



The Parenting Center

**Financial Statements with
Supplementary Information and Compliance Reports
December 31, 2018**

The Parenting Center

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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, 2018, 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.

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, 2018, 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 23, 2019, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2 to the financial statements, management has adopted ASU 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities" in 2018. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Sutton Frost Carney". The signature is written in a cursive, flowing style.

A Limited Liability Partnership

Fort Worth, Texas
July 23, 2019

The Parenting Center
Statement of Financial Position
December 31, 2018

Assets

Current assets:

Cash and cash equivalents	\$	790,174
Investments		359,268
Accounts receivable		495,462
Pledges receivable		75,000
Prepaid expenses		14,043

Total current assets		1,733,947
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Other assets:

Property and equipment, net		256,493
Assets restricted for long-term purposes:		
Cash equivalents restricted for building		608,309
Cash equivalents restricted for endowment		108,583

Total other assets		973,385
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Total assets		\$ 2,707,332
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	118,880
Accrued liabilities		20,001
Agency liability		39,804

Total liabilities		178,685
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Net assets:

Without donor restrictions		1,400,751
With donor restrictions		1,127,896

Total net assets		2,528,647
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Total liabilities and net assets		\$ 2,707,332
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The Parenting Center
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants and contracts	\$ 1,415,173	\$ -	\$ 1,415,173
Nongovernment grants	422,378	-	422,378
Contributions	210,450	545,717	756,167
Donated services	34,871	-	34,871
Special events (net of direct costs of \$69,905)	64,685	-	64,685
United Way	-	28,548	28,548
Program service fees, net	295,245	-	295,245
Investment loss, net	(8,049)	-	(8,049)
Other income	314	-	314
Net assets released from restrictions	288,651	(288,651)	-
Total revenue and support	2,723,718	285,614	3,009,332
Expenses:			
Program services:			
Clinical	484,681	-	484,681
Education	2,015,946	-	2,015,946
Total program services	2,500,627	-	2,500,627
Administrative	244,886	-	244,886
Fundraising	156,979	-	156,979
Total expenses	2,902,492	-	2,902,492
Change in net assets	(178,774)	285,614	106,840
Net assets at beginning of year	1,579,525	842,282	2,421,807
Net assets at end of year	\$ 1,400,751	\$ 1,127,896	\$ 2,528,647

See notes to financial statements.

The Parenting Center
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Administrative	Fundraising	Total Expenses
	Clinical	Education	Total			
Compensation and related costs	\$ 274,499	\$ 1,000,772	\$ 1,275,271	\$ 172,571	\$ 135,010	\$ 1,582,852
Professional fees	11,477	184,109	195,586	39,505	4,074	239,165
Supplies	1,960	193,271	195,231	6,414	497	202,142
Telephone	2,027	14,771	16,798	6,271	315	23,384
Postage	235	2,240	2,475	334	578	3,387
Occupancy	12,929	29,587	42,516	9,576	2,284	54,376
Printing	1,217	10,841	12,058	565	1,789	14,412
Local transportation	357	16,165	16,522	354	165	17,041
Conferences/Travel/Meals	199	22,167	22,366	462	66	22,894
Marketing	339	7,770	8,109	541	6,756	15,406
Dues and subscriptions	300	10,244	10,544	503	4,057	15,104
Board and staff meetings	103	137	240	2,514	16	2,770
Equipment	4,600	5,627	10,227	2,020	560	12,807
Insurance	4,141	6,196	10,337	817	270	11,424
Contracted agencies	-	504,733	504,733	-	-	504,733
Contract counseling	167,046	-	167,046	-	-	167,046
Special events	-	-	-	-	69,905	69,905
Depreciation	3,252	7,316	10,568	2,439	542	13,549
Total expenses	\$ 484,681	\$ 2,015,946	\$ 2,500,627	\$ 244,886	\$ 226,884	\$ 2,972,397
Less: expenses included with revenues on the statement of activities						
Special events	-	-	-	-	(69,905)	(69,905)
Total expenses included in the expense section on the statement of activities	\$ 484,681	\$ 2,015,946	\$ 2,500,627	\$ 244,886	\$ 156,979	\$ 2,902,492

See notes to financial statements.

