

Community Family Centers, Inc.

*Financial Statements
and Supplementary Information*

**For the Years Ended
December 31, 2017 and 2016**

Community Family Centers, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017 and 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Family Centers, Inc. as of December 31, 2017 and 2016, 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 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, 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 23, 2018, 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.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
April 23, 2018

FINANCIAL STATEMENTS

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Community Family Centers, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 598,381	\$ 197,341
Grants Receivable	151,817	196,888
Pledges Receivable, net	183,298	251,943
Other Receivables	11,292	1,364
Prepaid Expenses	<u>15,617</u>	<u>8,278</u>
Total Current Assets	960,405	655,814
Pledges Receivable, less current portion	147,378	97,265
Property and Equipment, net	4,592,689	4,701,617
Restricted Cash	1,954	86,507
Security Deposit	<u>1,600</u>	<u>1,600</u>
TOTAL ASSETS	<u><u>\$ 5,704,026</u></u>	<u><u>\$ 5,542,803</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 30,246	\$ 31,966
Payroll and Related Liabilities	95,118	88,528
Note Payable, current portion	<u>58,861</u>	<u>426,105</u>
Total Current Liabilities	184,225	546,599
Note Payable, long-term portion	<u>322,396</u>	<u>-</u>
TOTAL LIABILITIES	506,621	546,599
 NET ASSETS		
Unrestricted	4,702,513	4,768,482
Temporarily Restricted	<u>494,892</u>	<u>227,722</u>
TOTAL NET ASSETS	<u><u>5,197,405</u></u>	<u><u>4,996,204</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 5,704,026</u></u>	 <u><u>\$ 5,542,803</u></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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Federal Grants	\$ 1,243,066	\$ -	\$ 1,243,066
United Way Allocation	1,830	645,823	647,653
Corporate and Other Contributions	211,869	307,399	519,268
Contributed Food and Materials	3,147,065	-	3,147,065
Special Events	120,565	-	120,565
Program Service Fees	103,836	-	103,836
Other Income	60,211	-	60,211
Net Assets Released From Restrictions	<u>686,052</u>	<u>(686,052)</u>	<u>-</u>
TOTAL REVENUES AND RECLASSIFICATIONS	5,574,494	267,170	5,841,664
EXPENSES			
Program Services:			
Early Childhood Education	402,071	-	402,071
Family Support Services	3,387,055	-	3,387,055
Adult Education	677,252	-	677,252
Youth Services	<u>745,486</u>	<u>-</u>	<u>745,486</u>
Total Program Services	5,211,864	-	5,211,864
Supporting Services:			
Management and General	223,708	-	223,708
Fundraising	<u>204,891</u>	<u>-</u>	<u>204,891</u>
Total Supporting Services	<u>428,599</u>	<u>-</u>	<u>428,599</u>
TOTAL EXPENSES	<u>5,640,463</u>	<u>-</u>	<u>5,640,463</u>
CHANGE IN NET ASSETS	(65,969)	267,170	201,201
NET ASSETS, BEGINNING OF YEAR	<u>4,768,482</u>	<u>227,722</u>	<u>4,996,204</u>
NET ASSETS, END OF YEAR	<u><u>\$ 4,702,513</u></u>	<u><u>\$ 494,892</u></u>	<u><u>\$ 5,197,405</u></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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Federal Grants	\$ 1,281,471	\$ -	\$ 1,281,471
United Way Allocation	-	606,630	606,630
Corporate and Other Contributions	191,331	77,700	269,031
Contributed Food and Materials	3,358,557	-	3,358,557
Special Events	195,244	-	195,244
Program Service Fees	93,656	-	93,656
Other Income	83,886	-	83,886
Net Assets Released From Restrictions	643,760	(643,760)	-
TOTAL REVENUES AND RECLASSIFICATIONS	5,847,905	40,570	5,888,475
EXPENSES			
Program Services:			
Early Childhood Education	383,107	-	383,107
Family Support Services	3,827,236	-	3,827,236
Adult Education	655,492	-	655,492
Youth Services	703,586	-	703,586
Total Program Services	5,569,421	-	5,569,421
Supporting Services:			
Management and General	196,362	-	196,362
Fundraising	201,414	-	201,414
Total Supporting Services	397,776	-	397,776
TOTAL EXPENSES	5,967,197	-	5,967,197
CHANGE IN NET ASSETS	(119,292)	40,570	(78,722)
NET ASSETS, BEGINNING OF YEAR	4,887,774	187,152	5,074,926
NET ASSETS, END OF YEAR	\$ 4,768,482	\$ 227,722	\$ 4,996,204

