | | | |
| Program services | | | |
| Early childhood education | 343,164 | - | 343,164 |
| Family support services | 1,422,816 | - | 1,422,816 |
| Adult education | 755,628 | - | 755,628 |
| Youth services | <u>776,438</u> | <u>-</u> | <u>776,438</u> |
| Total program services | 3,298,046 | - | 3,298,046 |
| Supporting services | | | |
| Management and general | 110,753 | - | 110,753 |
| Fundraising | <u>174,291</u> | <u>-</u> | <u>174,291</u> |
| Total supporting services | <u>285,044</u> | <u>-</u> | <u>285,044</u> |
| Total expenses | <u>3,583,090</u> | <u>-</u> | <u>3,583,090</u> |
| Change in net assets | (40,639) | 84,768 | 44,129 |
| Net assets, beginning of year | <u>4,497,397</u> | <u>204,893</u> | <u>4,702,290</u> |
| NET ASSETS, END OF YEAR | <u>\$ 4,456,758</u> | <u>\$ 289,661</u> | <u>\$ 4,746,419</u> |

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

COMMUNITY FAMILY CENTERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|----------------------------|
| Revenues and reclassifications | | | |
| Federal grants | \$ 1,159,851 | \$ - | \$ 1,159,851 |
| United Way allocation | - | 542,845 | 542,845 |
| Corporate and other contributions | 222,320 | 100,000 | 322,320 |
| Contributed food and materials | 1,578,769 | - | 1,578,769 |
| Special events | 136,689 | - | 136,689 |
| Program service fees | 140,968 | - | 140,968 |
| Rent | 29,822 | - | 29,822 |
| Other income | 8,661 | - | 8,661 |
| Net assets released from restrictions | <u>657,910</u> | <u>(657,910)</u> | <u>-</u> |
| Total revenues and reclassifications | 3,934,990 | (15,065) | 3,919,925 |
| Expenses | | | |
| Program services | | | |
| Early childhood education | 486,617 | - | 486,617 |
| Family support services | 1,869,020 | - | 1,869,020 |
| Adult education | 706,826 | - | 706,826 |
| Youth services | <u>731,540</u> | <u>-</u> | <u>731,540</u> |
| Total program services | 3,794,003 | - | 3,794,003 |
| Supporting services | | | |
| Management and general | 116,334 | - | 116,334 |
| Fundraising | <u>141,454</u> | <u>-</u> | <u>141,454</u> |
| Total supporting services | <u>257,788</u> | <u>-</u> | <u>257,788</u> |
| Total expenses | <u>4,051,791</u> | <u>-</u> | <u>4,051,791</u> |
| Change in net assets | (116,801) | (15,065) | (131,866) |
| Net assets, beginning of year | <u>4,614,198</u> | <u>219,958</u> | <u>4,834,156</u> |
| NET ASSETS, END OF YEAR | <u>\$ 4,497,397</u> | <u>\$ 204,893</u> | <u>\$ 4,702,290</u> |

