The Parenting Center

Financial Statements with Supplementary Information and Compliance Reports

December 31, 2016

SFC Answers.

The Parenting Center

Contents

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
The Parenting Center

Report on the Financial Statements

We have audited the accompanying financial statements of The Parenting Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 financial statements referred to above present fairly, in all material respects, the financial position of The Parenting Center as of December 31, 2016, and the changes in its net assets and its 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated, in all material respects, in relation to the 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 July 26, 2017, on our consideration of The Parenting Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Parenting Center's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Fort Worth, Texas
July 26, 2017

The Parenting Center
Statement of Financial Position
December 31, 2016

Assets

Current assets:		
Cash and cash equivalents	$	651,236
Investments		338,215
Accounts receivable		380,168
Pledges receivable		120,343
Prepaid expenses		27,042
Total current assets		1,517,004
Other assets:		
Property and equipment, net		147,669
Assets restricted for long-term purposes:		
Cash equivalents restriced for endowment		108,583
Cash equivalents restriced for building		474,699
Total other assets		730,951
Total assets	$	2,247,955

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	35,242
Accrued liabilities		14,924
Agency liability		44,297
Total liabilities		94,463
Net assets:		
Unrestricted		1,369,023
Temporary restricted		675,886
Permanently restricted		108,583
Total net assets		2,153,492
Total liabilities and net assets	$	2,247,955

See notes to financial statements.

The Parenting Center
Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	$ 383,922	$ 398,418	$ -	$ 782,340
Donated services	34,510	-	-	34,510
Special events (net of direct costs of $79,757)	127,958	-	-	127,958
United Way	15,980	15,979	-	31,959
Government grants and contracts	1,182,288	-	-	1,182,288
Nongovernment grants	118,624	-	-	118,624
Program service fees, net	376,455	-	-	376,455
Investment income	28,447	-	-	28,447
Other income	58	-	-	58
Net assets released from restrictions	104,132	(104,132)	-	-
Total revenue and support	2,372,374	310,265	-	2,682,639
Expenses:				
Program services:				
Clinical	480,804	-	-	480,804
Education	1,389,515	-	-	1,389,515
Total program services	1,870,319	-	-	1,870,319
Administrative	202,641	-	-	202,641
Fundraising	102,977	-	-	102,977
Total expenses	2,175,937	-	-	2,175,937
Increase in net assets	196,437	310,265	-	506,702
Net assets at beginning of year	1,172,586	365,621	108,583	1,646,790
Net assets at end of year	$ 1,369,023	$ 675,886	$ 108,583	$ 2,153,492

The Parenting Center
Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services					Total
	Clinical	Education	Total	Administrative	Fundraising	Expenses
Payroll	$ 260,561	$ 825,103	$ 1,085,664	$ 152,501	$ 91,182	$ 1,329,347
Professional fees	14,894	150,617	165,511	13,759	733	180,003
Supplies	3,655	200,371	204,026	3,923	475	208,424
Telephone	1,940	11,024	12,964	1,458	431	14,853
Postage	213	2,201	2,414	73	709	3,196
Occupancy	15,830	24,853	40,683	5,891	1,056	47,630
Printing	863	12,311	13,174	481	158	13,813
Local transportation	429	12,795	13,224	181	94	13,499
Conferences/Travel/Meals	144	21,744	21,888	194	35	22,117
Marketing	487	6,705	7,192	6,046	6,160	19,398
Dues and subscriptions	472	9,435	9,907	667	1,400	11,974
Board and staff meetings	34	139	173	790	6	969
Equipment	2,449	3,533	5,982	2,318	219	8,519
Insurance	4,500	6,115	10,615	982	319	11,916
Contracted agencies	-	92,223	92,223	-	-	92,223
Contract counseling	174,333	10,346	184,679	384	-	185,063
Depreciation	-	-	-	12,993	-	12,993
Total	$ 480,804	$ 1,389,515	$ 1,870,319	$ 202,641	$ 102,977	$ 2,175,937

See notes to financial statements.