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, 2017

	Program Services				Total Program Services
	Early Childhood Education	Family Support Services	Adult Education	Youth Services	
COMPENSATION AND RELATED EXPENSES					
Salaries	\$ 263,008	\$ 151,302	\$ 490,495	\$ 454,823	\$ 1,359,628
Employee Benefits	21,130	18,620	46,242	39,860	125,852
Payroll Taxes	28,662	15,630	46,204	43,976	134,472
Total Compensation and Related Expenses	312,800	185,552	582,941	538,659	1,619,952
Bank and Other Fees	33	88	35	25	181
Communication	1,697	1,027	3,211	8,134	14,069
Contract Services	11,039	3,502	20,013	8,568	43,122
Depreciation	27,528	6,188	14,866	87,172	135,754
Direct Assistance	14,707	77,729	-	3,382	95,818
Contributed Food and Materials	26	3,098,654	1,904	-	3,100,584
Facilities and Equipment	7,914	3,013	12,629	18,439	41,995
Insurance	7,168	4,291	13,339	12,474	37,272
Interest	-	-	-	-	-
Other	2,322	263	3,214	3,878	9,677
Postage and Shipping	152	55	168	170	545
Special Events	-	-	-	-	-
Supplies	6,440	2,066	5,702	14,403	28,611
Travel and Meetings	2,218	104	4,959	19,910	27,191
Utilities	8,027	4,523	14,271	30,272	57,093
	89,271	3,201,503	94,311	206,827	3,591,912
TOTAL EXPENSES	\$ 402,071	\$ 3,387,055	\$ 677,252	\$ 745,486	\$ 5,211,864

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

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 149,811	\$ 136,909	\$ 286,720	\$ 1,646,348
11,483	7,864	19,347	145,199
13,775	12,236	26,011	160,483
175,069	157,009	332,078	1,952,030
1,344	1,176	2,520	2,701
-	-	-	14,069
-	-	-	43,122
18,987	4,117	23,104	158,858
1,033	-	1,033	96,851
-	-	-	3,100,584
2,400	-	2,400	44,395
-	-	-	37,272
13,506	-	13,506	13,506
11,189	3,901	15,090	24,767
-	250	250	795
-	36,590	36,590	36,590
-	338	338	28,949
180	1,510	1,690	28,881
-	-	-	57,093
48,639	47,882	96,521	3,688,433
\$ 223,708	\$ 204,891	\$ 428,599	\$ 5,640,463

Community Family Centers, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services				Total Program Services
	Early Childhood Education	Family Support Services	Adult Education	Youth Services	
COMPENSATION AND RELATED EXPENSES					
Salaries	\$ 252,113	\$ 283,936	\$ 470,084	\$ 401,579	\$ 1,407,712
Employee Benefits	21,645	36,280	47,530	39,904	145,359
Payroll Taxes	25,506	27,388	43,904	38,449	135,247
Total Compensation and Related Expenses	299,264	347,604	561,518	479,932	1,688,318
Bank and Other Fees	117	131	219	183	650
Communication	1,542	1,705	2,932	7,281	13,460
Contract Services	8,778	5,609	20,535	8,833	43,755
Depreciation	27,470	9,971	14,729	83,685	135,855
Direct Assistance	13,165	79,285	-	9,624	102,074
Contributed Food and Materials	-	3,358,557	-	-	3,358,557
Facilities and Equipment	8,091	5,703	14,413	54,071	82,278
Insurance	5,703	6,355	10,697	9,076	31,831
Interest	204	232	385	312	1,133
Other	4,667	713	1,842	2,039	9,261
Postage and Shipping	145	144	242	209	740
Special Events	-	-	-	-	-
Supplies	5,093	2,848	6,989	5,469	20,399
Travel and Meetings	978	25	7,058	13,637	21,698
Utilities	7,890	8,354	13,933	29,235	59,412
	83,843	3,479,632	93,974	223,654	3,881,103
TOTAL EXPENSES	\$ 383,107	\$ 3,827,236	\$ 655,492	\$ 703,586	\$ 5,569,421