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

COMMUNITY FAMILY CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Program Services | | | | Total Program Services | Supporting Services | | | Total Expenses |
|---|---------------------------------|-------------------------------|--------------------|-------------------|------------------------------|---------------------------|-------------------|---------------------------------|---------------------|
| | Early Childhood Education | Family Support Services | Adult Education | Youth Services | | Management and General | Fundraising | Total Supporting Services | |
| Compensation and related expenses | | | | | | | | | |
| Salaries | \$ 222,337 | \$ 156,244 | \$ 496,719 | \$ 468,265 | \$ 1,343,565 | \$ 69,652 | \$ 104,502 | \$ 174,154 | \$ 1,517,719 |
| Employee benefits | 16,571 | 8,968 | 43,084 | 44,338 | 112,961 | 4,876 | 4,556 | 9,432 | 122,393 |
| Payroll taxes | 17,407 | 12,125 | 40,063 | 35,722 | 105,317 | 5,372 | 7,919 | 13,291 | 118,608 |
| Total compensation and related expenses | 256,315 | 177,337 | 579,866 | 548,325 | 1,561,843 | 79,900 | 116,977 | 196,877 | 1,758,720 |
| Bank and other fees | 2,036 | 246 | 8,977 | 1,895 | 13,154 | 3,568 | 773 | 4,341 | 17,495 |
| Communication | 1,465 | 990 | 4,181 | 12,677 | 19,313 | - | - | - | 19,313 |
| Contract services | 16,550 | 10,667 | 43,162 | 42,620 | 112,999 | - | 21,000 | 21,000 | 133,999 |
| Contributed food and materials | - | 891,738 | - | 349 | 892,087 | - | - | - | 892,087 |
| Depreciation | 31,036 | 7,529 | 59,462 | 58,594 | 156,621 | - | - | - | 156,621 |
| Direct assistance | 6,435 | 321,572 | - | 16,609 | 344,616 | - | - | - | 344,616 |
| Facilities and equipment | 7,837 | 2,541 | 9,675 | 16,166 | 36,219 | 11,053 | - | 11,053 | 47,272 |
| Insurance | 6,956 | 3,959 | 15,651 | 14,668 | 41,234 | - | - | - | 41,234 |
| Interest | - | - | - | - | - | 5,763 | - | 5,763 | 5,763 |
| Postage and shipping | 76 | 51 | 165 | 152 | 444 | - | 433 | 433 | 877 |
| Special events | - | - | - | - | - | - | 3,810 | 3,810 | 3,810 |
| Supplies | 6,439 | 1,639 | 17,802 | 25,164 | 51,044 | 329 | 4,010 | 4,339 | 55,383 |
| Travel and meetings | 527 | 149 | 2,796 | 7,878 | 11,350 | 141 | - | 141 | 11,491 |
| Utilities | 6,439 | 4,167 | 13,447 | 30,902 | 54,955 | - | - | - | 54,955 |
| Other | 1,053 | 231 | 444 | 439 | 2,167 | 9,999 | 27,288 | 37,287 | 39,454 |
| | 86,849 | 1,245,479 | 175,762 | 228,113 | 1,736,203 | 30,853 | 57,314 | 88,167 | 1,824,370 |
| TOTAL EXPENSES | \$ 343,164 | \$ 1,422,816 | \$ 755,628 | \$ 776,438 | \$ 3,298,046 | \$ 110,753 | \$ 174,291 | \$ 285,044 | \$ 3,583,090 |

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

COMMUNITY FAMILY CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Program Services | | | | Total Program Services | Supporting Services | | | Total Expenses |
|---|---------------------------------|-------------------------------|--------------------|-------------------|------------------------------|---------------------------|-------------------|---------------------------------|---------------------|
| | Early Childhood Education | Family Support Services | Adult Education | Youth Services | | Management and General | Fundraising | Total Supporting Services | |
| Compensation and related expenses | | | | | | | | | |
| Salaries | \$ 303,226 | \$ 138,148 | \$ 453,746 | \$ 449,076 | \$ 1,344,196 | \$ 70,344 | \$ 104,891 | \$ 175,235 | \$ 1,519,431 |
| Employee benefits | 20,328 | 11,554 | 42,947 | 38,923 | 113,752 | 8,268 | 4,523 | 12,791 | 126,543 |
| Payroll taxes | 24,252 | 11,180 | 35,477 | 34,569 | 105,478 | 5,515 | 8,256 | 13,771 | 119,249 |
| Total compensation and related expenses | 347,806 | 160,882 | 532,170 | 522,568 | 1,563,426 | 84,127 | 117,670 | 201,797 | 1,765,223 |
| Bank and other fees | 1,316 | 244 | 6,717 | 1,707 | 9,984 | 3,789 | 1,310 | 5,099 | 15,083 |
| Communication | 2,173 | 989 | 3,769 | 11,282 | 18,213 | - | - | - | 18,213 |
| Contract services | 21,616 | 9,891 | 37,556 | 31,348 | 100,411 | - | - | - | 100,411 |
| Contributed food and materials | - | 1,578,769 | - | - | 1,578,769 | - | - | - | 1,578,769 |
| Depreciation | 34,436 | 7,496 | 47,576 | 67,768 | 157,276 | - | - | - | 157,276 |
| Direct assistance | 21,007 | 94,809 | - | 3,349 | 119,165 | - | - | - | 119,165 |
| Facilities and equipment | 16,884 | 5,917 | 19,219 | 24,086 | 66,106 | 2,256 | - | 2,256 | 68,362 |
| Insurance | 8,228 | 3,782 | 12,266 | 12,167 | 36,443 | - | - | - | 36,443 |
| Interest | - | - | - | - | - | 9,363 | - | 9,363 | 9,363 |
| Postage and shipping | 127 | 59 | 191 | 195 | 572 | 43 | - | 43 | 615 |
| Special events | - | - | - | - | - | - | 15,361 | 15,361 | 15,361 |
| Supplies | 14,132 | 1,708 | 24,556 | 11,842 | 52,238 | 212 | 4,000 | 4,212 | 56,450 |
| Travel and meetings | 6,416 | 396 | 6,250 | 12,202 | 25,264 | 279 | 388 | 667 | 25,931 |
| Utilities | 9,141 | 4,003 | 13,075 | 31,848 | 58,067 | - | - | - | 58,067 |
| Other | 3,335 | 75 | 3,481 | 1,178 | 8,069 | 16,265 | 2,725 | 18,990 | 27,059 |
| | <u>138,811</u> | <u>1,708,138</u> | <u>174,656</u> | <u>208,972</u> | <u>2,230,577</u> | <u>32,207</u> | <u>23,784</u> | <u>55,991</u> | <u>2,286,568</u> |
| TOTAL EXPENSES | <u>\$ 486,617</u> | <u>\$ 1,869,020</u> | <u>\$ 706,826</u> | <u>\$ 731,540</u> | <u>\$ 3,794,003</u> | <u>\$ 116,334</u> | <u>\$ 141,454</u> | <u>\$ 257,788</u> | <u>\$ 4,051,791</u> |