The Parenting Center
Statement of Cash Flows
Year ended December 31, 2016

Cash flows from operating activities:	
Increase in net assets	$ 506,702
Depreciation	12,993
Unrealized gain on investments	(16,020)
Realized gain on investments	(528)
Contributions restricted for building	(257,271)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	(216,954)
Pledges receivable	(40,731)
Prepaid expenses	(13,024)
Accounts payable	25,841
Accrued liabilities	901
Agency liability	16,344
Net cash provided by operating activities	18,253
Cash flows from investing activities:	
Purchases of equipment	(8,521)
Purchases of investments	(227,857)
Proceeds from sales of investments	216,805
Net cash used by investing activities	(19,573)
Cash flows from financing activities:	
Collections of contributions restricted for building	257,271
Net increase in cash and cash equivalents	255,951
Cash and cash equivalents at beginning of year	978,567
Cash and cash equivalents at end of year	$ 1,234,518

Reconciliation of cash and cash equivalents reported within the statement of financial position to the statement of cash flows:	
Cash and cash equivalents	651,236
Cash equivalents restricted for endowment	108,583
Cash equivalents restricted for building	474,699
Total cash and cash equivalents shown in the statement of cash flows:	$ 1,234,518

See notes to financial statements.

1. Organization

The Parenting Center's (Center) mission is to provide family members and professionals with the tools, resources and services to build successful families. The Center was built on the core belief that empowering families with the necessary knowledge and skills can lead them to develop and maintain healthy lives.

The Center pursues its objectives through the execution of the following clinical and education programs:

Clinical Counseling- Counseling is provided by the Center's staff and contract counselors for parents, couples, children and entire families. Counseling ranges from general assistance with family situations to help for abused and neglected children. Fees range from assistance provided by the Texas Department of Family and Protective Services or other organizations to direct payments from the counseled individuals. Some fees are based on a sliding scale depending on income and family size.

Parenting Advice Line- The Center sponsors a free telephone service where counselors and educators answer parenting questions and concerns. CPS Evaluation and Treatment: Counseling is provided to individuals and families who are referred by Child Protective Services.

Family Life Education- Staff and volunteer educators present workshops and courses on numerous positive parenting topics to various groups throughout the Tarrant County Metroplex. Classes are offered at a sliding scale for Tarrant County residents. The classes offered are usually sponsored by groups such as churches, PTA's, etc. Fees for these classes are negotiable. United Way funding and grants from foundations make it possible for the Center to offer some reduced-cost and free programs.

Healthy Marriage- The Center coordinates the Healthy Marriage Healthy Families Coalition of Tarrant County. Community members are trained in evidence-based pre-marriage and marriage curriculum. Once trained, couples and individuals lead workshops designed to promote and sustain healthy marriages. This program coordinates the State of Texas Twogether project for an eleven county region.

Home Visiting, Education and Leadership (H.E.A.L.)- H.E.A.L. is a free, 18-week in-home, family-strengthening program that utilizes a curriculum called SafeCare. Parents learn helpful skills that aid in managing children's misbehavior as well as understand many beneficial ways of problem solving and communication. Skills training includes child behavior management techniques, planned activities training, how to create healthy parent-child interactions, and child health care education.

Participants Parent Education Program in Schools (PEPS)- The Parent Education Program in Schools is a three-hour parenting course offered as part of the Health I curriculum in Fort Worth and Arlington secondary schools. PEPS increases students' knowledge of positive parenting skills, child development, responsible choices and child abuse prevention.

Family Transitions Program- The program provides comprehensive support to families raising children between two homes. Services are offered to parents, blended families, grandparents and children. The program includes classes, counseling, consultation, mediation, and co-parent coaching.

Empowering Families- The Center provides marriage/relationship classes and other services to strengthen and stabilize families. The target population for these services is low-income families, refugees, Temporary Assistance for Needy Families (TANF) recipients, and those eligible of receiving TANF. Funding for this program comes from a Community-Centered Healthy Marriage and Relationship grant provided through the U.S. Department of Health and Human Services. A new five-year award was granted in October 2015.

The Center is funded primarily funded through government grants and contracts, contributions and grants from the foundations, individuals and corporations, and fees charged to participants on a sliding scale basis.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Center prepares the financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

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:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor stipulations that will be met by actions of the Center and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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 which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and investments in marketable securities. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Accounts receivable are unsecured and are due from various third party donors and government agencies. Pledges receivable are unsecured and are due from various donors. At December 31, 2016, 65% of accounts receivables were due from two government agencies. The Center continually evaluates the collectability of accounts and pledges receivable and maintains allowances for potential losses, if considered necessary. Marketable securities are subject to various risks, such as interest rate, credit and overall market volatility risks.