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

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 99,434	\$ 130,900	\$ 230,334	\$ 1,638,046
8,172	7,624	15,796	161,155
8,461	11,217	19,678	154,925
116,067	149,741	265,808	1,954,126
288	1,103	1,391	2,041
-	-	-	13,460
-	-	-	43,755
15,439	4,001	19,440	155,295
-	-	-	102,074
-	-	-	3,358,557
3,114	-	3,114	85,392
-	-	-	31,831
24,742	-	24,742	25,875
35,994	4,275	40,269	49,530
19	435	454	1,194
-	39,681	39,681	39,681
127	729	856	21,255
572	1,449	2,021	23,719
-	-	-	59,412
80,295	51,673	131,968	4,013,071
\$ 196,362	\$ 201,414	\$ 397,776	\$ 5,967,197

Community Family Centers, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 201,201	\$ (78,722)
Adjustment to reconcile change in Net Assets to net Cash Provided (Used) by Operating Activities:		
Depreciation	158,858	155,295
Bad Debt Expense	5,600	10,870
(Increase) Decrease in:		
Grants Receivable	45,071	(7,687)
Pledges Receivable	12,932	(81,073)
Other Receivable	(9,928)	(564)
Prepaid Expenses	(7,339)	(5,282)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(1,720)	4,487
Payroll and Related Liabilities	6,590	3,675
Unearned Revenue	-	(147,064)
Net Cash Provided (Used) by Operating Activities	<u>411,265</u>	<u>(146,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Use of Restricted Cash	84,553	65,233
Purchases of Property and Equipment	(49,930)	(17,266)
Disposal of Property and Equipment	-	48,029
Net Cash Provided by Investing Activities	<u>34,623</u>	<u>95,996</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Note Payable	(44,848)	(42,260)
Net Cash Used by Financing Activities	<u>(44,848)</u>	<u>(42,260)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	401,040	(92,329)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>197,341</u>	<u>289,670</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 598,381</u>	<u>\$ 197,341</u>
Supplemental disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ 13,506	\$ 25,875
Supplemental Schedule of Non-Cash Financing Activities:		
Refinancing of Note Payable	\$ 440,000	\$ -

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

Community Family Centers, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Community Family Centers, Inc. (CFC), formerly called Chicano Family Center, is a Texas nonprofit corporation, formed in 1972 to offer 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 four major programs – early childhood education, adult education, family support services, and youth services – are more fully discussed in Note 2.

Basis of Accounting

CFC's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Basis of Presentation

CFC's financial statements are presented in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

CFC is required to report information regarding its financial position and activities according to three classes of net assets:

- ***Unrestricted net assets:*** Net assets that are not subject to donor-imposed stipulations.
- ***Temporarily restricted net assets:*** Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- ***Permanently restricted net assets:*** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. CFC has no permanently restricted net assets.

Community Family Centers, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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. Contributions from UWGH are recognized as temporarily restricted revenues when the award is received.

Grants from federal and other government sources are reported as unrestricted revenues if they are used within the contract period.

Contributions and unconditional promises to give are recognized as revenues in the period they are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied in the same fiscal year the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Other income is recognized as revenue when actually received.

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 statement 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, 2017 and 2016, management has provided an allowance for uncollectible pledges and considers all grants and other receivables to be fully collectible.

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.

Community Family Centers, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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 FASB ASC Topic 958-605.

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 the years ended December 31, 2017 and 2016 are valued at \$3,147,065 and \$3,358,557, respectively.

Cash and Cash Equivalents

CFC considers all cash and highly liquid short-term investments with original maturities of ninety days or less to be cash equivalents. The carrying amounts reported in the accompanying statement of financial position for cash approximate their fair values.

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 as of December 31, 2017 and 2016 was \$1,954 and \$86,507, respectively.

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 unrestricted support 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 temporarily restricted net assets to unrestricted net assets.

