



# **Family Compass**

**Financial Statements  
December 31, 2021 and 2020**

# Family Compass

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## **Independent Auditors' Report**

To the Board of Directors of  
Family Compass

### ***Opinion***

We have audited the accompanying financial statements of Family Compass (Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Compass as of December 31, 2021 and 2020, 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 (GAAP).

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sutton Frost Cary*

A Limited Liability Partnership

Arlington, Texas  
May 25, 2022

**Family Compass**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

|  | 2021         | 2020         |
|--|--------------|--------------|
| <b>Assets</b>                            |              |              |
| <b>Current assets:</b>                   |              |              |
| Cash                                     | \$ 177,771   | \$ 354,109   |
| Certificates of deposit                  | -            | 500,000      |
| Investments                              | 514,134      | -            |
| Contributions receivable                 | 286,600      | 15,600       |
| Grants receivable                        | 113,294      | 120,727      |
| Prepaid expense                          | 15,326       | 16,380       |
| <b>Total current assets</b>              | 1,107,125    | 1,006,816    |
| Fixed assets, net                        | 26,057       | 31,351       |
| <b>Total assets</b>                      | \$ 1,133,182 | \$ 1,038,167 |
| <b>Liabilities and Net Assets</b>        |              |              |
| <b>Current liabilities:</b>              |              |              |
| Accounts payable and accrued liabilities | \$ 110,298   | \$ 125,591   |
| <b>Long-term liabilities:</b>            |              |              |
| Notes payable                            | 150,000      | 400,200      |
| <b>Total liabilities</b>                 | 260,298      | 525,791      |
| <b>Net assets:</b>                       |              |              |
| Without donor restrictions               | 538,525      | 438,259      |
| With donor restrictions                  | 334,359      | 74,117       |
| <b>Total net assets</b>                  | 872,884      | 512,376      |
| <b>Total liabilities and net assets</b>  | \$ 1,133,182 | \$ 1,038,167 |

See notes to financial statements.

**Family Compass**  
**Statement of Activities**  
**Year Ended December 31, 2021**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|---|-------------------------------|----------------------------|-------------------|
| <b>Support and revenue:</b>                                   |                               |                            |                   |
| HHSC grant  | \$ 238,240                    | \$ -                       | \$ 238,240        |
| United Way  | 166,015                       | 75,000                     | 241,015           |
| VOCA grant  | 93,430                        | -                          | 93,430            |
| Foundations   | 215,083                       | 687,000                    | 902,083           |
| Individuals   | 124,719                       | -                          | 124,719           |
| Corporations  | 58,503                        | 8,400                      | 66,903            |
| Special events, net of direct costs of \$57,774               | 220,827                       | -                          | 220,827           |
| In-kind contributions   | 120,167                       | -                          | 120,167           |
| Service fees  | 2,850                         | -                          | 2,850             |
| Exchange Club donations                                       | 5,200                         | -                          | 5,200             |
| Investment income, net  | 1,334                         | -                          | 1,334             |
| Other income  | 9,262                         | -                          | 9,262             |
| Net assets released from restrictions                         | 510,158                       | (510,158)                  | -                 |
| <b>Total support and revenue</b>                              | <b>1,765,788</b>              | <b>260,242</b>             | <b>2,026,030</b>  |
| <b>Expenses:</b>  |                               |                            |                   |
| Program services  | 1,515,240                     | -                          | 1,515,240         |
| General and administrative                                    | 135,414                       | -                          | 135,414           |
| Fundraising   | 264,268                       | -                          | 264,268           |
| <b>Total expenses</b>   | <b>1,914,922</b>              | <b>-</b>                   | <b>1,914,922</b>  |
| <b>Excess (deficit) of support and revenue over expenses:</b> | <b>(149,134)</b>              | <b>260,242</b>             | <b>111,108</b>    |
| <b>Non-operating gain(loss):</b>                              |                               |                            |                   |
| Gain on forgiveness of Paycheck Protection Program loan       | 250,200                       | -                          | 250,200           |
| Loss on disposal of fixed assets                              | (800)                         | -                          | (800)             |
| <b>Total non-operating income</b>                             | <b>249,400</b>                | <b>-</b>                   | <b>249,400</b>    |
| <b>Change in net assets</b>                                   | <b>100,266</b>                | <b>260,242</b>             | <b>360,508</b>    |
| <b>Net assets at beginning of year</b>                        | <b>438,259</b>                | <b>74,117</b>              | <b>512,376</b>    |
| <b>Net assets at end of year</b>                              | <b>\$ 538,525</b>             | <b>\$ 334,359</b>          | <b>\$ 872,884</b> |

See notes to financial statements.