The Parenting Center
Statement of Cash Flows
Year ended December 31, 2018

Cash flows from operating activities:

Change in net assets	\$	106,840
Depreciation		13,549
Unrealized loss on investments		24,589
Realized loss on investments		6,138
Contributions restricted for building		(179,497)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Accounts receivable		(61,276)
Pledges receivable		75,000
Prepaid expenses		19,045
Accounts payable		47,948
Accrued liabilities		(83,343)
Agency liability		(1,973)
Net cash used by operating activities		(32,980)

Cash flows from investing activities:

Purchases of equipment		(28,768)
Purchases of investments		(279,582)
Proceeds from sales of investments		264,696
Net cash used by investing activities		(43,654)

Cash flows from financing activities:

Collections of contributions restricted for building		179,497
		<u>179,497</u>

Net increase in cash and cash equivalents

102,863

Cash and cash equivalents at beginning of year

1,404,203

Cash and cash equivalents at end of year

\$ 1,507,066

Reconciliation of cash and cash equivalents reported within the statement of financial position to the statement of cash flows:

Cash and cash equivalents	\$	790,174
Cash equivalents restricted for building		608,309
Cash equivalents restricted for endowment		108,583
Total cash and cash equivalents shown on the statement of cash flows:		\$ 1,507,066

The Parenting Center

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 Together 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.

The Parenting Center

Notes to Financial Statements

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 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:

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

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Center 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 Center to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board 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. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or

The Parenting Center

Notes to Financial Statements

by law. Expirations of net assets with donor restrictions (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.

In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

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 and pledges 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 payors and government agencies. Pledges receivable are unsecured and are due from one donor. At December 31, 2018, 83% of accounts receivable was due from two grantors. 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, 2018, the Center's uninsured balances totaled \$801,729.

Cash and Cash Equivalents

The Center considers highly liquid investments available for current use 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 a money market, mutual funds, equities, and a real estate investment trust 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 Center 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 Center evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on history of past write offs, collections and adjustments. At December 31, 2018, management considers accounts receivable to be fully collectible.

The Parenting Center

Notes to Financial Statements

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 \$13,549 for the year ended December 31, 2018.

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 2018.

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 \$108,842 for the year ended December 31, 2018.

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.

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 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, 2018, \$34,871 was recognized as donated services revenue, contract counseling expense, and professional fees in the accompanying financial statements.

The Parenting Center Notes to Financial Statements

During the year ended December 31, 2018, the Center's activities that benefited from specialized volunteer assistance were primarily as follows, based on estimates of management:

	Approximate Hours
Community education	336
Clinical services	606
	<u>942</u>

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, 2018, 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	<u>455</u>

Functional Allocation of Expenses

The 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, benefits, payroll taxes, professional services, office expenses, information technology, insurance, communication, and other, which are allocated on the basis of estimates of time and effort.

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.

The Parenting Center

Notes to Financial Statements

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, 2018, 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, 2018, 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.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

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

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which 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 effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* 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. The standard is effective

The Parenting Center

Notes to Financial Statements

for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* (ASC Topic 842) for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

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

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958). The ASU amends the previous reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Center has adopted this ASU as of and for the year ended December 31, 2018. As a result, the Center restated net assets as of December 31, 2017 related to the use of the placed in service approach for expirations of restrictions on building fund proceeds. This resulted in an increase to net assets with donor restrictions and a decrease to net assets without donor restrictions of \$80,900 as of December 31, 2017.

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Notes to Financial Statements

3. 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, Exchange Traded Funds, and Real Estate Investment Trusts

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

Money Market Fund

The investments are valued using \$1 for the NAV.