The Center maintains cash balances at various financial institutions located in Texas. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2016, the Center's uninsured balances totaled $521,563.

Cash and Cash Equivalents

The Center considers highly liquid investments available for current use with original maturities of three months or less to be cash equivalents. The Center classifies cash and money market accounts held by external investment managers as investments as these funds are not readily available for operations.

Investments

Investments consist of mutual funds and equities and are stated at fair value in the statement of financial position.

Accounts Receivable

The Center maintains receivables due from government agencies and third-party payors for services performed. The Organization carries its accounts receivable due from third-party payors at standard charges, less an allowance for doubtful accounts and contractual adjustments. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in accounts receivable. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on history of past write offs, collections and adjustments. At December 31, 2016, management considers accounts receivable to be fully collectible.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 40 years. Depreciation expense totaled $12,993 for the year ended December 31, 2016.

Long-Lived Assets

The Center'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 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 long-lived assets in 2016.

Revenue Recognition

Program service fees are reported at net realizable amounts from participants, third-party payors and others for services rendered. Accounts receivable and revenues are recorded when participant services are performed. Amounts received from third-party payors are different from established billing rates of the Center, and these differences are accounted for as contractual allowances. Program service fee revenue is reported net of contractual adjustments of $136,936 for the year ended December 31, 2016.

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been 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 and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance. In September 2016, the Center was awarded a $100,000 conditional promise to give (pledge) for capital renovations. In accordance with GAAP, the conditional pledge will be recognized as revenue in the years in which the conditions are met.

Government grant and contracts are recognized as revenue as contract terms are fulfilled. Cost reimbursement contracts are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the services are performed.

Donated Services

The Center recognizes significant donated services received that require specialized skills or that would create or enhance nonfinancial assets, which would have been purchased if not acquired through donation. For the year ended December 31, 2016, $34,510 was recognized as donated services revenue and contract counseling expense, in the accompanying financial statements.

During the year ended December 31, 2016, the Center's activities that benefited from specialized volunteer assistance were primarily as follows, based on estimates of management:

	Approximate Hours
Administrative services	32
Community education	345
Clinical services	675
	1,052

In addition, many individuals volunteer their time to assist the Center with various programs; however, no contribution revenue is recorded for these hours, because they represent non-specialized services and therefore do not meet the requirements necessary to record such services as contribution revenue.

During the year ended December 31, 2016, the Center's activities that benefited from non-specialized volunteer assistance were primarily as follows, based on estimates of management:

	Approximate Hours
Board of directors - no revenue recognized	1,026

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Federal Income Tax

The Center is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the Internal Revenue Service Code (IRC) that is exempt from federal income taxes under Section 501(a) of the IRC. For the year ended December 31, 2016, the Center 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.

GAAP requires the evaluation of tax positions taken in the course of preparing the Center's tax returns and recognition of a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Center, and has concluded that as of December 31, 2016, 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 financial statements.

3. Recent Accounting Pronouncement

During the year ended December 31, 2016, the Organization adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, (ASU 2016-18) issued by the Financial Accounting Standards Board in November 2016. ASU 2016-18 addresses financial reporting issues related to the presentation of the cash flow statement when cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the consolidated statements of financial position. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and is to be applied retrospectively with early adoption permitted. The Organization has elected to early adopt ASU 2016-18, and there was no impact to net assets as of December 31, 2016 or 2015 as a result of this adoption.

4. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Center's investments are valued using Level 1 inputs. The following is a description of the valuation methodology used for instruments measured at fair value:

Mutual Funds

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying asset owned by the fund, less its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Equity Securities

These investments are valued at the closing price reported on the active markets in which the individual securities are traded.

The following table sets forth the Center's investments at fair value as of December 31, 2016:

Money market funds	$ 7,467
Mutual funds:	
Stock funds	59,570
Bond funds	44,701
Exchange traded products:	
Equity	33,899
Fixed income	15,613
Other	21,085
Equity securities:	
Common stock	77,540
Preferred stock	15,786
Real estate investment trusts	62,554
	$338,215

Investment income consist of the following for the year ending December 31, 2016:

Dividends and interest	$ 11,899
Realized gain on investments	528
Unrealized gain on investments	16,020
	$ 28,447

5. Property and Equipment

Property and equipment consists of the following as of December 31, 2016:

Land and buildings	$ 1,011,491
Equipment	137,443
Computer and network	244,355
Furniture and fixtures	154,334
	1,547,623
Accumulated depreciation	(1,399,954)
	$ 147,669

6. Endowment Funds

The Center has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The board of directors of the Center has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Center, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The management of the Center is responsible for adopting investment objectives and policies, monitoring policy implementation and investment performance. The Center's investment portfolio is designed to provide a reasonably stable, growing, and predictable revenue stream. All investment decisions on behalf of the permanently restricted net assets are based upon and consistent with the above priorities.