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

COMMUNITY FAMILY CENTERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 44,129 | \$ (131,866) |
| Adjustment to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 156,621 | 157,276 |
| Bad debt expense (recovery) | (6,591) | 5,050 |
| Gain from sale of fixed assets | (700) | - |
| Changes in operating assets and liabilities: | | |
| Grants receivable | 66,923 | (33,507) |
| Pledges receivable | 29,759 | 24,607 |
| Other receivables | (39,642) | 8,469 |
| Prepaid expenses | 7,087 | 3,968 |
| Accounts payable and accrued liabilities | (28,644) | 1,436 |
| Payroll and related liabilities | 29,118 | 11,029 |
| Net cash from operating activities | <u>258,060</u> | <u>46,462</u> |
| Cash flows from investing activities | | |
| Purchases of fixed assets | (13,880) | (3,546) |
| Proceeds from sale of fixed assets | 700 | - |
| Net cash from investing activities | <u>(13,180)</u> | <u>(3,546)</u> |
| Cash flows from financing activities | | |
| Proceeds from notes payable | 330,300 | - |
| Payments of notes payable | (52,062) | (60,962) |
| Net cash from financing activities | <u>278,238</u> | <u>(60,962)</u> |
| Net change in cash, cash equivalents, and restricted cash | 523,118 | (18,046) |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>182,901</u> | <u>200,947</u> |
| Cash, cash equivalents, and restricted cash, end of year | <u>\$ 706,019</u> | <u>\$ 182,901</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 5,763 | \$ 9,363 |

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

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Family Centers, Inc. (CFC), formerly called Chicano Family Center, is a Texas nonprofit organization formed in 1972. CFC offers a wide range of social services to help families address their basic needs as they move towards self-sufficiency and economic advancement. The vision of CFC is to strengthen families and enrich the quality of life in the community by providing a safe and nurturing environment for children to excel, youth to succeed, and adults to learn. For over 45 years, CFC has created measurable change within the neighborhoods surrounding Houston's impoverished East End by enhancing community partnerships, promoting cultural understanding and empowering citizens. CFC is a member agency of the United Way of Greater Houston (UWGH).

CFC's programs and services are funded by government grants and contributions from UWGH, individuals, corporations, and private foundations.

CFC's programs and services are as follows:

Early Childhood Education Program – This program is funded by the City of Houston Community Development Block Grant/Child Care Program, UWGH, Texas Department of Agriculture, and Leaders in Education. It prepares preschool children from ages three to six for academic success by providing Montessori-based early education and training opportunities for parents to enhance their roles as primary educators for their children.

