Family Gateway and Affiliate

Consolidated Financial Statements with Supplementary Information and Compliance Reports
December 31, 2019

Sutton Frost Cary LLP
Certified Public Accountants

Family Gateway and Affiliate
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Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Family Gateway and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family Gateway and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Family Gateway Affordable Housing, Inc. were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Gateway and Affiliate as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities of Family Gateway and Affiliate are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200*, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards*, and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2020 on our consideration of Family Gateway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectives of Family Gateway's 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 Family Gateway's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
August 19, 2020

Family Gateway and Affiliate
Consolidated Statement of Financial Position
December 31, 2019

Assets

Current assets:		
Cash and cash equivalents	$	4,492,083
Certificates of deposit		502,028
Accounts receivable		78,082
Pledges receivable		284,999
Prepaid expenses and deposits		33,263
Total current assets		5,390,455
Pledges receivable		50,000
Developer fee receivable		1,055,000
Property and equipment, net		1,219,743
Total assets	$	7,715,198

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	$	338,263
Deferred revenue		65,527
Total liabilities		403,790
Net assets:		
Without donor restrictions		5,627,266
With donor restrictions		1,684,142
Total net assets		7,311,408
Total liabilities and net assets	$	7,715,198

See notes to consolidated financial statements.

Family Gateway and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 4,228,879	$ 1,259,999	$ 5,488,878
In-kind contributions	565,984	-	565,984
Government grants	1,114,753	-	1,114,753
Special events (net of direct costs of $130,270)	675,798	-	675,798
Rental income	63,640	-	63,640
Interest income	31,173	-	31,173
Net assets released from restrictions	766,624	(766,624)	-
Total revenue and support	7,446,851	493,375	7,940,226
Expenses:			
Program services	4,006,347	-	4,006,347
Management and general	370,938	-	370,938
Fundraising	333,087	-	333,087
Total expenses	4,710,372	-	4,710,372
Change in net assets	2,736,479	493,375	3,229,854
Net assets at beginning of year	2,890,787	1,190,767	4,081,554
Net assets at end of year	$ 5,627,266	$ 1,684,142	$ 7,311,408

See notes to consolidated financial statements.

Family Gateway and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program services	Management and general	Fundraising	Total
Compensation and related expenses:				
Salaries and wages	$ 1,233,213	$ 188,173	$ 175,602	$ 1,596,988
Payroll taxes and fringe benefits	323,956	38,015	38,857	400,828
Total compensation and related costs	1,557,169	226,188	214,459	1,997,816
Client rent and utility assistance	432,655	-	-	432,655
Occupancy	352,139	24,074	13,904	390,117
Insurance	26,818	9,955	-	36,773
Repairs and maintenance	115,702	-	-	115,702
Security services	170,016	-	-	170,016
Educational supplies and activities	35,555	356	-	35,911
Meal preparation and service	48,076	-	-	48,076
Transportation	24,340	480	865	25,685
Supplies	213,135	8,864	19,905	241,904
Client assistance	680,614	-	-	680,614
Contract services	213,171	78,289	47,744	339,204
Other	8,976	19,939	33,417	62,332
Special events	-	-	130,270	130,270
Information technology	26,634	2,793	2,793	32,220
Depreciation	101,347	-	-	101,347
Total expenses by function	4,006,347	370,938	463,357	4,840,642
Less expenses included with revenues on the statement of activities				
Direct costs of special event	-	-	(130,270)	(130,270)
Total expenses included in the expense section on the statement of activities	$ 4,006,347	$ 370,938	$ 333,087	$ 4,710,372

See notes to consolidated financial statements.

Family Gateway and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	$ 3,229,854
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	101,347
Changes in operating assets and liabilities:	
Accounts receivable	130,186
Pledges receivable	(231,900)
Prepaid expenses and deposits	1,765
Accounts payable and accrued expenses	18,768
Deferred revenue	53,644
Net cash provided by operating activities	3,303,664
Cash flows from investing activities:	
Sale of certificates of deposit	246,255
Purchases of property and equipment	(488,310)
Net cash used by investing activities	(242,055)
Increase in cash and cash equivalents	3,061,609
Cash and cash equivalents at beginning of year	1,430,474
Cash and cash equivalents at end of year	$ 4,492,083

See notes to consolidated financial statements.

