

**CHILD AND FAMILY GUIDANCE CENTER OF TEXOMA**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITOR'S REPORT**

**December 31, 2018**

**VERONICA BROWN DAVIS, CPA  
DENISON, TEXAS**

CHILD AND FAMILY GUIDANCE CENTER OF TEXOMA  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2018

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# Veronica Brown Davis, CPA

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Child and Family Guidance Center of Texoma  
804 E. Pecan Grove Road  
Sherman, TX 75090

I have audited the accompanying financial statements of the Child and Family Guidance Center of Texoma, (the Center), a nonprofit organization, which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2018, and the related statements of support, revenue, and expenses and changes in net assets - modified cash basis, and functional expenses - modified cash basis, 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to a fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Child and Family Guidance Center of Texoma as of December 31, 2018, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 2.

### Basis of Accounting

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

### Report on Summarized Comparative Information

I previously audited the the Center's 2017 financial statements and expressed an unmodified audit opinion on those audited financial statements in my report dated July 3, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Veronica Davis*

Veronica Brown Davis, CPA  
Denison, Texas  
June 28, 2019

Child and Family Guidance Center of Texoma  
 Statements of Assets, Liabilities, and Net Assets  
 Modified Cash Basis  
 December 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current assets</u>		
Cash - unrestricted	\$ 478,022	\$ 505,852
Total current assets	478,022	505,852
<u>Fixed assets</u>		
Land	40,000	40,000
Buildings and improvements	587,658	560,393
less accumulated depreciation	(153,905)	(137,782)
Furniture & equipment	72,095	117,918
less accumulated depreciation	(34,880)	(103,723)
Total fixed assets	510,968	476,806
Total assets	\$ 988,990	\$ 982,658

LIABILITIES AND NET ASSETS

<u>Current liabilities</u>		
Accrued payroll deductions	\$ -	\$ 631
Deferred income	75,000	160,000
<u>Long-term liabilities</u>		
None	-	-
Total liabilities	75,000	160,631
<u>Net Assets</u>		
Without donor restrictions		
Undesignated	403,022	345,221
Net investment in capital assets	510,968	476,806
Total net assets	913,990	822,027
Total liabilities and net assets	\$ 988,990	\$ 982,658

Child and Family Guidance Center of Texoma  
Statement of Support, Revenue and Expenses  
and Changes in Net Assets  
Modified Cash Basis

For the year ended December 31, 2018

with summarized comparative information for the year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Dec. 31, 2018</u>	<u>Summarized Total Dec. 31, 2017</u>
<u>Operating Support and Revenue</u>				
Fees for therapy and educational services	\$ 590,135	\$ -	\$ 590,135	\$ 565,409
Contributions:				
Indirect - United Way allocation	79,347	-	79,347	75,452
Direct contributions	323,760	-	323,760	248,823
Fundraising event, net of expenses of \$36,694 and \$29,300, respectively	171,133	-	171,133	141,902
Interest income	1,046	-	1,046	761
Total support and revenue	<u>1,165,421</u>	<u>-</u>	<u>1,165,421</u>	<u>1,032,347</u>
<u>Operating Expenses</u>				
Program	936,130	-	936,130	872,259
Management and general	96,331	-	96,331	107,637
Fundraising	40,997	-	40,997	55,018
Total operating expenses	<u>1,073,458</u>	<u>-</u>	<u>1,073,458</u>	<u>1,034,914</u>
Total increase (decrease) in net assets from operations	91,963	-	91,963	(2,567)
Net assets released from restrictions	-	-	-	-
Net assets, beginning of year	<u>822,027</u>	<u>-</u>	<u>822,027</u>	<u>824,594</u>
Net assets, end of year	<u>\$ 913,990</u>	<u>\$ -</u>	<u>\$ 913,990</u>	<u>\$ 822,027</u>

Child and Family Guidance Center of Texoma  
Statement of Functional Expenses  
Modified Cash Basis  
For the year ended December 31, 2018  
with summarized comparative information for the year ended December 31, 2017