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

Building and Building Improvements	10 – 39 years
Equipment and Furniture	3 – 13 years
Vehicles	5 years

Community Family Centers, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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 activities. Routine maintenance and repairs are charged to expense as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs which cannot directly be charged to specific programs and activities have been allocated based on CFC's cost allocation plan.

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 for the years ended December 31, 2017 and 2016, 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 statement of activities. In addition, management believes that CFC did not have an uncertain tax position as of and for the years ended December 31, 2017 and 2016.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Compensable Absences

Employees are entitled to annual vacation from the first day of employment. Employees are allowed to carry forty 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 the years ending December 31, 2017 and 2016 was \$25,431 and \$20,489, respectively (included in the payroll and related liabilities line item in the accompanying statement of financial position). 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.

Community Family Centers, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 2 – Programs and Services

CFC's programs and services are as follows:

Early Childhood Education Program

This program is funded by the Child Care Council of Greater Houston, UWGH, Collaborative for Children, 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. As one of the disaster assistance organizations, CFC received \$250,000 in November 2017 from the Greater Houston Community Foundation's Hurricane Harvey Relief Fund to help distribute moneys to individuals and families who were affected by Hurricane Harvey. United Way also contributed \$58,000 to this relief effort. The services provided include:

Information Dissemination – 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 – to a CFC program, another United Way agency, government department, or community-based social service agency, depending on the most appropriate way to resolve identified needs.

Food Pantry – providing one of the largest and most active food pantries in Houston. The pantry serves over 2,000 families weekly, and distributes over 1.8 million pounds of food annually through a partnership with the Houston Food Bank. The food pantry combines emergency food distribution with nutritional education.

Health Screening and Immunizations – by 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" Mobil Unit.

Adult Education Program

This is a year-round program funded by UWGH and Houston Community College. It provides 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, offered at two locations, (CFC's main office and a leased facility in Southwest Houston). CFC utilizes a curriculum designed by the Texas Educational Agency and promoted by the National Institute for Literacy. Classes are taught by degreed instructors

Community Family Centers, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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

This program is funded by UWGH and the Texas Department of Health and Human Services. It 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, South Mayd Elementary and Marshall Middle School, as well as more intensive counseling to students at fourteen different schools in the East End. 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. The program components include: academics, enrichment, skill-building, 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 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.

Management's Review of Subsequent Events

CFC has evaluated events through April 23, 2018, the date which the financial statements were available to be issued.

NOTE 3 – JP McGovern Community Sports and Recreation Center

In 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 ten 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

Community Family Centers, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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 5 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 4 – Pledges Receivable

Pledges receivable consisted of the following at December 31, 2017 and 2016:

	2017	2016
Within one year	\$ 199,768	\$ 262,813
In one to five years	147,378	97,265
Over five years	-	-
Total Pledges Receivable	347,146	360,078
Allowance for Uncollectible Pledges	(16,470)	(10,870)
Pledges Receivable, net	<u>\$ 330,676</u>	<u>\$ 349,208</u>

NOTE 5 – Property and Equipment

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

	2017	2016
Land	\$ 467,312	\$ 403,631
Construction in Progress	-	63,681
Buildings and Building Improvements	5,542,424	5,542,424
Equipment and Furniture	256,883	206,953
Vehicles	92,282	92,282
Total Property and Equipment	6,358,901	6,308,971
Accumulated Depreciation	(1,766,212)	(1,607,354)
Property and Equipment, net	<u>\$ 4,592,689</u>	<u>\$ 4,701,617</u>

Depreciation expense at December 31, 2017 and 2016 amounted to \$158,858 and \$155,295, respectively.

Community Family Centers, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 6 – Note 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.

Future principal and interest payments on the new 84-month loan are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 58,861	\$ 11,462	\$ 70,323
2019	60,794	9,530	70,324
2020	62,766	7,557	70,323
2021	64,850	5,474	70,324
2022	66,978	3,345	70,323
Thereafter	67,008	1,147	68,155
Total Note Payable	<u>\$ 381,257</u>	<u>\$ 38,515</u>	<u>\$ 419,772</u>

NOTE 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use by programs specified by donors. Net assets released from donor restrictions for the years ended December 31, 2017 and 2016 are attributable to expenses incurred in connection with these specific programs.