Family Support Services – This program, which is funded by UWGH and the Federal Emergency Food and Shelter Program, provides comprehensive services within the agency's continuum of care. The services provided include:

- **Information Dissemination** – CFC provides information on education, legal, social economic, governmental, personal health, and public health issues, as well as the translation and completion of assistance forms.
- **Intake and Referral Services** – CFC refers those in need to a CFC program, another UWGH agency, government department, or community-based social service agency, depending on the most appropriate way to resolve identified needs.
- **Food Pantry** – CFC provides one of the largest and most active food pantries in Houston, Texas. The pantry serves up to 308 families monthly based on a need of service and approximately 3,700 families were served in 2020. In 2020, the pantry distributed over 539,200 pounds of food through a partnership with the Houston Food Bank. The food pantry combines emergency food distribution with nutritional education.
- **Health Screening and Immunizations** – CFC provides for medical needs through community partners, such as vision screenings provided by the University of Texas Eye Institute, dental screenings, well child care, and immunizations provided by the Harris County Hospital District's "Trouble Shooter" Mobile Unit.

Adult Education Program – This is a year-round program funded by the United States Department of Education's Adult Education – Basic Grant for States as passed-through from the Texas Workforce Commission and Houston Community College. CFC utilizes a curriculum designed by the Texas Educational Agency and promoted by the National Institute for Literacy to provide comprehensive courses for participants above 18 years old to gain the skills and education necessary to achieve self-sufficiency and a higher standard of living. Courses offered include English as a Second Language (Levels I-IV), Adult Basic Education, General Equivalency Diploma (GED), Computer Skills Training and Workforce Training.

COMMUNITY FAMILY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Classes are taught by degreed instructors who use a holistic approach to immerse students in the English language. The curriculum is coupled with a functional, real-life approach so that students can quickly learn new skills and practice their new-found knowledge at home, at work, and in the community.

Youth Services Program – This program is primarily funded by the U.S. Department of Health and Human Services federal grants as passed-through from the Texas Department of Health and Human Services. The Youth Services Program includes the following components:

- **Substance Abuse Prevention Program** – This program provides universal drug education and life skills courses as well as prevention and intervention counseling to at-risk youth. CFC offers a substance abuse education curriculum to all students, K-12th grade, at Austin High School, Southmayd Elementary School, and Marshall Middle School, as well as more intensive counseling to students at 14 different schools in the East End of Houston. Summer programs include a day camp to teach students about substance abuse prevention, life skills group sessions, HIV/AIDS classes, recreational activities, and educational field trips.
- **Out-of-School and Summer Program** – This program addresses the lack of positive after school and summer activities in the East End of Houston. The program components include: academics, enrichment, skill building, and community involvement through sports, arts and crafts, creative writing, and homework assistance.
- **Count Down to College Program** – This program identifies and recruits high school students who require assistance with their educational and career goals. Summer tours to local and other Texas universities are arranged to engage youth in college exposure. Activities are supervised by college tour guides and provide exposure to college life, including admissions, school departments, financial aid, campus life, and dorms. Students are also engaged in PSAT/ACT mock-testing during the summer.

Basis of Accounting – The financial statements of CFC have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Basis of Presentation – CFC is required to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CFC. These net assets may be used at the discretion of CFC's management and the Board of Directors.
- **Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CFC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash, Cash Equivalents, and Restricted Cash – CFC considers all cash and highly liquid short-term investments with original maturities of 90 days or less to be cash and cash equivalents. The carrying amounts reported in the accompanying statements of financial position for cash approximate their fair value.

Restricted cash includes funds to be used for specified purposes and restrictions that limit the purpose for which the funds can be used. Restricted cash at December 31, 2020 and 2019 was \$62,962 and \$1,954, respectively.

COMMUNITY FAMILY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Revenue Recognition – Federal and other grants are recognized when earned, which is generally when costs are incurred for cost reimbursement contracts or when service has been delivered in the case of fee-for-service contracts. Grants from federal and other government sources are reported as revenues without restrictions if they are used within the contract period.

Contributions and unconditional promises to give are recognized as revenues in the period they are received. CFC receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions and are not recognized until the conditions on which they depend are substantially met. Contributions that are restricted by the donor may be reported as increases in revenues without donor restrictions if the restrictions are satisfied in the same fiscal year the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, 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.

Other income is recognized as revenue when received.

Based on analysis of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, the implemented standards update applies to rental fee income as well as revenues from Early Childhood Education and Youth Services programs. No changes are necessary for either of these revenues to conform to the new standard. Revenue is recognized when CFC satisfies performance obligations by allowing tenants to occupy the rented spaces and providing services to students enrolled in CFC's Early Childhood Education and Youth Services programs.

Grants, Pledges, and Other Receivables – Grants receivable represent invoices or billings to grant awarding agencies for which payments were not received at the end of the fiscal year. Pledges receivable represent amounts due from donors. A significant portion of pledges receivable as of the end of each fiscal year represents funding committed from UWGH for the first quarter of the following fiscal year. The carrying amount of these receivables reported in the statements of financial position approximates fair value.

