

COMMUNITY FAMILY CENTERS, INC.

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2015**

**With Summarized Information For
The Year Ended December 31, 2014**

COMMUNITY FAMILY CENTERS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Management and Board of Directors
Community Family Centers

Report on the Financial Statements

We have audited the accompanying financial statements of Community Family Centers (CFC), a Texas nonprofit organization, which comprise the statement of financial position as of December 31, 2015, and the related statement of activities and statement of cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFC as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 17, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the statement of functional expenses and in the schedule of expenditures of federal awards 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.

Report on 2014 Summarized Comparative Information

We have previously audited CFC's 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2016 on our consideration of CFC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 CFC's internal control over financial reporting and compliance.

Bankole, Okoye & Associates PC

Houston, Texas
May 27, 2016

AUDITED FINANCIAL STATEMENTS SECTION

COMMUNITY FAMILY CENTERS, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)

	2015	2014
ASSETS		
Cash	\$ 415,989	\$ 334,284
Restricted cash	25,421	84,258
Grants receivable	189,202	150,211
Other receivables	279,805	230,654
Prepaid expenses	2,996	293
Other assets	1,600	7,387
Property and equipment, net	4,887,675	4,925,845
TOTAL ASSETS	\$ 5,802,688	\$ 5,732,932
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 25,992	\$ 10,772
Payroll and related liabilities	84,853	93,008
Unearned revenue	147,064	81,549
Accrued expenses	1,488	1,613
Notes payable	468,365	508,427
Total liabilities	727,762	695,369
NET ASSETS		
Unrestricted	4,887,774	4,772,707
Temporarily restricted	187,152	264,856
Total net assets	5,074,926	5,037,563
TOTAL LIABILITIES AND NET ASSETS	\$ 5,802,688	\$ 5,732,932

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

COMMUNITY FAMILY CENTERS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>	<u>Total</u>
REVENUES				
Federal grants	\$ 1,313,739	\$ -	\$ 1,313,739	\$ 1,617,212
Other grants	19,755	-	19,755	36,845
United Way allocation	-	644,270	644,270	891,945
Corporate and other contributions	45,669	193,455	239,124	324,350
Contributed services and materials	3,295,422		3,295,422	2,900,987
Special events, net	164,529		164,529	85,636
Program service fees	90,043	-	90,043	116,209
Other income	56,876	-	56,876	36,904
Net assets released from restrictions:				
Restrictions satisfied by purpose	271,159	(271,159)	-	-
Restrictions satisfied by time	644,270	(644,270)	-	-
TOTAL REVENUES	<u>5,901,462</u>	<u>(77,704)</u>	<u>5,823,758</u>	<u>6,010,088</u>
EXPENSES				
Program services:				
Early childhood education	402,579	-	402,579	443,469
Family support services	3,748,818	-	3,748,818	3,182,499
Adult education	698,236	-	698,236	1,161,065
Youth services	730,874	-	730,874	886,985
Total program services	<u>5,580,507</u>	<u>-</u>	<u>5,580,507</u>	<u>5,674,018</u>
Supporting services:				
Management and general	54,223	-	54,223	50,436
Fundraising	151,665	-	151,665	189,769
Total supporting services	<u>205,888</u>	<u>-</u>	<u>205,888</u>	<u>240,205</u>
TOTAL EXPENSES	<u>5,786,395</u>	<u>-</u>	<u>5,786,395</u>	<u>5,914,223</u>
CHANGE IN NET ASSETS	115,067	(77,704)	37,363	95,865
NET ASSETS, BEGINNING OF YEAR	<u>4,772,707</u>	<u>264,856</u>	<u>5,037,563</u>	<u>4,941,698</u>
NET ASSETS, END OF YEAR	<u>\$ 4,887,774</u>	<u>\$ 187,152</u>	<u>\$ 5,074,926</u>	<u>\$ 5,037,563</u>