1. Organization

Family Gateway is a 501(c)(3) not-for-profit organization that provides stability and life-changing supportive services to children and families affected by homelessness. Services include a dedicated team to help families access crisis services, comprehensive assessments to determine the most appropriate intervention for a family's needs, triage into Family Gateway's emergency shelter as well as partner shelters in the metroplex, 24 x 7 emergency shelter operations, intensive case management services focused on a housing solution and removing barriers to success, an education and afterschool program, and supportive housing to reduce the chances of families returning to homelessness. While in care, families are offered a variety of services according to their unique needs, including referrals to partners and onsite support for financial literacy, pregnancy prevention, mental health counseling, drug/alcohol abuse counseling, medical/dental care, etc. Services are designed with a Housing First approach to move families as quickly as possible out of a shelter experience and into housing, coupled with wrap-around services. Services are also designed to divert families from an emergency shelter experience if they can be managed with a less expensive intervention. Family Gateway is primarily supported through contributions and government grants.

In 2005, Family Gateway formed Family Gateway Affordable Housing, Inc. (FGAH), a Texas not-for-profit corporation, for the purposes of building and operating housing units available to low-income tenants. FGAH is operated, supervised and controlled by Family Gateway and the FGAH board of directors.

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts and transactions of Family Gateway and FGAH (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Organization prepares the consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Net assets without donor restrictions* - Net assets not subject to donor or grantor-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 or grantor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations of 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 and Market Risk Concentrations

Financial instruments, which are potentially subject to concentrations of credit and market risk, consist principally of cash, cash equivalents, certificates of deposit, and accounts, pledges and developer fees receivable.

Cash, cash equivalents and certificates of deposit are placed with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. As of December 31, 2019, the Organization’s uninsured bank balances totaled $3,830,669. The Organization monitors credit worthiness of each financial institution with which it conducts business and has not experienced any losses in its accounts. The Organization believes it is not exposed to any significant risk on cash, cash equivalents and certificates of deposit.

Accounts receivable are unsecured and are due mainly from government grantor agencies. Pledges receivable are unsecured and are due from various donors. The Organization evaluates the collectability of accounts and pledges receivable and maintains an allowance for potential losses, if considered necessary. The developer fee receivable is due from a related entity (see Note 8). Management analyzes the collectability of the developer fee receivable on an ongoing basis (at least annually) based upon the Project's financial condition, occupancy rates and other available information. No allowance for accounts, pledges or developer fees receivable was considered necessary at December 31, 2019.

Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets, and certificates of deposit with remaining maturities greater than one year are classified as long-term assets. The Organization has invested in certificates of deposit with interest rates ranging from 2.55% to 2.75%. The certificates of deposit mature in 2020. Investments in certificates of deposit total $502,028 at December 31, 2019.

Property and Equipment

Property and equipment 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 property and equipment in excess of $2,500; the fair value of donated fixed assets is capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 15 to 20 years for buildings and improvements and 3 to 7 years for furniture and equipment. Leasehold improvements are depreciated over the shorter of the lease term or asset life.

Long-Lived Assets

The Organization's long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment.

Management believes no impairment has occurred with respect to the long-lived assets as of December 31, 2019.

Revenue Recognition

The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. 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. Conditional promises to give, 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.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts 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 consolidated statement of financial position. The Organization was awarded cost reimbursable grants of $488,470 that have not been recognized as revenue at December 31, 2019, because qualifying expenditures have not yet been incurred.

Donated goods are reflected as contributions at their estimated fair 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.

Rental income is recognized in the month earned.

Special event revenue is recognized at the time of the event. Cash received in advance of the event is reported as deferred revenue.

Developer fee income is recognized during the construction period based on percentage of construction completed. Developer fees received in advance are reported as deferred developer fee. Amounts not received by the completion date are recorded as developer fee receivables.

Contract Compliance

The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the consolidated financial position or change in net assets of the Organization.

Allocation of Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the various functions benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, payroll taxes and fringe benefits and information technology, which are allocated on the basis of estimates of time and effort. All other expenses have been directly allocated.

Federal Income Taxes

Family Gateway and FGAH are nonprofit publicly supported organizations, as defined in Section 501(c)(3) of the Internal Revenue Code (Code) that are exempt from federal income taxes under Section 509(a) of the Code. For the year ended December 31, 2019, 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 consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Estimates and Assumptions

The preparation of consolidated 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 consolidated 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 consolidated financial position and change in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use 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.

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

Accounting Pronouncements Adopted

The Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the year ended December 31, 2019. Topic 606 is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components.

The Organization adopted FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made,* as of and for the year ended December 31, 2019. ASU 2018-08 was issued to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance.

Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

3. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Building and improvements	$ 1,610,431
Furniture and equipment	189,719
Accumulated depreciation	(580,407)
	$ 1,219,743

Depreciation expense totaled $101,347 for the year ended December 31, 2019.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2019:

Expansion related costs	$ 403,874
Resource Center operations	850,000
Assessment and diversion program	65,000
Time and purpose	334,999
Other	20,269
Restricted in perpetuity	10,000
	$ 1,684,142

Net assets subject to restriction in perpetuity relate to the Kids Helping Kids Endowment Fund, which was established to support education programs of the Organization from revenues earned by the fund. This fund was established on September 6, 2015 through a contribution of $10,000.