**Family Compass**  
**Statement of Activities**  
**Year Ended December 31, 2020**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|---|-------------------------------|----------------------------|-------------------|
| <b>Support and revenue:</b>                         |                               |                            |                   |
| HHSC grant  | \$ 255,960                    | \$ -                       | \$ 255,960        |
| United Way  | 237,407                       | 75,000                     | 312,407           |
| VOCA grant  | 138,476                       | -                          | 138,476           |
| Foundations   | 475,327                       | 207,500                    | 682,827           |
| Individuals   | 176,359                       | -                          | 176,359           |
| Corporations  | 40,481                        | 20,350                     | 60,831            |
| Special events, net of direct costs of \$37,230     | 188,573                       | -                          | 188,573           |
| In-kind contributions                               | 108,070                       | -                          | 108,070           |
| Service fees  | 3,850                         | -                          | 3,850             |
| Exchange Club donations                             | 10,550                        | -                          | 10,550            |
| Other income  | 6,105                         | -                          | 6,105             |
| Net assets released from restrictions               | 534,762                       | (534,762)                  | -                 |
| <b>Total support and revenue</b>                    | <b>2,175,920</b>              | <b>(231,912)</b>           | <b>1,944,008</b>  |
| <b>Expenses:</b>                                    |                               |                            |                   |
| Program services                                    | 1,540,008                     | -                          | 1,540,008         |
| General and administrative                          | 104,062                       | -                          | 104,062           |
| Fundraising   | 175,531                       | -                          | 175,531           |
| <b>Total expenses</b>                               | <b>1,819,601</b>              | <b>-</b>                   | <b>1,819,601</b>  |
| <b>Excess of support and revenue over expenses:</b> | <b>356,319</b>                | <b>(231,912)</b>           | <b>124,407</b>    |
| <b>Non-operating loss:</b>                          |                               |                            |                   |
| Loss on disposal of fixed assets                    | (1,622)                       | -                          | (1,622)           |
| <b>Change in net assets</b>                         | <b>354,697</b>                | <b>(231,912)</b>           | <b>122,785</b>    |
| <b>Net assets at beginning of year</b>              | <b>83,562</b>                 | <b>306,029</b>             | <b>389,591</b>    |
| <b>Net assets at end of year</b>                    | <b>\$ 438,259</b>             | <b>\$ 74,117</b>           | <b>\$ 512,376</b> |

See notes to financial statements.



**Family Compass**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2021**

|  | Program<br>Services | General and<br>Administrative | Fundraising       | Total               |
|--|---------------------|-------------------------------|-------------------|---------------------|
| <b>Compensation and related expenses:</b>  |                     |                               |                   |                     |
| Salaries   | \$ 977,851          | \$ 64,050                     | \$ 129,213        | \$ 1,171,114        |
| Payroll taxes  | 84,880              | 5,017                         | 10,914            | 100,811             |
| Benefits   | 18,755              | 5,913                         | 2,171             | 26,839              |
| <b>Total compensation and related expenses</b>                                       | <b>1,081,486</b>    | <b>74,980</b>                 | <b>142,298</b>    | <b>1,298,764</b>    |
| Advertising  | 1,241               | -                             | 1,160             | 2,401               |
| Client services  | 12,961              | -                             | 13,522            | 26,483              |
| Depreciation   | 4,887               | 4,888                         | -                 | 9,775               |
| Equipment rental   | 16,211              | 994                           | -                 | 17,205              |
| Information technology   | 31,197              | 10,071                        | 18,826            | 60,094              |
| Insurance  | 101,020             | 17,425                        | 15,073            | 133,518             |
| Interest   | 3,933               | 135                           | 167               | 4,235               |
| Mileage  | 1,842               | -                             | 260               | 2,102               |
| Miscellaneous  | 10,922              | 5,840                         | 12,779            | 29,541              |
| Occupancy  | 167,724             | 4,804                         | 1,400             | 173,928             |
| Office   | 22,904              | 6,734                         | 6,880             | 36,518              |
| Professional fees  | 35,152              | 8,404                         | 9,249             | 52,805              |
| Special events   | -                   | -                             | 100,253           | 100,253             |
| Training seminar   | 23,760              | 1,139                         | 175               | 25,074              |
| <b>Total expenses</b>  | <b>1,515,240</b>    | <b>135,414</b>                | <b>322,042</b>    | <b>1,972,696</b>    |
| <b>Less expenses included with revenues on the statement of activities</b>           |                     |                               |                   |                     |
| Direct costs of special events   | -                   | -                             | (57,774)          | (57,774)            |
| <b>Total expenses included in the expense section on the statement of activities</b> | <b>\$ 1,515,240</b> | <b>\$ 135,414</b>             | <b>\$ 264,268</b> | <b>\$ 1,914,922</b> |