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

COMMUNITY FAMILY CENTERS, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 37,363	\$ 95,865
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	147,432	140,051
Gain on sale of property and equipment	-	(1,154)
Changes in operating assets and liabilities:		
Grants receivable	(38,991)	78,612
Other receivables	(49,151)	5,453
Prepaid expenses	(2,703)	8,226
Other assets	5,787	(100)
Accounts payable	15,220	(26,275)
Payroll and related liabilities	(8,155)	(6,995)
Deferred revenue	65,515	(8,794)
Accrued expenses	(125)	(200)
Total adjustments	134,829	188,824
Net cash provided by operating activities	172,192	284,689
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	58,837	(24,864)
Proceeds from sale of property and equipment	-	1,154
Purchases of property and equipment	(109,262)	(708,849)
Net cash used in investing activities	(50,425)	(732,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of notes payable	(40,062)	(37,915)
Net cash used in financing activities	(40,062)	(37,915)
NET INCREASE (DECREASE) IN CASH	81,705	(485,785)
CASH, BEGINNING OF YEAR	334,284	820,069
CASH, END OF YEAR	\$ 415,989	\$ 334,284
Supplemental cash flow information		
Interest paid	\$ 26,947	\$ 29,021

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

COMMUNITY FAMILY CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE DISCLOSURES FOR 2014)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Community Family Centers (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. Over the past 40 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 - adult education, early childhood education, youth services and family support services - are more fully discussed in Note 2 of this report.

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. Furthermore, revenue is recognized when earned and expense recorded when the obligation is incurred.

Basis of Presentation

CFC's financial statements have been prepared following the recommendations of the Financial Accounting Standards Board (FASB). Under FASB's Accounting Standards Codification (ASC or Codification) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, CFC is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets – These are resources without donor-imposed restrictions and are available to support the general operations of CFC. Unrestricted net assets totaled \$4,887,774 and \$4,772,707 as of December 31, 2015 and 2014, respectively.

Temporarily restricted net assets – These are resources with donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CFC. Temporarily restricted net assets as of December 31, 2015 and 2014 amounted to \$187,152 and \$264,856, respectively.

COMMUNITY FAMILY CENTERS, INC.

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(WITH COMPARATIVE DISCLOSURES FOR 2014)

Permanently restricted net assets – These are resources with permanent donor -imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CFC. CFC did not have permanently restricted net assets as of December 31, 2015 and 2014.

CFC is also required by SFAS ASC Topic 958-230, *Not-for-Profit Entities – Statement of Cash Flows*, to present a statement of cash flows.

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.

In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

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 or permanently 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.

Grant 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. A significant portion of other receivables as of the end of each fiscal year represents funding commitment 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 and other receivables using the allowance method. The allowance for doubtful accounts 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 and other

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receivables are considered impaired if full payments are not received in accordance with contractual terms. Management considers all grants and other receivables at December 31, 2015 and 2014 to be fully collectible. Accordingly, no allowance for delinquent receivables was made for the years ended December 31, 2015 and 2014.

Contributed Services

CFC recognizes contributed services in accordance with FASB ASC Topic 958-605, *Non-for-Profit Entities - Accounting for Contributions Received and Contributions Made*, 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 donated 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 Other Materials

Contributed food and other materials received from the Houston Food Bank and other donors are reflected in the statement of activities at their estimated fair values when received. Food and other materials received during the years ended December 31, 2015 and 2014 valued at approximately \$3,295,422 and \$2,900,987, respectively, have been included in the accompanying financial statements.

Cash, Cash Equivalents and Restricted Cash

CFC considers all cash and highly liquid short-term investments with original maturities of ninety days or less to be cash equivalents. CFC had no cash equivalents as of December 31, 2015 and 2014. The carrying amounts reported in the accompanying statement of financial position for cash approximate their fair values.

Restricted cash relates to capital campaign and other contributions restricted by donors to the funding of building and other capital projects. Restricted cash as of December 31, 2015 and 2014 was \$25,421 and \$84,258, respectively.

Unearned Revenue

Unearned revenue represents cash receipts from government agencies and other donors before services are performed. Revenue is recognized when services are performed and costs incurred.

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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	7 - 39 years
Equipment, software and vehicles	3 - 13 years

Upon retirement or sale of any property and 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 other 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 CFCs' cost allocation plan.

