

CHILD AND FAMILY GUIDANCE CENTER OF TEXOMA

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

VERONICA BROWN DAVIS, CPA  
DENISON, TEXAS

CHILD AND FAMILY GUIDANCE CENTER OF TEXOMA  
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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, 2017, 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. The prior year comparative information has been derived from the 2016 financial statements and, in my report dated August 30, 2017, I expressed an unqualified opinion on those 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 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, 2017, 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.

*Veronica Davis*

Veronica Brown Davis, CPA  
Denison, Texas  
July 3, 2018

Child and Family Guidance Center of Texoma  
 Statements of Assets, Liabilities, and Net Assets  
 Modified Cash Basis  
 December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current assets</u>		
Cash - unrestricted	\$ 505,852	\$ 478,736
Cash - restricted	-	-
Total current assets	505,852	478,736
<u>Fixed assets</u>		
Land	40,000	40,000
Buildings and improvements	560,393	560,393
less accumulated depreciation	(137,782)	(123,112)
Furniture & equipment	117,918	111,413
less accumulated depreciation	(103,723)	(106,721)
Total fixed assets	476,806	481,973
Total assets	\$ 982,658	\$ 960,709

LIABILITIES AND NET ASSETS

<u>Current liabilities</u>		
Accrued payroll deductions	\$ 631	\$ 615
Deferred income	160,000	135,500
<u>Long-term liabilities</u>		
None	-	-
Total liabilities	160,631	136,115
<u>Net Assets</u>		
Temporarily restricted	-	-
Unrestricted		
Operating	345,221	342,621
Property, net of depreciation	476,806	481,973
Total net assets	822,027	824,594
Total liabilities and net assets	\$ 982,658	\$ 960,709

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, 2017

with summarized comparative information for the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Dec. 31, 2017</u>	<u>Summarized Total Dec. 31, 2016</u>
<u>Support and Revenue</u>				
Fees for therapy and educational services	\$ 565,409	\$ -	\$ 565,409	\$ 453,392
Contributions:				
United Way indirect contributions	75,452	-	75,452	68,432
Other direct contributions	248,823	-	248,823	249,998
Fundraising event, net of expenses of \$29,300 and \$28,246, respectively	141,902	-	141,902	102,959
Interest income	761	-	761	913
Miscellaneous income	-	-	-	-
Total support and revenue	<u>1,032,347</u>	<u>-</u>	<u>1,032,347</u>	<u>875,694</u>
<u>Expenses</u>				
Program	872,259	-	872,259	733,665
Management and general	107,637	-	107,637	91,990
Fundraising	55,018	-	55,018	30,478
Total operating expenses	<u>1,034,914</u>	<u>-</u>	<u>1,034,914</u>	<u>856,133</u>
Increase (decrease) in net assets from operations	(2,567)	-	(2,567)	19,561
Net assets released from restrictions	-	-	-	-
Net assets, beginning of year	<u>805,033</u>	<u>-</u>	<u>824,594</u>	<u>805,033</u>
Net assets, end of year	<u>\$ 802,466</u>	<u>\$ -</u>	<u>\$ 822,027</u>	<u>\$ 824,594</u>

Child and Family Guidance Center of Texoma  
Statement of Functional Expenses  
Modified Cash Basis  
For the year ended December 31, 2017  
with summarized comparative information for the year ended December 31, 2016