See notes to financial statements.

**Family Compass**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

|  | Program<br>Services | General and<br>Administrative | Fundraising       | Total               |
|--|---------------------|-------------------------------|-------------------|---------------------|
| <b>Compensation and related expenses:</b>  |                     |                               |                   |                     |
| Salaries   | \$ 1,001,092        | \$ 37,759                     | \$ 99,167         | \$ 1,138,018        |
| Payroll taxes  | 76,290              | 3,467                         | 7,192             | 86,949              |
| Benefits   | 16,751              | 5,445                         | 3,315             | 25,511              |
| <b>Total compensation and related expenses</b>                                       | 1,094,133           | 46,671                        | 109,674           | 1,250,478           |
| Advertising  | 114                 | -                             | 6,052             | 6,166               |
| Client services  | 25,259              | -                             | -                 | 25,259              |
| Depreciation   | 4,188               | 4,188                         | -                 | 8,376               |
| Equipment rental   | 16,710              | 1,250                         | -                 | 17,960              |
| Information technology   | 31,882              | 11,663                        | 18,581            | 62,126              |
| Insurance  | 102,988             | 19,681                        | 11,252            | 133,921             |
| Interest   | 1,926               | 66                            | 82                | 2,074               |
| Mileage  | 7,489               | -                             | 105               | 7,594               |
| Miscellaneous  | 13,448              | 4,544                         | 4,594             | 22,586              |
| Occupancy  | 164,823             | 5,710                         | 1,679             | 172,212             |
| Office   | 21,841              | 2,989                         | 3,387             | 28,217              |
| Professional fees  | 27,017              | 6,875                         | 7,024             | 40,916              |
| Special events   | -                   | -                             | 50,007            | 50,007              |
| Training seminar   | 28,190              | 425                           | 324               | 28,939              |
| <b>Total expenses</b>  | 1,540,008           | 104,062                       | 212,761           | 1,856,831           |
| <b>Less expenses included with revenues on the statement of activities</b>           |                     |                               |                   |                     |
| Direct costs of special events   | -                   | -                             | (37,230)          | (37,230)            |
| <b>Total expenses included in the expense section on the statement of activities</b> | <u>\$ 1,540,008</u> | <u>\$ 104,062</u>             | <u>\$ 175,531</u> | <u>\$ 1,819,601</u> |

See notes to financial statements.

**Family Compass**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>   |                   |                   |
| Change in net assets   | \$ 360,508        | \$ 122,785        |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                   |                   |
| Depreciation   | 9,775             | 8,376             |
| Net realized and unrealized gains on investments   | (1,438)           | -                 |
| Gain on forgiveness of Paycheck Protection Program loan  | (250,200)         | -                 |
| Loss on disposal of fixed assets   | 800               | 1,622             |
| Changes in assets and liabilities:   |                   |                   |
| Contributions receivable   | (271,000)         | 225,900           |
| Grants receivable  | 7,433             | (36,485)          |
| Prepaid expense  | 1,054             | (16,380)          |
| Accounts payable and accrued liabilities   | (15,293)          | 49,790            |
| <b>Net cash provided (used) by operating activities</b>  | <b>(158,361)</b>  | <b>355,608</b>    |
| <b>Cash flows from investing activities:</b>   |                   |                   |
| Purchases of certificates of deposit   | -                 | (500,000)         |
| Proceeds from maturity of certificates of deposit  | 500,000           | -                 |
| Purchases of fixed assets  | (5,281)           | (15,981)          |
| Purchases of investments   | (512,696)         | -                 |
| <b>Net cash used by investing activities</b>   | <b>(17,977)</b>   | <b>(515,981)</b>  |
| <b>Cash flows from financing activities:</b>   |                   |                   |
| Proceeds from related party notes payable  | -                 | 47,645            |
| Repayment of related party notes payable   | -                 | (47,645)          |
| Proceeds from notes payable  | -                 | 400,200           |
| <b>Net cash provided by financing activities</b>   | <b>-</b>          | <b>400,200</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>(176,338)</b>  | <b>239,827</b>    |
| <b>Cash at beginning of year</b>   | <b>354,109</b>    | <b>114,282</b>    |
| <b>Cash at end of year</b>   | <b>\$ 177,771</b> | <b>\$ 354,109</b> |
| <b>Supplemental disclosure of noncash financing activities:</b>                                    |                   |                   |
| Forgiveness of Paycheck Protection Program loan  | \$ 250,200        | \$ -              |