5. In-Kind Contributions

Significant services, materials and use of facilities are donated to the Organization by various individuals and entities. The Organization leases its downtown facility from the City of Dallas for $1 per year. The Organization renewed this lease with the City of Dallas for an additional 10 years on September 27, 2016. The estimated fair value of the in-kind rent totaled $270,000 and is included in contributions and occupancy expense in the accompanying consolidated financial statements. Donated materials amounted to $295,987 for the year ended December 31, 2019, were recorded at fair value at the date of donation, and have been included in contributions and client assistance expense in the accompanying consolidated financial statements.

6. Leases

The Organization leases space for administrative and program facilities and has certain office equipment under noncancelable operating lease agreements which expire through July 2026. Future minimum annual lease payments required under these leases are as follows:

2020	$	84,467
2021		79,274
2022		81,410
2023		83,546
2024		85,682
Thereafter		139,772

Rent expense totaled $346,630 for the year ended December 31, 2019, and includes donated use of facilities of $270,000 (See Note 5).

7. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$	4,492,083
Certificates of deposit		502,028
Accounts receivable		78,082
Pledges receivable		284,999
Total financial assets		5,357,192
Less amounts not available for general expenditure within one year, due to:		
Restricted for capital improvements		(403,874)
Restricted in perpetuity		(10,000)
Financial assets available to meet cash needs for general expenditure within one year	$	4,943,318

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $1,000,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

8. Low-Income Housing Project, Related Party Transactions and Commitments

FGAH and RMGM Developers, LLC (Developer) formed Hutchins 805 North Denton GP, LLC (Hutchins GP). Hutchins GP was formed solely for the purpose of serving as the managing member of Hutchins 805 North Denton, LLC (Hutchins LLC) which was formed for the acquisition, financing, development, construction, ownership, operation, maintenance and management of a low-income housing project known as Gateway at Hutchins (Project), located in Hutchins, Texas in a manner that will qualify for low-income housing tax credits under Code Section 42. FGAH owns a 51% and noncontrolling interest of Hutchins GP and acts as Co-Manager with the Developer.

The Project is financed by tax-exempt bonds and 4% Low-Income Housing Tax Credits from the Texas Department of Housing and Community Affairs. Construction of the Project began in the fall of 2016 and was completed in July 2018.

FGAH entered into an agreement with the Developer of the Project to provide consultation on the Project. The developer fee receivable at December 31, 2019 totaled $1,055,000. The receivable bears interest at 6% per year and is to be collected from the Project's net operating cash flow over the 15 year compliance period, based on a distribution formula. Management anticipates collections to begin in 2025. Upon receipt of payment, the developer fee will be transferred to Family Gateway for participation in the Project.

Hutchins GP entered into an incentive management agreement with Hutchins, LLC for performing supervisory management and oversight services. The annual non-cumulative incentive management fee is not to exceed 12% of the Project's gross revenues for such year and is payable from net cash flow as defined in the agreement. FGAH is to receive 75% of such payments. No incentive management fee was accrued or received in 2019.

FGAH has agreed to provide appropriate social services related to homelessness prevention, in connection with the mission of Family Gateway, to all eligible tenants of the Project at no cost to the tenants. During the year ended December 31, 2019, Family Gateway provided social services on behalf of FGAH valued at $37,500.

FGAH has the option to purchase the Project at the close of the Project's 15 year compliance period for the greater of outstanding debt and taxes or the fair market value of the property appraised as low-income housing.

At December 31, 2019, accounts payable includes $126,784 due to the Project.

9. Subsequent Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

The Organization applied for and received a $406,500 forgivable Paycheck Protection Program loan originated from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization plans to use those funds only for forgivable purposes.

The Organization evaluated subsequent events after the consolidated statement of financial position date of December 31, 2019 through the date the consolidated financial statements were issued, and concluded that no additional disclosures are required.

Family Gateway and Affiliate
Consolidating Statement of Financial Position
December 31, 2019

Assets

	Family Gateway	FGAH	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	$ 4,365,299	$ 126,784	$ -	$ 4,492,083
Certificates of deposit	502,028	-	-	502,028
Accounts receivable	78,082	-	-	78,082
Pledges receivable	284,999	-	-	284,999
Prepaid expenses and deposits	33,263	21,323	(21,323)	33,263
Total current assets	5,263,671	148,107	(21,323)	5,390,455
Pledges receivable	50,000	-	-	50,000
Developer fee receivable	-	1,055,000	-	1,055,000
Property and equipment, net	1,219,743	-	-	1,219,743
Total assets	$ 6,533,414	$ 1,203,107	$ (21,323)	$ 7,715,198