Temporarily restricted net assets released from restrictions and reclassified to unrestricted net assets during December 31 are as follows:

	2017	2016
Capital Campaign	\$ 1,722	\$ 23,094
United Way of Greater Houston	627,945	606,630
Corporate and Foundation Contributions	56,385	14,036
Total	<u>\$ 686,052</u>	<u>\$ 643,760</u>

Temporarily restricted net assets as of December 31 are as follows:

	2017	2016
Capital Campaign	\$ 605	\$ 2,327
United Way of Greater Houston	169,091	151,214
Corporate and Foundation Contributions	324,049	73,181
Other	1,147	1,000
Total	<u>\$ 494,892</u>	<u>\$ 227,722</u>

Community Family Centers, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 8 – Risk and Uncertainties

CFC maintained cash balances with financial institutions considered by management as credit-worthy and strong, which may occasionally exceed limits insured by the Federal Deposit Insurance Corporation (FDIC). Balances in money market and other accounts with banks as of December 31, 2017 and 2016 which was not insured by FDIC or otherwise secured totaled \$396,686 and \$16,157, respectively. Management believes that the risk of loss is not significant because of the underlying strength and credit worthiness of the financial institutions in which these deposits were held.

NOTE 9 – Concentration of Revenue

Approximately 69% and 74% of CFC's revenues from grants and other cash revenue sources for the years ended December 31, 2017 and 2016, 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-cancellable operating lease agreement that expires in June 2018 and has a minimum lease obligation of \$1,830.

NOTE 11 – Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassifications had no impact on previously reported net assets.

NOTE 12 – New Accounting Pronouncement

On August 18, 2016, the FASB issued an Accounting Standard Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for CFC's year ending December 31, 2018, focuses on improving the current net asset classification requirements and information presented in the financial statements and related footnotes all for assessing a not-for-profit's liquidity, financial performance, and cash flows.

CFC is in the process of evaluating the impact the standard will have on future financial statements.

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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 of
Community Family Centers, Inc.

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, 2017, and the related statement 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 23, 2018.

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 organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 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 Community Family Centers, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
April 23, 2018

INDEPENDENT AUDITOR'S 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.

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, 2017. Community Family Centers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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.

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, 2017.

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.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
April 23, 2018

SUPPLEMENTARY INFORMATION

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Community Family Centers, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Total Federal Expenditures
<i>Other Programs</i>			
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Texas Department of Agriculture			
Child and Adult Care Food Program	10.558	02117	\$ 20,382
Passed Through Houston Food Bank			
Emergency Food Assistance Program (Food Commodities)	10.569	10007	492,015
Total U.S. Department of Agriculture			<u>512,397</u>
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 2016-2017	22,130
Community Development Block Grants/Entitlement Grants	14.218	CDBG CC 2017-2018	53,541
Total U.S. Department of Housing and Urban Development			<u>75,671</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Workforce Commission and Houston Community College			
Adult Education - Basic Grants to States	84.002	13882 - HCC 2016-2017	395,891
Adult Education - Basic Grants to States	84.002	13882 - HCC CC 2017-2018	112,072
Adult Education - Basic Grants to States	84.002	13882 - HCL 2017-2018	7,117
Total U.S. Department of Education			<u>515,080</u>
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	2016-048106-002-YPI	153,753
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048106-003-YPI	75,289
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048053-002-YPU	237,134
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048053-003-YPU	133,888
Total U.S. Department of Health and Human Services			<u>600,064</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through EFSP Coalition for the Homeless			
Emergency Food and Shelter National Board Program	97.024	782800-004	13,569
Total U.S. Department of Homeland Security			<u>13,569</u>
<i>Total Other Programs</i>			<u>\$ 1,716,781</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,716,781</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Community Family Centers, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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 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 the year ended December 31, 2017.

NOTE 3 – Noncash Assistance

Amounts reported in the accompanying Schedule of Expenditures of Federal awards for the Emergency Food Assistance Program 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, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's 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 auditor's 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 Programs:

Award Type	CFDA Number	Name of Federal Program or Cluster
Federal	10.569	Emergency Food Assistance Program (Food Commodities)

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

Federal Awards	\$	750,000
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Auditee qualified as low-risk auditee?	Yes
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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, 2017

No matters were reported.