Income Tax Status

CFC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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, 2015 and 2014, 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, 2015 and 2014.

CFC files Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service (the "IRS") annually. Organizations' federal information returns are generally open to examination by the IRS for a period of three years from the date they were filed. Accordingly,

COMMUNITY FAMILY CENTERS, INC.

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CFC's Form 990 filed for tax years 2012, 2013 and 2014 could still be examined by the Internal Revenue Service.

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. Significant estimates in the accompanying financial statements were depreciation expense based on the assets' useful lives and cost allocations to programs and activities in the statement of functional expenses. 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 ended December 31, 2015 and 2014 was approximately \$24,235 and \$29,873, 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.

Prior Year Summarized Comparative Information

The accompanying financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CFC's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements amounts to conform to the 2015 financial statements presentation. Such reclassifications did not change total assets, liabilities, revenues and expenses or change in net assets reflected in the 2014 financial statements

COMMUNITY FAMILY CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

**YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE DISCLOSURES FOR 2014)**

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.

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 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.

Family Support Services (formerly Clinica de Consulta Familiar)

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 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 1,000 families weekly, and distributes over 1.9 million pounds of food annually through a partnership with the Houston Food Bank. The food pantry combines emergency food distribution with nutritional education.

Health Screenings 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" Mobile Unit.

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Youth Services

This program is funded by UWGH and the Texas Department of State Health Services. It includes the following components:

Substance Abuse Prevention Education

This 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.

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 the 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 September 15, 2006.

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 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

COMMUNITY FAMILY CENTERS, INC.

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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.

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 451,659	\$ 451,659
Construction in progress	52,700	709,126
Building	5,542,424	4,787,633
Equipment and furniture	200,668	189,771
Vehicles	92,282	92,282
Property and equipment, Gross	6,339,733	6,230,471
Accumulated depreciation	<u>(1,452,058)</u>	<u>(1,304,626)</u>
Property and equipment, net	<u>\$ 4,887,675</u>	<u>\$ 4,925,845</u>

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$147,432 and \$140,051, respectively.

5. 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 5.447% per annum to pay off two outstanding loans. The principal balance on the loan was \$468,365 and \$508,427 as at December 31, 2015 and 2014, respectively. Interest expense was approximately \$26,947 and \$29,021 for the years ended December 31, 2015 and 2014, respectively. This loan is secured by the JP McGovern Community Sports and Recreation Center, whose carrying amount was approximately \$2,367,878 and \$2,436,601 as of December 31, 2015 and 2014, respectively. The loan matures on April 10, 2017.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 42,260	\$ 24,876	\$ 67,136
2017	426,104	7,702	433,806
Total	<u>\$ 468,364</u>	<u>\$ 32,578</u>	<u>\$ 500,942</u>

COMMUNITY FAMILY CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

**YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE DISCLOSURES FOR 2014)**

6. 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, 2015 and 2014 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 the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Capital Campaign	\$ 77,704	\$ 372,922
United Way of Greater Houston	644,270	896,945
Corporate and Foundation Contributions	193,455	-
Total	<u>\$ 915,429</u>	<u>\$ 1,269,867</u>

Temporarily restricted net assets as of at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Capital Campaign	\$ 25,421	\$ 103,125
United Way of Greater Houston	160,731	160,731
Others	1,000	1,000
Total	<u>\$ 187,152</u>	<u>\$ 264,856</u>

7. RISKS 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). Approximately \$177,711 and \$167,837 of balances in money market and other accounts with banks as of December 31, 2015 and 2014, respectively, was not insured by FDIC or otherwise secured. 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. CFC has not experienced any loss of assets resulting from a bank run or collapse in the past

Approximately 52% and 25% of CFC's revenues from grants and other cash revenue sources for the year ended December 31, 2015 came from federal sources and UWGH, respectively. For the year ended December 31, 2014, approximately 53% and 29% of its revenues from grants and other cash revenue sources were from federal grants and UWGH, respectively. Loss of funds from these sources would have a material impact on the future operations of CFC.