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total Dec.31, 2017</u>	<u>Summarized Total Dec.31, 2016</u>
Assistance to indigent	\$ 3,030	\$ -	\$ -	\$ 3,030	\$ 2,300
Bank charges/misc	-	4,829	-	4,829	3,927
Board/Staff meetings	2,618	1,308	1,308	5,234	5,865
Building - cleaning	6,869	1,212	-	8,081	8,661
Building & grounds- repairs/maintenance	11,266	1,988	-	13,254	7,105
Continuing education	6,512	1,149	-	7,661	6,713
Copier lease, maint, supplies	2,881	508	-	3,389	3,941
Employee benefits	62,861	7,927	5,635	76,423	49,910
Employee background/drug test	-	822	-	822	352
Equipment (non-capitalized)	1,986	351	-	2,337	800
Insurance - Prof liab and D&O	3,662	2,089	-	5,751	5,635
Insurance - property and GL	2,135	377	-	2,512	2,324
Membership dues	107	608	-	715	815
Office equipment repairs	15,862	2,799	-	18,661	10,316
Office supplies	6,465	1,141	-	7,606	8,570
Payroll processing fees	1,796	227	161	2,184	2,038
Payroll taxes	38,019	4,794	3,408	46,221	36,670
Postage/shipping	321	321	-	642	890
Professional fees - audit	-	3,400	-	3,400	3,400
Printing/publications/subs	106	19	-	125	4,666
Salaries and wages	494,089	62,304	44,289	600,682	466,548
Software-therapy/billing	19,542	3,449	-	22,991	14,780
Telephone/cable/internet	5,843	1,031	-	6,874	8,161
Therapy & testing contractors	152,815	-	-	152,815	160,942
Therapy supplies	7,216	-	-	7,216	9,132
Transportation/mileage	574	574	-	1,148	212
Utilities	9,015	1,591	-	10,606	10,940
Worker's compensation ins	2,426	306	217	2,949	1,858
Total expenses before depreciation	<u>858,016</u>	<u>105,124</u>	<u>55,018</u>	<u>1,018,158</u>	<u>837,471</u>
Depreciation	<u>14,243</u>	<u>2,513</u>	<u>-</u>	<u>16,756</u>	<u>18,662</u>
Total expenses	<u><u>\$ 872,259</u></u>	<u><u>\$ 107,637</u></u>	<u><u>\$ 55,018</u></u>	<u><u>\$ 1,034,914</u></u>	<u><u>\$ 856,133</u></u>

Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2017

NOTE 1. Organization

The Child and Family Guidance Center of Texoma (the Center) is a non-profit organization whose mission is to work to provide a safe and caring atmosphere where mental health professionals empower children, teens, adults, and families to strengthen and improve their lives.

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, 2017 includes the following:

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

Cash and cash equivalents at December 31, 2016 includes the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	\$ 230	\$ -	\$ 230
Demand deposit accounts	478,506	-	478,506
	<u>\$ 478,736</u>	<u>\$ -</u>	<u>\$ 478,736</u>

Occasionally throughout the year the Center's total deposits at American Bank of Texas exceeded the maximum coverage provided by U.S. Federal Deposit Insurance Corporation (FDIC). The board's management is aware of this and does not believe the risk of loss is significant.

Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2017

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 5-39 years. Changes in assets and accumulated depreciation are as follows:

<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>

<u>Assets</u>	<u>12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2016</u>
Bldgs & improvements	\$ 536,112	\$ 24,281	\$ -	\$ 560,393
Furniture & equipment	106,000	5,413	-	111,413
Land	40,000	-	-	40,000
	<u>\$ 682,112</u>	<u>\$ 29,694</u>	<u>\$ -</u>	<u>\$ 711,806</u>

<u>Accumulated deprec</u>	<u>12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2016</u>
Bldgs & improvements	\$ (109,049)	\$ (14,063)	\$ -	\$ (123,112)
Furniture & fixtures	(102,122)	(4,599)	-	(106,721)
Land	-	-	-	-
	<u>(211,171)</u>	<u>(18,662)</u>	<u>-</u>	<u>(229,833)</u>
Totals	<u>\$ 470,941</u>	<u>\$ 11,032</u>	<u>\$ -</u>	<u>\$ 481,973</u>

NOTE 6. Display of Net Assets

Standards for external financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into three net asset categories according to donor imposed restrictions. The three net asset categories are unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets including board-designated or appropriated amounts, are part of the unrestricted class.



Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2017

NOTE 7. 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, 2016 from which the summarized financial information was derived.

NOTE 8. 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 9. Contributed Support

Contributed support is reported as unrestricted or as restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of support, revenue and expenses as net assets released from restrictions. Contributions whose donor restrictions are satisfied in the same year as received are reported as unrestricted.

NOTE 10. 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 11. 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.

NOTE 12. Deferred Revenue

In late December 2016, the Center received \$135,500 as contributions from local foundations which was considered by the donors to be for use in providing program services in the year 2017. This amount was reported as deferred revenue at December 31, 2016 and was recognized as income from contributions on January 1, 2017.

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 is reported as deferred revenue at December 31, 2017 and will be recognized as income from contributions on January 1, 2018.

Child and Family Guidance Center of Texoma  
Notes to the Financial Statements  
December 31, 2017

NOTE 13. 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 14. Subsequent Events

Management has reviewed subsequent events through July 3, 2018, the date the financial statements were available to be released.