CFC provides for losses on grants, pledges, and other receivables using the allowance method. The allowance for uncollectible pledges is regularly evaluated by management and is based on management's past experience with grantors or donors and its consideration of how the prevailing economic circumstances may affect the ability of the grantors or donors to give. Grants, pledges, and other receivables are considered impaired if full payments are not received in accordance with contractual terms. At December 31, 2020 and 2019, management has provided an allowance for uncollectible pledges and considers all grants and other receivables to be fully collectible.

Property and Equipment – All acquisitions of individual property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchases of property and equipment are recorded at cost. Donated property and equipment are recorded as support at fair value at date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are recorded as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, CFC reports expirations of donor restrictions when the donated or acquired property and equipment are placed in service as instructed by the donor and reclassifies net assets with donor restrictions to net assets without donor restrictions.

COMMUNITY FAMILY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

| <u>Assets</u> | <u>Estimated Useful Lives</u> |
|------------------------------------|-----------------------------------|
| Building and building improvements | 10 - 39 years |
| Equipment and furniture | 3 - 13 years |
| Vehicles | 5 years |

Upon retirement or sale of any property or equipment, the cost and accumulated depreciation of the asset are removed from the accounts. Any gain or loss resulting from such retirement or sale is reflected in the statement of cash flows. Routine maintenance and repairs are charged to expense as incurred.

Contributed Services – CFC recognizes contributed services at their estimated fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

CFC receives a substantial amount of contributed services from volunteers for management and program support. No amounts for contributed services related to management and program support have been reflected in the accompanying financial statements because they did not meet the criteria for recognition under the FASB Accounting Standards Update (ASU) *Not-for-Profit Entities (Topic 958)*.

Contributed Food and Materials – Contributed food and materials represent food and materials received from the Houston Food Bank and other donors and are reflected in the statements of activities at their estimated fair values when received. Food and materials received during 2020 and 2019 are valued at \$892,087 and \$1,578,769, respectively.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs which cannot directly be charged to specific programs and activities are allocated based on direct salaries charged to each department in accordance with the most current cost allocation plan.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties – During 2020, many countries around the world, including the United States, were impacted by the coronavirus (the “virus” or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve unavailability of personnel, disruptions of supply chains, and reductions in program service fees and contributions, affecting results of operations and cash flows. In addition, the CFC has been impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time, management is not aware of any material risk to the CFC’s financial statements and cannot quantify the full extent the virus will have on the CFC’s financial information.

Income Taxes – CFC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a publicly supported organization. No provision for income tax has been recorded, because CFC did not have taxable unrelated business income. Management believes that CFC has properly maintained its tax-exempt status and classified its revenue as exempt in the accompanying statements of activities. In addition, management believes that CFC did not have an uncertain tax position as of the years ended December 31, 2020 and 2019.

COMMUNITY FAMILY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Compensable Absences – Employees are entitled to annual vacation from the first day of employment. Employees are allowed to carry 40 hours of accrued vacation from one calendar year to another. Accrued vacation is paid to terminated employees who have worked for six months or more with CFC.

Total accrued vacation recorded in the financial statements for December 31, 2020 and 2019 was \$40,202 and \$18,509, respectively. Full-time employees are entitled to six days of sick leave in a calendar year while part-time employees are entitled to three days. Employees can carry three days of unused sick leave to the following year. Accrued sick days are not paid on termination of employment.

Concentration of Credit Risk – CFC maintains cash in a deposit account with a federally-insured bank. The cash balance at the financial institution is insured by the Federal Deposit Insurance Corporation up to \$250,000 of the balance. Management believes it is not exposed to any significant credit risk on its cash balances.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statements of activities disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The ASU is effective for a not-for-profit entity for annual periods beginning after June 15, 2021. Early adoption is permitted. CFC is currently evaluating the impact these pronouncements will have on its financial statements and related disclosures.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statements of financial position dates, comprise the following at December 31:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 643,057 | \$ 180,947 |
| Grants receivable | 198,343 | 265,266 |
| Pledges receivable, current portion, net | 96,944 | 96,941 |
| Other receivables | <u>49,777</u> | <u>10,135</u> |
| Total financial assets at year-end available for general expenditure over the next 12 months | <u>\$ 988,121</u> | <u>\$ 553,289</u> |