See notes to financial statements.

# Family Compass

## Notes to Financial Statements

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### 1. Organization

Family Compass (Organization) is located in Dallas, Texas and is a nonprofit organization that is classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (Code). The purpose of the Organization is to break the cycle of child abuse by equipping parents for success. Programs include: (1) the provision of the nationally affiliated Parents as Teachers model to pregnant teens and young parents in high poverty zip codes of Dallas County through the Growing As Parent Home Mentoring Program, (2) the provision of intensive, clinically-focused, in-home support and educational services to families at high risk of child abuse and neglect through the Parent Aide program, (3) child abuse prevention seminars and parenting classes through the Community Education and Outreach Program, (4) support groups and resources for parents, (5) the provision of the nationally affiliated Parents As Teachers Model through the Growing As Parents Home Mentoring Program in Collin County. The Organization is primarily supported by government and private grants, along with three fundraising events per year and contributions from individuals and other organizations.

### 2. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies of the Organization are described below.

#### ***Basis of Accounting***

The Organization prepares the financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

#### ***Financial Statement Presentation***

The Organization's financial statements are presented in accordance with GAAP which requires the Organization to report its financial position and activities using two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

## **Family Compass**

### **Notes to Financial Statements**

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Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

#### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments that potentially expose the Organization to concentrations of credit risk, consist principally of cash, certificates of deposit and contributions and grants receivable.

The Organization places cash and certificates of deposit, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Accounts at each institute are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2021, the Organization had no uninsured bank balances.

Contributions receivable are unsecured and are due from various donors. Grants receivable are unsecured and are due from grantor agencies. The Organization continually evaluates the collectability of contributions and grants receivable and maintains allowances for potential losses, if considered necessary. At December 31, 2021 and 2020, the Organization estimates that no allowance for uncollectible receivables was necessary.

#### ***Certificates of Deposit***

The Organization had certificates of deposit with a financial institution with interest rates of 0.65% and maturity dates of 3/30/2021 that fully matured during the year ended December 31, 2021. The certificates of deposit were measured at fair value.

#### ***Fixed Assets***

Fixed assets purchased by the Organization are recorded at cost or if acquired by gift, at fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$500; the fair value of donated fixed assets is capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives.

## **Family Compass**

### **Notes to Financial Statements**

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#### ***Revenue Recognition***

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

A portion of the Organization's revenue is derived from cost-reimbursable contract and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization has been awarded cost-reimbursable grants of \$262,486 and \$375,385 that have not been recognized at December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Fees for contract services are recognized as revenue when the contracted services are performed.

Volunteers, business firms and others contribute substantial amounts of supplies and other items toward the fulfillment of programs initiated by the Organization. To the extent that noncash contributions which are under the control of the Organization are objectively measurable and represent program or support expenses which would be otherwise incurred, they are reflected as in-kind contributions and expense in the accompanying financial statements. In-kind contributions are stated at their estimated value at date of receipt.

Donated use of facilities is reflected as a contribution at the estimated fair value of the rent. The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

#### ***Concentrations***

As of December 31, 2021, approximately 92% of total contributions receivable is due to the Organization from three foundations. As of December 31, 2020, approximately 64% of total contributions receivable is due to the Organization from one foundation.

## **Family Compass**

### **Notes to Financial Statements**

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As of December 31, 2021 and 2020, 100% of total grants receivable is due to the Organization from three government agencies.