Liabilities and Net Assets

	Family Gateway	FGAH	Eliminations	Consolidated
Current liabilities:				
Accounts payable and accrued expenses	$ 192,683	$ 166,903	$ (21,323)	$ 338,263
Deferred revenue	65,527	-	-	65,527
Total liabilities	258,210	166,903	(21,323)	403,790
Net assets:				
Without donor restrictions	4,591,062	1,036,204	-	5,627,266
With donor restrictions	1,684,142	-	-	1,684,142
Total net assets	6,275,204	1,036,204	-	7,311,408
Total liabilities and net assets	$ 6,533,414	$ 1,203,107	$ (21,323)	$ 7,715,198

Family Gateway and Affiliate
Consolidating Statement of Activities
Year Ended December 31, 2019

	Family Gateway	FGAH	Eliminations	Consolidated
Revenue and support:				
Contributions	$ 5,488,878	$ -	$ -	$ 5,488,878
In-kind contributions	565,984	-	-	565,984
Government grants	1,114,753	-	-	1,114,753
Special events (net of direct costs of $103,401)	675,798	-	-	675,798
Rental income	63,640	-	-	63,640
Interest income	31,173	-	-	31,173
Total revenue and support	7,940,226	-	-	7,940,226
Operating expenses:				
Program services	4,006,106	241		4,006,347
Management and general	370,938	-	-	370,938
Fundraising	333,087	-	-	333,087
Total operating expenses	4,710,131	241	-	4,710,372
Change in net assets	3,230,095	(241)	-	3,229,854
Net assets at beginning of year	3,045,109	1,036,445	-	4,081,554
Net assets at end of year	$ 6,275,204	$ 1,036,204	$ -	$ 7,311,408

Family Gateway
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Contract Number	Federal Expenditures	Provided to Subrecipients
U.S. Department of Housing and Urban Development:				
Direct Funding:				
Continuum of Care Program (Bonus 18 Bedroom Program)	14.267	TX0285L6T001706	$ 192,847	$ -
Continuum of Care Program (Bonus 18 Bedroom Program)	14.267	TX0285L6T001807	59,739	-
Metro Dallas Homeless Alliance:				
Continuum of Care Program (Coordinated Assessment)	14.267	TX040L6T001702	31,637	-
Continuum of Care Program (Coordinated Assessment)	14.267	TX040L6T001803	10,251	-
Total Continuum of Care Program			294,474	-
City of Dallas:				
Emergency Solutions Grant Program	14.231	MGT-2018-00005814	68,019	-
Emergency Solutions Grant Program (Rapid Rehousing)	14.231	MGT-2018-00005825	259,500	-
Emergency Solutions Grant Program (Shelter Expansion)	14.231	OHS-2019-00010387	278,019	103,463
Texas Department of Housing and Community Affairs:				
Emergency Solutions Grant Program	14.231	42186000011	166,961	-
Emergency Solutions Grant Program	14.231	42196000010	24,580	-
Total Emergency Solutions Grant Program			797,079	103,463
Total U.S. Department of Housing and Urban Development			1,091,553	103,463
U.S. Department of Homeland Security:				
Federal Emergency Management Agency:				
Emergency Food and Shelter National Board Program	97.024	Phase 35	11,200	-
Emergency Food and Shelter National Board Program	97.024	Phase 36	12,000	-
Total Emergency Food and Shelter National Board Program			23,200	-
Total expenditures of federal awards			$ 1,114,753	$ 103,463

See notes to schedule of expeditures of federal awards.

Family Gateway
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Family Gateway. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Family Gateway, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Gateway.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Family Gateway has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

3. Subrecipients

Of the federal expenditures presented in the Schedule, the Organization provided awards to subrecipients totaling $103,463 under the Emergency Solutions Grant Program.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Family Gateway

We have audited the consolidated financial statements of Family Gateway and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have been issued our report thereon dated August 19, 2020. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Family Gateway Affordable Housing, Inc. (FGAH) were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with FGAH.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Family Gateway's (Organization) 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary
A Limited Liability Partnership

Arlington, Texas
August 19, 2020

SFC
Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Family Gateway

Report on Compliance for Each Major Federal Program

We have audited Family Gateway's (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 U.S. generally accepted auditing standards; 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 the Organization'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 the Organization's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
August 19, 2020

Family Gateway
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ yes _X_ no
• Significant deficiency(ies) identified?	___ yes _X_ none reported
Noncompliance material to consolidated financial statements noted?	___ yes _X_ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	___ yes _X_ no
• Significant deficiency(ies) identified?	___ yes _X_ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes _X_ no
Identification of major programs:	
CFDA 14.231 Emergency Solutions Grant Program	
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	___ yes _X_ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Audit Findings

N/A