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total Dec.31, 2018</u>	<u>Summarized Total Dec.31, 2017</u>
Assistance to indigent	\$ 1,600	\$ -	\$ -	\$ 1,600	\$ 3,030
Bank charges/misc	-	4,597	-	4,597	4,829
Board/Staff meetings	3,441	1,720	1,720	6,881	5,234
Building - cleaning	6,503	1,148	-	7,651	8,081
Building & grounds- repairs/maintenance	14,150	2,497	-	16,647	13,254
Community support	2,500	-	-	2,500	-
Consultants	-	6,704	-	6,704	-
Continuing education	5,015	885	-	5,900	7,661
Copier maint & supplies	3,519	621	-	4,140	3,389
Employee benefits	70,032	6,085	4,202	80,319	76,423
Employee background/drug test	-	296	-	296	822
Equipment (non-capitalized)	929	164	-	1,093	2,337
Insurance - Prof liab and D&O	3,782	2,429	-	6,211	5,751
Insurance - property and GL	2,349	414	-	2,763	2,512
Membership dues	165	934	-	1,099	715
Office equipment repairs	14,778	2,608	-	17,386	18,661
Office supplies	5,109	901	-	6,010	7,606
Payroll processing fees	1,937	168	116	2,221	2,184
Payroll taxes	41,218	3,581	2,473	47,272	46,221
Postage/shipping	509	508	-	1,017	642
Professional fees - audit	-	3,800	-	3,800	3,400
Printing/publications/subs	883	156	-	1,039	125
Salaries and wages	538,801	46,813	32,327	617,941	600,682
Software-therapy/billing	16,890	2,981	-	19,871	22,991
Telephone/cable/internet	5,562	982	-	6,544	6,874
Therapy & testing contractors	158,324	-	-	158,324	152,815
Therapy supplies	6,535	-	-	6,535	7,216
Transportation/mileage	255	45	-	300	1,148
Utilities	9,123	1,610	-	10,733	10,606
Worker's compensation ins	2,651	230	159	3,040	2,949
Total expenses before depreciation	<u>916,560</u>	<u>92,877</u>	<u>40,997</u>	<u>1,050,434</u>	<u>1,018,158</u>
Depreciation	<u>19,570</u>	<u>3,454</u>	<u>-</u>	<u>23,024</u>	<u>16,756</u>
Total expenses	<u>\$ 936,130</u>	<u>\$ 96,331</u>	<u>\$ 40,997</u>	<u>\$ 1,073,458</u>	<u>\$ 1,034,914</u>

Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2018

NOTE 1. Organization's Mission Statement

The Child & Family Guidance Center of Texoma exists to strengthen, improve and empower the lives of hurting Texoma children and families through compassionate and restorative mental healthcare

NOTE 2. Basis of Presentation

The Center's financial statements are prepared on the modified cash basis of accounting. Income is recognized when received and expenses are recognized when paid. Non-cash expenses include depreciation of fixed assets, as described in Note 6. Also reported are employee payroll deductions accrued and not remitted by the end of year. Certain contributions received at year end for use in the subsequent year are reported as deferred revenue. Since the financial statements are presented on the modified cash basis of accounting, a statement of cash flows is not required or included.

NOTE 3. Income Tax Exemption

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 4. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2018 includes the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash & undeposited cash	\$ 250	\$ -	\$ 250
Demand deposit accounts	477,772	-	477,772
	<u>\$ 478,022</u>	<u>\$ -</u>	<u>\$ 478,022</u>

Cash and cash equivalents at December 31, 2017 includes the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	\$ 250	\$ -	\$ 250
Demand deposit accounts	505,602	-	505,602
	<u>\$ 505,852</u>	<u>\$ -</u>	<u>\$ 505,852</u>

The Center's deposits are insured by Federal Deposit Insurance Corporation (FDIC) up to the maximum coverage amounts. The Center's deposits at one bank exceed the maximum FDIC coverage. Management is aware of this and does not consider the risk of loss to be significant.

Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2018

NOTE 5. Fixed Assets

The Center's policy is to capitalize assets with a cost or estimated fair market value of at least \$2,500. Assets contributed with specific restrictions regarding use and contributions of cash that must be used to acquire property and equipment are reported as restricted support until the restrictions are satisfied. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets which varies from 5-40 years. Changes in assets and accumulated depreciation are as follows:

<u>Assets</u>	<u>12/31/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2018</u>
Bldgs & improvements	\$ 560,393	\$ 27,265	\$ -	\$ 587,658
Furniture & equipment	117,918	29,922	(75,745)	72,095
Land	40,000	-	-	40,000
	<u>\$ 718,311</u>	<u>\$ 57,187</u>	<u>\$ (75,745)</u>	<u>\$ 699,753</u>
<u>Accumulated deprec</u>	<u>12/31/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2018</u>
Bldgs & improvements	\$ (137,782)	\$ (16,123)	\$ -	\$ (153,905)
Furniture & fixtures	(103,723)	(6,902)	75,745	(34,880)
Land	-	-	-	-
	<u>(241,505)</u>	<u>(23,025)</u>	<u>75,745</u>	<u>(188,785)</u>
Totals	<u>\$ 476,806</u>	<u>\$ 34,162</u>	<u>\$ -</u>	<u>\$ 510,968</u>