During the years ended December 31, 2021 and 2020, the Organization received approximately 12% and 16%, respectively, of its total support and revenue from the United Way.

During the years ended December 31, 2021 and 2020, the Organization received approximately 12% and 13%, respectively, of its total support and revenue from a state agency.

During the year ended December 31, 2021, the Organization received approximately 17% of its total support and revenue from one foundation. During the year ended December 31, 2020, no such concentration existed.

#### ***Federal Income Taxes***

The Organization is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the Code that is exempt from federal income taxes under Section 501(a) of the Code. For the years ended December 31, 2021 and 2020, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying financial statements. The Organization had no significant uncertain tax positions for the years ended December 31, 2021 and 2020.

#### ***Allocation of Functional Expenses***

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Certain costs are charged directly to the functions they benefit.

Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, equipment rental, professional fees, office expenses, information technology, mileage, training and other, which are allocated on the basis of estimates of time and effort.

#### ***Contract Compliance***

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. The Organization's management is unaware of any instance of such non-compliance, or any resulting disallowance. Moreover, in the opinion of the Organization's management, such disallowance, if any, would not be material to the Organization's financial statements.

# Family Compass

## Notes to Financial Statements

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### ***Estimates and Assumptions***

The preparation of financial statements in conformity with GAAP requires management to make 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

### ***New Accounting Pronouncements***

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization will be required to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

### **3. Fixed Assets**

Fixed assets consist of the following at December 31:

|                          | <u>2021</u>      | <u>2020</u>      |
|--------------------------|------------------|------------------|
| Furniture and equipment  | \$ 51,168        | \$ 47,888        |
| Accumulated depreciation | <u>(25,111)</u>  | <u>(16,537)</u>  |
|                          | <u>\$ 26,057</u> | <u>\$ 31,351</u> |



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#### **4. Board Designated Net Assets**

During the year ended December 31, 2018, the board of directors created a reserve fund for the purpose of building and maintaining an adequate level of net assets without donor restrictions to support the Organization's day-to-day operations in the event of unforeseen shortfalls. At December 31, 2021 and 2020, net assets without donor restrictions includes board designated net assets of \$30,046 and \$29,008, respectively.

#### **5. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following as of December 31:

|                             | <u>2021</u>       | <u>2020</u>      |
|-----------------------------|-------------------|------------------|
| Program supplies            | \$ 11,859         | \$ 9,685         |
| Client emergency assistance | 10,000            | 10,439           |
| Time restricted             | 252,500           | 37,500           |
| Support groups              | -                 | 14,993           |
| Subsequent period programs  | <u>60,000</u>     | <u>1,500</u>     |
|                             | <u>\$ 334,359</u> | <u>\$ 74,117</u> |

#### **6. Notes Payable**

##### **EIDL Note**

On June 24, 2020, the Organization received \$150,000 in loan funding from the Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program administered by the SBA, which was expanded pursuant to the Coronavirus Aid, Relief and Economic Security Act of 2020 (CARES Act). The EIDL is evidenced by a promissory note, dated June 24, 2020 (EIDL Note) in the original principal amount of \$150,000 with the SBA, the lender.

Under the terms of the EIDL Note, interest accrues on the outstanding principal at the rate of 2.75% per annum. The term of the EIDL Note is 30 years, though it may be payable sooner upon an event of default under the EIDL Note. Under the EIDL Note, the Organization will be obligated to make equal monthly payments of \$641 beginning December 24, 2022 through the maturity date of June 24, 2050. Payments are first applied to accrued interest. The EIDL Note may be prepaid in part or in full, at any time, without penalty and is collateralized by the Organization's bank deposits, accounts receivable and equipment.

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Maturities of long-term debt are as follows for the years ending December 31:

|            |    |         |
|------------|----|---------|
| 2022       | \$ | -       |
| 2023       |    | 3,333   |
| 2024       |    | 3,426   |
| 2025       |    | 3,521   |
| 2026       |    | 3,620   |
| Thereafter |    | 136,100 |
|            | \$ | 150,000 |

**Paycheck Protection Program Loan**

In April 2020, the Organization received loan proceeds in the amount of \$250,200 from a financial institution under the Paycheck Protection Program (PPP), established as part of the CARES Act. The PPP loan includes a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll and benefits, and if the Organization maintains its payroll levels. On March 15, 2021, the Organization received forgiveness of the entire amount of the PPP loan. The forgiveness of the PPP loan is included in gain on forgiveness of debt in the accompanying statement of activities for the year ended December 31, 2021.