COMMUNITY FAMILY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Per policy, CFC strives to maintain liquid financial assets sufficient to cover 90 days of operating expenses. To achieve this target, CFC forecasts its future cash flows and monitors liquidity on a monthly basis as well as manages liquidity as follows:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets to fund near-term operating needs; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 – JP MCGOVERN COMMUNITY SPORTS AND RECREATION CENTER

On September 15, 2006, CFC received a grant of \$500,000 from the city of Houston (the “City”) to partly finance the construction of JP McGovern Community Sports and Recreation Center (the “Center”). The grant was increased to \$1,270,000 on May 18, 2009. The grant has a restricted use period (grant period) of 10 years effective from April 15, 2013.

During the grant period, CFC is required to: strictly use the Center as a gymnasium; comply with the rules and regulations of the U.S. Department of Housing and Urban Development; ensure that at least 51% of persons using the Center are from low and moderate income families; obtain written approval from the City Director of Housing and Community Development prior to selling, transferring or assigning its interest in the Center; return proceeds from sale of the Center to the City; and maintain proper and sufficient records of grant expenditures and related activities and keep such records for at least five years after the end of the grant period. CFC is accountable to the City for any net program income generated or derived directly or indirectly from activities conducted pursuant to the grant agreement. CFC is liable to return the grant to the City if it violates the terms of the grant during the grant period.

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-------------------|
| Less than one year | \$ 118,693 | \$ 125,281 |
| One to five years | <u>172,395</u> | <u>195,566</u> |
| Total pledges receivable | 291,088 | 320,847 |
| Less: allowance for uncollectible pledges | <u>(21,749)</u> | <u>(28,340)</u> |
| Total pledges receivable, net | <u>\$ 269,339</u> | <u>\$ 292,507</u> |

COMMUNITY FAMILY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows as of December 31:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|----------------------------|---------------------|
| Land | \$ 467,312 | \$ 467,312 |
| Buildings and building improvements | 5,542,424 | 5,542,424 |
| Equipment and furniture | 274,309 | 260,429 |
| Vehicles | <u>40,896</u> | <u>92,282</u> |
| | 6,324,941 | 6,362,447 |
| Less: accumulated depreciation | <u>(2,192,044)</u> | <u>(2,086,809)</u> |
| Total property and equipment, net | <u>\$ 4,132,897</u> | <u>\$ 4,275,638</u> |

Depreciation expense for 2020 and 2019 amounted to \$156,621 and \$157,276, respectively.

NOTE 7 – NOTES PAYABLE

On April 10, 2012, CFC obtained a five-year term loan of \$588,000 from a bank at a fixed interest rate of 5.44% per annum that was secured by the JP McGovern Community Sports and Recreation Center. In January 2017, the loan was terminated and was refinanced with a new seven-year term loan of \$440,000 from another bank. This new loan has a fixed interest rate of 3.19% per annum and is secured by the same aforementioned property. The loan matures on January 9, 2024, but due to an additional principal payment the note balance will be paid in full on December 9, 2023.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act is the Paycheck Protection Program (PPP), which provides qualified small businesses and certain tax-exempt organizations economic relief due to the adverse impact of COVID-19. The PPP is administered by the U.S. Small Business Administration (SBA) with support from the U.S. Department of the Treasury. On April 17, 2020, CFC received a PPP loan in the amount of \$330,300. The loan has an interest rate of 1% and matures in April 2022. At December 31, 2020, the balance on this PPP loan was \$330,300. Subsequent to year-end, the loan was forgiven (*see Note 11*).

Future principal and interest payments on the loans are as follows:

| For the Year Ending December 31, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|--------------------------|-------------------------|--------------------------|
| 2021 | \$ 64,504 | \$ 5,820 | \$ 70,324 |
| 2022 | 396,920 | 3,702 | 400,622 |
| 2023 | 68,808 | 1,515 | 70,323 |
| 2024 | <u>9,440</u> | <u>26</u> | <u>9,466</u> |
| Total notes payable | <u>\$ 539,672</u> | <u>\$ 11,063</u> | <u>\$ 550,735</u> |

COMMUNITY FAMILY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for use by programs specified by donors. Net assets released from donor restrictions for December 31, 2020 and 2019 are attributable to expenses incurred in connection with these specific programs.