Changes in donor-restricted endowment funds by net asset classification for the year ended December 31, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 108,583	$ 108,583
Investment income	488	-	488
Appropriation of assets for expenditure	(488)	-	(488)
Endowment net assets, end of year	$ -	$ 108,583	$ 108,583

7. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2016:

Annual United Way allocation	$ 15,979
Capital repairs and improvements	27,644
2017 clinical counseling program	50,000
Technology and software	20,458
Educational scholarships and classes	81,545
Rebranding	5,560
Building reconstruction	474,699
	$ 675,886

8. Line of Credit

The Center maintains an operating line of credit arrangement with an area bank, with interest at the Wall Street Journal prime rate. Advances on this agreement are secured by the accounts receivable of the Center. The line of credit limit is $50,000, and it expires in January, 2017. There were no borrowings outstanding relating to the agreement as of December 31, 2016.

9. Leases

The Center leases office equipment under a non-cancellable long-term operating lease. Future minimum lease payments under these lease agreements are as follows for the years ending December 31:

2017	$ 2,028
2018	2,028
2019	169
	$ 4,225

10. Employee Benefit Plan

The Center's defined contribution - 401 (k) savings plan for the benefit of its employees was revised effective January 1, 2015. Participants may defer a percentage of their compensation into the plan, up to certain limits allowed by the Internal Revenue Code. Participant contributions are 100% vested upon deferral. Eligible participants may receive discretionary matching employer contributions and/ or discretionary annual contributions determined by the board of directors. Employer contributions vest 20% each year after two years of employment.

Eligible participants, who are non-highly compensated employees, may also receive special discretionary contributions known as qualified non-elective employer contributions. Qualified non-elective employer contributions automatically vest 100%.

For the year ended December 31, 2016, the Center's discretionary match was set at 5% of participant contributions. The Center's matching contributions for the year ended December 31, 2016, were approximately $26,000.

11. Contingencies

The Center participates in Federal grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Center has not complied with the rules and regulations governing the grant programs, assessments could be made. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant programs; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

12. Subsequent Events

The Center evaluated subsequent events after the statement of financial position date of December 31, 2016 through July 26, 2017, which was the date the financial statements were issued, and concluded that no additional disclosures are required.

Report of Independent Auditors 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*

Board of Directors
The Parenting Center

We have audited, 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 The Parenting Center (Center) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Sutton Frost Cary

A Limited Liability Partnership
Certified Public Accountants

Fort Worth, Texas
July 26, 2017

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

Board of Directors
The Parenting Center

Report on Compliance for Each Major Federal Program

We have audited The Parenting Center's (Center) 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 Center's major federal programs for the year ended December 31, 2016. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center'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 Requirement, 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 or state program occurred. An audit includes examining, on a test basis, evidence about the Center'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 Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center 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, 2016.

Report on Internal Control over Compliance

Management of the Center 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 Center'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 Center'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.

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

Fort Worth, Texas
July 26, 2017

The Parenting Center
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__X__ no
• Significant deficiencies identified?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	__X__ no
• Significant deficiencies identified?	_____ yes	__X__ none reported
Type of auditor's 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 federal programs:

CFDA 93.086 Healthy Marriage Promotion and Responsible Fatherhood

Dollar threshold used to distinguish between type A and B programs for federal awards:	$750,000	
Auditee qualified as low-risk auditee?	__X__ yes	_____ no

Section II – Financial Statement Findings

Audit Findings: None

Section III – Federal Award Findings and Questioned Costs

Audit Findings: None

The Parenting Center
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Program or Cluster Title	Contract Number	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services			
Healthy Marriage Promotion and Responsible Fatherhood Grants	90FM0073	93.086	$ 879,550

See notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The Parenting Center (Center) and is presented on the accrual basis of accounting. The information in this 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 the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

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.

The Center has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

The Parenting Center
Schedule of Prior Audit Findings
Year Ended December 31, 2016

None