**7. In-kind Contributions**

The Organization received the following in-kind contributions during the years ended December 31:

|          | 2021       | 2020       |
|----------|------------|------------|
| Rent     | \$ 106,000 | \$ 106,000 |
| Supplies | 14,167     | 2,070      |
|          | \$ 120,167 | \$ 108,070 |

**8. Commitments**

The Organization leases its premises under an operating lease for which the Organization is responsible for \$1 of rent per annum and actual share of utilities and other associated costs. The Organization has estimated the annual value of this rental at \$106,000, which is included as unrestricted support and occupancy expense in the accompanying financial statements.

The Organization also has a sublease for office space from the Children’s Advocacy Center of Collin County. The lease has no end date, but may be terminated by either party with a ninety (90) day notice. The monthly rent is \$685 for this space.

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In addition, the Organization leases various office equipment pursuant to non-cancellable operating leases expiring through June 2024. The remaining future minimum lease payments pursuant to the equipment leases are as follows for the years ending December 31:

|      |    |        |
|------|----|--------|
| 2022 | \$ | 11,640 |
| 2023 |    | 11,640 |
| 2024 |    | 5,820  |

Rent expense totaled \$164,937 and \$168,816 for the years ended December 31, 2021 and 2020, respectively.

### 9. Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover general expenditures for a reasonable period of time.

The following table reflects the Organization's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions as of December 31:

|   | 2021         | 2020       |
|---|--------------|------------|
| Cash  | \$ 177,771   | \$ 354,109 |
| Certificates of deposit   | -            | 500,000    |
| Investments   | 514,134      | -          |
| Contributions receivable  | 286,600      | 15,600     |
| Grants receivable   | 113,294      | 120,727    |
| Financial assets available for general expenditures within one year       | 1,091,799    | 990,436    |
| Amounts unavailable to management without board of directors' approval:   |              |            |
| Board designated for reserve fund   | (30,046)     | (29,008)   |
| Total financial assets available within one year after board designations | \$ 1,061,753 | \$ 961,428 |

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**Notes to Financial Statements**

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**10. Special Events**

The following is a summary of the revenue and support and direct costs for each fundraising event for the year ended December 31, 2021:

|          | <u>Income</u>     | <u>Cost of Direct<br/>Donor Benefits</u> | <u>Net</u>        |
|----------|-------------------|--|-------------------|
| Luncheon | \$ 144,308        | \$ 24,560                                | \$ 119,748        |
| Golf     | 120,839           | 33,146                                   | 87,693            |
| Lip Sync | 13,454            | 68                                       | 13,386            |
|          | <u>\$ 278,601</u> | <u>\$ 57,774</u>                         | <u>\$ 220,827</u> |

The following is a summary of the revenue and support and direct costs for each fundraising event for the year ended December 31, 2020:

|          | <u>Income</u>     | <u>Cost of Direct<br/>Donor Benefits</u> | <u>Net</u>        |
|----------|-------------------|--|-------------------|
| Luncheon | \$ 118,448        | \$ 13,800                                | \$ 104,648        |
| Golf     | 88,405            | 23,430                                   | 64,975            |
| Lip Sync | 18,950            | -  | 18,950            |
|          | <u>\$ 225,803</u> | <u>\$ 37,230</u>                         | <u>\$ 188,573</u> |

**11. Retirement Plan**

The Organization provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. The Organization contributes up to 3% of gross wages for participants with a maximum of \$10,000 per year. Contributions to the plan during the years ended December 31, 2021 and 2020 were \$26,839 and \$25,511, respectively.

**12. Related Party Transactions**

The Organization received contributions totaling \$56,242 and \$45,192 during the years ended December 31, 2021 and 2020, respectively, from members of the board of directors.

During 2020, the Organization borrowed and repaid within three months of loan origination date a total of \$47,645 from two board members. The borrowings were repaid using the cash collections of contributions receivable made known to the Organization before it borrowed the funds. During 2021, the Organization did not borrow from any members of the board.

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**13. Subsequent Events**

The Organization has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.