Net assets with donor restrictions released from restrictions and reclassified to net assets without donor restrictions during the years ended December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| Federal grants | \$ - | \$ 30,608 |
| UWGH | 523,978 | 577,302 |
| Corporate and foundation contributions | <u>-</u> | <u>50,000</u> |
| Totals | <u>\$ 523,978</u> | <u>\$ 657,910</u> |

Net assets with donor restrictions are as follows as of December 31:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| Federal grants | \$ 41,091 | \$ - |
| UWGH | 95,070 | 104,893 |
| Corporate and foundation contributions | <u>153,500</u> | <u>100,000</u> |
| Totals | <u>\$ 289,661</u> | <u>\$ 204,893</u> |

NOTE 9 – CONCENTRATION OF REVENUE

Approximately 66% and 73% of CFC’s revenues from grants and other cash revenue sources for December 31, 2020 and 2019, respectively, came from federal sources and UWGH. Loss of funds from these sources would have a material impact on the future operations of CFC.

NOTE 10 – OPERATING LEASE COMMITMENTS

CFC leases certain office equipment under a non-cancelable operating lease through November 2023.

The following is a schedule by years of future minimum payments under the lease at December 31, 2020:

| <u>For the Year Ending December 31,</u> | <u>Amount</u> |
|---|------------------------|
| 2021 | \$ 3,404 |
| 2022 | 3,404 |
| 2023 | <u>3,120</u> |
| Total | <u>\$ 9,928</u> |

For 2020 and 2019, total rent expense was \$3,702 and \$3,757, respectively.

NOTE 11 – SUBSEQUENT EVENTS

CFC applied for funding through the second round of Payroll Protection Program (PPP2) loans administered by the SBA under the Consolidated Appropriations Act enacted in December 2020. In March 2021, CFC received a PPP2 loan in the amount of \$341,724, with the same general loan terms as their first draw PPP loan. The PPP2 loan may be fully forgiven if during the 24-week covered period following the loan disbursement the proceeds are used for qualifying expenses. CFC plans to apply for forgiveness of the loan. Loan forgiveness is subject to the sole approval of the SBA.

In February 2021, the southeast region of the United States of America was struck by a winter storm that left CFC's local community without power or water for an extended period of time. In March 2021, UWGH and the Greater Houston Community Foundation granted CFC a total of \$100,000 with restrictions to be spent toward providing relief to local families that have been affected by the winter storm.

The PPP loan may be fully forgiven if proceeds are a) used to pay eligible payroll costs or other qualified expenses and b) full-time employee headcount and salaries are either maintained during the covered period following disbursement or restored by December 31, 2020. CFC applied for forgiveness of the loan under the provisions of Section 1106 of the CARES Act, subject to the sole approval of the SBA. On April 11, 2021, the loan was forgiven (*see Note 7*).

CFC has evaluated events through April 12, 2021, the date which the financial statements were available to be issued.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Community Family Centers, Inc.
Houston, 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 Community Family Centers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 April 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Family Centers, Inc.'s internal control over financial reporting (internal control) to determine the 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 Community Family Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Family Centers, Inc.'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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

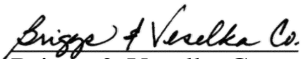
To the Board of Directors of
Community Family Centers, Inc.
Re: Independent Auditors' Report on Internal Control

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Family Centers, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Family Centers, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Briggs & Veselka Co.
The Woodlands, Texas

April 12, 2021



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

To the Board of Directors of
Community Family Centers, Inc.
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Community Family Centers, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Family Centers, Inc.'s major federal programs for the year ended December 31, 2020. Community Family Centers, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

To the Board of Directors of
Community Family Centers, Inc.
Re: Independent Auditors' Report on Compliance

Opinion on Each Major Federal Program

In our opinion, Community Family Centers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

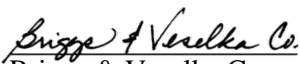
Report on Internal Control Over Compliance