COMMUNITY FAMILY CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

**YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE DISCLOSURES FOR 2014)**

Receivables from federal grants and UWGH accounted for almost 75% and 82% of total receivables at December 31, 2015 and 2014, respectively. Management believes that credit risks related to these receivables are low because of the credit worthiness of federal funding agencies and UWGH.

8. OPERATING LEASE COMMITMENTS

CFC leases certain office equipment under non-cancellable operating lease agreements that expire at different dates through 2018.

Future minimum lease obligations for this equipment are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 7,944
2017	4,731
2018	<u>2,135</u>
Total	<u>\$ 14,810</u>

Operating lease expense recorded for leased office equipment for each of the two fiscal years presented was \$7,944.

In fiscal year ended December 31, 2015, CFC relocated in-house all its educational programs previously housed in leased facilities resulting in rent expense of \$2,225 being recorded for the year ended December 31, 2015. Operating lease expense for leased facilities was \$99,927 for the year ended December 31, 2014.

9. SUBSEQUENT EVENTS

Management evaluated events subsequent to December 31, 2015, to assess the need for potential recognition or disclosures in the financial statements, through May 27, 2016, which is the date the financial statements were available to be issued, and determined that no subsequent event occurred that requires recognition or additional disclosure in the financial statements.

OTHER FINANCIAL INFORMATION SECTION

COMMUNITY FAMILY CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015					2014				
	Program Services					Supporting Services				
	Early Childhood Education	Family Support Services	Adult Education	Youth Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 273,626	\$ 288,143	\$ 494,799	\$ 455,400	\$ 1,511,968	\$ -	\$ 104,769	\$ 104,769	\$ 1,616,737	\$ 2,099,250
Employee benefits	20,325	30,875	38,338	48,322	137,860	-	5,827	5,827	143,687	156,018
Payroll taxes	26,311	27,224	43,238	42,064	138,837	-	8,891	8,891	147,728	208,116
Total payroll costs	<u>320,262</u>	<u>346,242</u>	<u>576,375</u>	<u>545,786</u>	<u>1,788,665</u>	<u>-</u>	<u>119,487</u>	<u>119,487</u>	<u>1,908,152</u>	<u>2,463,384</u>
Contract services	5,774	3,719	7,309	6,697	23,499	-	21,538	21,538	45,037	75,543
Direct assistance	12,764	112,525	-	935	126,224	-	-	-	126,224	75,634
Donated food and other materials	-	3,246,896	31,299	-	3,278,195	9,930	-	9,930	3,288,125	2,711,352
Occupancy costs	2,225	-	-	-	2,225	-	-	-	2,225	99,927
Travel and meetings	644	18	5,462	8,206	14,330	367	384	751	15,081	38,145
Facilities and equipment	6,630	4,926	13,793	18,664	44,013	4,397	-	4,397	48,410	55,407
Supplies	5,886	2,863	9,362	5,290	23,401	2,573	934	3,507	26,908	34,514
Utilities	7,497	8,133	14,034	30,457	60,121	1,192	-	1,192	61,313	70,074
Postage and shipping	260	74	223	219	776	29	255	284	1,060	1,236
Telephone	2,708	1,625	4,194	8,548	17,075	387	3	390	17,465	33,607
Insurance	6,748	7,036	12,355	11,806	37,945	-	-	-	37,945	44,314
Bank and other fees	2,252	2,274	3,866	3,642	12,034	1,192	856	2,048	14,082	15,019
Interest expense	-	-	-	-	-	26,947	-	26,947	26,947	29,021
Depreciation	27,396	12,145	19,364	88,527	147,432	-	-	-	147,432	140,051
Other expenses	1,533	342	600	2,097	4,572	7,209	8,208	15,417	19,989	26,995
Total non-payroll expenses	<u>82,317</u>	<u>3,402,576</u>	<u>121,861</u>	<u>185,088</u>	<u>3,791,842</u>	<u>54,223</u>	<u>32,178</u>	<u>86,401</u>	<u>3,878,243</u>	<u>3,450,839</u>
Total expenses	<u>\$ 402,579</u>	<u>\$ 3,748,818</u>	<u>\$ 698,236</u>	<u>\$ 730,874</u>	<u>\$ 5,580,507</u>	<u>\$ 54,223</u>	<u>\$ 151,665</u>	<u>\$ 205,888</u>	<u>\$ 5,786,395</u>	<u>\$ 5,914,223</u>