<u>Assets</u>	<u>12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2017</u>
Bldgs & improvements	\$ 560,393	\$ -	\$ -	\$ 560,393
Furniture & equipment	111,413	11,589	(5,084)	117,918
Land	40,000	-	-	40,000
	<u>\$ 711,806</u>	<u>\$ 11,589</u>	<u>\$ (5,084)</u>	<u>\$ 718,311</u>
<u>Accumulated deprec</u>	<u>12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2017</u>
Bldgs & improvements	\$ (123,112)	\$ (14,670)	\$ -	\$ (137,782)
Furniture & fixtures	(106,721)	(2,086)	5,084	(103,723)
Land	-	-	-	-
	<u>(229,833)</u>	<u>(16,756)</u>	<u>5,084</u>	<u>(241,505)</u>
Totals	<u>\$ 481,973</u>	<u>\$ (5,167)</u>	<u>\$ -</u>	<u>\$ 476,806</u>

NOTE 6. Display of Net Assets

The Financial Accounting Standards Board (FASB) issued Financial Standards Update (FSU) No. 2016-4 which is effective with the 2018 financial statements of the Child & Family Guidance Center of Texoma. This FSU requires that the net assets be presented as two categories: net assets without donor restrictions and net assets with donor restrictions. Prior year net assets have been restated in this format for comparability.



Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2018

NOTE 7. Cost Allocation

The statement of functional expenses presents expenses of the Center according to program, management, and general, and fundraising expenses. Expenses have been allocated on a reasonable basis that is consistently applied based on management's estimates of time and effort and on primary use of resources.

NOTE 8. Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by asset category or function. Such information does not include sufficient detail to allow for complete comparison. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2017 from which the summarized financial information was derived.

NOTE 9. Estimates

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

NOTE 10. Contributed Support and Donor Restrictions

Contributed support is reported as with or without donor restrictions depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets are reported in the statement of activities as released from restrictions. Contributions whose donor restrictions are satisfied in the same year as received are reported as without restrictions.

NOTE 11. In Kind Support

Contributed professional services are recognized 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. Contributions of tangible items are recognized at fair market value when received. Each year, the Center receives contributed services, supplies, and assets from volunteers and other interested donors which do not meet the requirements described above and are not valued and reported in the financial statements.

NOTE 12. Government Grants

The Center receives income for counseling and therapy services from individuals, insurance, and various sources, some of which are processed by governmental agencies. The Center was a subrecipient of the Community Development Block Grant (HUD) through the City of Sherman, Texas for the purpose of providing counseling services for low income citizens. This is a reimbursing grant and the proceeds received, which are not material to the financial statements, have been included in fees income. The grant is received by the City of Sherman, Texas from the U.S. Government under Title I of the Housing and Community Development Act of 1974, Public Law 93-383.

Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2018

NOTE 13. Deferred Revenue

In late December 2017, the Center received \$160,000 as contributions from local foundations which was considered by the donors to be for use in providing program services in the year 2018. This amount was reported as deferred revenue at December 31, 2017 and was recognized as income from contributions on January 1, 2018.

In late December 2018, the Center received \$75,000 as contributions from local foundations which was considered by the donors to be for use in providing program services in the year 2019. This amount reported as deferred revenue at December 31, 2018 will be recognized as income from contributions on January 1, 2019.

NOTE 14. Retirement Plan

The Center provides a Simple IRA retirement plan to eligible employees, wherein the Center matches employee contributions with a maximum of 3% of compensation.

NOTE 15. Related Party Transactions

The Center contracts with two board members for services which are disclosed to and approved by the board. The value of the services is not material to the financial statements.

NOTE 16. Liquidity and Availability of Financial Assets

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

	<u>12/31/2018</u>
Financial assets at year-end	\$ 478,022
Less those unavailable for general expenses within one year	-
Financial assets available to meet cash needs for general expenses within one year	\$ 478,022

NOTE 17. Contingencies

The Center is subject to program compliance audits by the grantors and third-party payors or their representatives. Accordingly, the Center's compliance with applicable grant and billing requirements will be established at some future date. If future program compliance audits result in questioned or disallowed costs, reimbursements would be made to the applicable agencies. The amounts of expenditures that might be disallowed by the those agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

NOTE 18. Subsequent Events

Management has reviewed subsequent events through June 28, 2019, the date the financial statements were available to be released.