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

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

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

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


Briggs & Veselka Co.
The Woodlands, Texas

April 12, 2021

SUPPLEMENTARY INFORMATION

COMMUNITY FAMILY CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------|---|-------------------------------|
| CDBG – Entitlement Grants Cluster | | | |
| U.S. Department of Housing and Urban Development | | | |
| Passed Through Child Care Council of Greater Houston | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | CDBG CC 2019-2020 | \$ 24,765 |
| Community Development Block Grants/Entitlement Grants | 14.218 | CDBG CC 2020-2021 | <u>16,851</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>41,616</u> |
| Total CDBG – Entitlement Grants Cluster | | | 41,616 |
| Food Distribution Cluster | | | |
| U.S. Department of Agriculture | | | |
| Passed Through Texas Department of Agriculture | | | |
| Passed Through Houston Food Bank | | | |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | 10007 | <u>456,712</u> |
| Total U.S. Department of Agriculture | | | <u>456,712</u> |
| Total Food Distribution Cluster | | | 456,712 |
| Other Programs | | | |
| U.S. Department of Agriculture | | | |
| Passed Through Texas Department of Agriculture | | | |
| Child and Adult Care Food Program | 10.558 | 02117 (2019-2020) | 8,408 |
| Child and Adult Care Food Program | 10.558 | 02117 (2020-2021) | <u>4,326</u> |
| Total U.S. Department of Agriculture | | | 12,734 |
| U.S. Department of Education | | | |
| Passed Through Texas Workforce Commission | | | |
| Passed Through Houston Galveston Area Council | | | |
| Adult Education – Basic Grants to States | 84.002 | HGAC 2019-2020 | 294,664 |
| Adult Education – Basic Grants to States | 84.002 | HGAC 2020-2021 | <u>283,204</u> |
| Total U.S. Department of Education | | | 577,868 |
| U.S. Department of Health and Human Services | | | |
| Passed Through Texas Health and Human Services | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | HHS000077600048 (YPI 19-20) | 182,146 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | HHS000539700053 (YPU 19-20) | 177,257 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | HHS000077600048 (YPI 20-21) | 82,042 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | HHS000539700053 (YPU 20-21) | <u>89,415</u> |
| Total U.S. Department of Health and Human Services | | | 530,860 |
| U.S. Department of Homeland Security | | | |
| Passed Through EFSP Coalition for the Homeless | | | |
| Emergency Food and Shelter National Board Program | 97.024 | 782800004 (EFSP CARES) | <u>15,783</u> |
| Total U.S. Department of Homeland Security | | | <u>15,783</u> |
| Total Other Programs | | | <u>1,137,245</u> |
| Total Expenditure of Federal Awards | | | <u>\$ 1,635,573</u> |

See accompanying notes to the schedule of expenditures of federal awards.

COMMUNITY FAMILY CENTERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – THE ORGANIZATION

Community Family Centers, Inc. (CFC) receives federal grants to carry out its programs and services for low-income families in the East End of Houston, Texas and its surrounding communities.

NOTE 2 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activities of CFC. Expenditures reported in the Schedule are reported on the accrual basis of accounting. Because the Schedule presents only a selected portion of CFC’s operations, it is not intended to and does not present its financial position, changes in net assets or cash flows for 2020.

NOTE 3 – NONCASH ASSISTANCE

Amounts from the Emergency Food Assistance Program included on the accompanying Schedule of Expenditures of Federal Awards represent noncash assistance in the form of food commodities.

NOTE 4 – INDIRECT COST

Expenditures included in the Schedule represent both direct costs and indirect costs. Instead of using the 10% de minimus indirect cost rate allowed under the Uniform Guidance, CFC’s indirect costs are based on an indirect cost allocation plan that has been agreed upon and approved by the applicable grantor.

NOTE 5 – RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANT AWARDING AGENCIES

Expenditures included in the Schedule may differ from amounts reflected in the financial reports submitted to grant awarding agencies for the following reasons:

- Expenses accrued at the end of CFC’s fiscal year may not be included in the financial reports submitted to grant awarding agencies until after year-end;
- Program matching costs that are reported in the financial reports submitted to awarding agencies are not included in the amounts reported in the Schedule; and
- Differences may exist between grant periods and CFC’s accounting period.

NOTE 6 – CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by the grantors. Failure to satisfy the requirements of contact agreements could result in disallowed costs and return of funds to grantors. Management believes that CFC is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the financial statements.

COMMUNITY FAMILY CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial statements

| | |
|--|---------------|
| Type of auditors’ report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal awards

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | 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 Section 200.516 (a)? | No |

Major Program:

| <u>Award Type</u> | <u>Federal CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------|----------------------------|---|
| Federal | 84.002 | Adult Education – Basic Grants to States |

Dollar threshold used to distinguish between Type A and Type B Programs:

Federal awards \$ 750,000

Auditee qualified as low-risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

COMMUNITY FAMILY CENTERS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

No matters were reported.