COMMUNITY FAMILY CENTERS, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Award/Federal Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Texas Department of Agriculture Child and Adult Care Food Program	10.558	02117	\$ 26,209
Total U.S. Department of Agriculture			<u>26,209</u>
U.S. Department of Housing and Urban Development			
Pass-Through Child Care Council of Greater Houston, Inc. Community Development Block Grants/Entitlement Grants	14.218	CDBG CC 2014-2015	14,236
Community Development Block Grants/Entitlement Grants	14.218	CDBG CC 2015-2016	53,262
Total U.S. Department of Housing and Urban Development			<u>67,498</u>
U.S. Department of Education			
Pass-Through Texas Workforce Commission Pass-Through Houston Community College System Adult Education - Basic Grants to State	84.002	HCC 2014-2015	435,315
Adult Education - Basic Grants to State	84.002	HCC 2015-2016	128,331
Total Department of Education			<u>563,646</u>
U.S. Department of Health and Human Services			
Pass-Through Texas Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046461-001-YPI	141,734
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048106-001-YPI	67,522
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046451-001-YPU	247,044
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048053-001-YPU	110,487
Total U.S. Department of Health and Human Services			<u>566,787</u> *
U.S. Department of Homeland Security			
Pass-Through United Way of Greater Houston Emergency Food and Shelter National Board Program	97.024	Phase 32	89,599
Total U.S. Department of Homeland Security			<u>89,599</u>
Total Expenditures of Federal Awards			<u>\$ 1,313,739</u>

* Denotes a major program

COMMUNITY FAMILY CENTERS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

The Organization

Community Family Centers (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.

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activities of CFC. The information in the Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported in the Schedule are reported on the accrual basis of accounting. These expenditures are recognized following the cost principles contained in Uniform Guidance Section .400 and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, under which certain types of expenditures are not allowable or are limited as to reimbursement. 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 as of and for the year ended December 31, 2015.

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.

Contingencies

Grants require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by 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.

**SINGLE AUDIT
SUPPLEMENTAL REPORTS SECTION**

**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**

Management and Board of Directors
Community Family Centers

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 (CFC), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2016.

Internal Control Over Financial Reporting

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bankole, Okoye & Associates PC

Houston, Texas
May 27, 2016

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Management and Board of Directors
Community Family Centers

Report on Compliance for Each Major Federal Program

We have audited the compliance of Community Family Centers (CFC) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of CFC’s major federal programs for the year ended December 31, 2015. CFC’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 requirements 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 CFC’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 the 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 CFC’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that 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 CFC’s compliance

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Opinion on Each Major Program

In our opinion, CFC 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 program for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of CFC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CFC's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a 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 CFC'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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Purpose of this Report

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

Bankole, Okoye & Associates PC

Houston, Texas
May 27, 2016

COMMUNITY FAMILY CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

PART 1: SUMMARY OF AUDITOR’S RESULTS

Financial Statements Section:

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

Federal Awards Section:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditor’s report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Section .516(a)?	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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93.959	Block Grants for Prevention and Treatment of Substance Abuse
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Dollar threshold used to distinguish between Type A and B programs:	\$750,000
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Auditee qualified as low-risk auditee under the Uniform Guidance	Yes
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COMMUNITY FAMILY CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

PART 2: FINDINGS – FINANCIAL STATEMENT FINDING SECTION

This section identifies material weaknesses, significant deficiencies, fraud, illegal acts, violation of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in an audit performed in accordance with the Uniform Guidance.

No matters were reported.

PART 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

This section identifies the audit findings required to be reported by Uniform Guidance Section .516 (a). These findings include significant deficiencies and material weaknesses in internal control over major programs as well as significant instances of abuse, material instances of noncompliance with laws or regulations or terms and conditions of federal awards and questioned costs related to major programs.

No matters were reported.

COMMUNITY FAMILY CENTERS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2015

There were no prior audit findings that require follow-up in the current year.