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Notes to Financial Statements

The following table sets forth the Center's investments at fair value as of December 31, 2018:

Money market funds	\$	48,119
Mutual funds:		
Stock funds		99,359
Bond funds		58,777
Exchange traded products:		
Equity		59,859
Fixed income		19,561
Other		8,631
Equity securities:		
Common stock		38,838
Real estate investment trusts		26,124
		26,124
	\$	359,268

Net investment losses consist of the following for the year ending December 31, 2018:

Dividends and interest	\$	22,678
Realized loss on investments		(6,138)
Unrealized loss on investments		(24,589)
		(24,589)
	\$	(8,049)

4. Property and Equipment

Property and equipment consists of the following as of December 31, 2018:

Land and buildings	\$	1,116,129
Equipment		137,443
Computer and network		256,561
Furniture and fixtures		154,334
Construction in progress		16,563
		1,681,030
Accumulated depreciation		(1,424,537)
		256,493

5. 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 as permanent endowment (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment (c)

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Notes to Financial Statements

accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. The earnings from the original gift are classified as net asset with donor restrictions until those amounts are appropriated from expenditure by the Center in a manner consistent with the standard of prudence prescribed in 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 permanent endowment are based upon and consistent with the above priorities.

Changes in donor-restricted endowment funds by net asset classifications for the year ended December 31, 2018 are as follows:

	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets, beginning of year	\$ -	\$ 108,583	\$ 108,583
Investment income	2,294	-	2,294
Appropriation of assets for expenditure	(2,294)	-	(2,294)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 108,583</u>	<u>\$ 108,583</u>

The Parenting Center
Notes to Financial Statements

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2018:

Annual United Way allocation	\$ 14,274
Capital repairs and improvements	27,644
Home visiting	132,002
Technology and software	4,677
Educational scholarships and classes	145,800
Rebranding	5,560
Building reconstruction	689,356
Restricted in perpetuity	108,583
	<u>\$ 1,127,896</u>

7. Line of Credit

The Center has a \$50,000 operating line of credit agreement with an area bank, with interest at the Wall Street Journal prime rate expiring January 2021. Advances on this agreement are secured by the accounts receivable of the Center. There were no borrowings outstanding relating to the agreement as of December 31, 2018.

8. Leases

The Center leases office equipment under a non-cancellable long-term operating leases. The following are future minimum lease payments under this lease agreement for the year ending December 31:

2019	\$ 2,947
2020	2,254
2021	1,908
2022	1,908
2023	954

The Parenting Center
Notes to Financial Statements

9. Liquidity and Availability of Resources

The Center's financial assets available for general expenditure within one year at December 31, 2018 as follows:

Cash and cash equivalents	\$ 1,507,066
Investments	359,268
Accounts receivable	495,462
Pledges receivable	<u>75,000</u>
 Total financial assets	 2,436,796
 Less amounts not available for general expenditure within one year, due to:	
Restricted in perpetuity	108,583
Donor imposed restrictions	<u>727,237</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 1,600,976</u>

The Center is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, financial assets may not be available for general expenditure within one year. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Center also could draw upon \$50,000 of available line of credit (as further discussed in Note 7).

10. Employee Benefit Plan

The Center has a defined contribution - 401(k) savings plan for the benefit of its employees. 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, 2018, the Center's discretionary match was set at 5% of participant contributions. The Center's matching contributions for the year ended December 31, 2018, were approximately \$22,000.

The Parenting Center

Notes to Financial Statements

11. Contingencies

The Center participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. Management does not believe there are any significant contingent liabilities related to compliance with the rules and regulations governing the respective grants.

12. Subsequent Events

The Center evaluated subsequent events through the date the financial statements were available to be 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*

To the Board of Directors of
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, 2018, 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 23, 2019.

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.



A Limited Liability Partnership
Certified Public Accountants

Fort Worth, Texas
July 23, 2019



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

To the Board of Directors of
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, 2018. 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, 2018.

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.



A Limited Liability Partnership

Fort Worth, Texas
July 23, 2019

The Parenting Center
Schedule of Findings and Questioned Costs

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 no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes 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 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? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Federal Award Findings and Questioned Costs

None reported

The Parenting Center
Schedule of Expenditures of Federal Awards

Federal Grantor/ Pass-through Grantor/Program Title	CFDA #	Pass-through Grantor's #	Federal Expenditures
U.S. Department of Health and Human Services			
Direct funding:			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FM0073	\$ 1,281,263
Texas Department of Family and Protective Services:			
Community-Based Child Abuse Prevention Grants	93.590	24124303	<u>133,910</u>
Total expenditures of federal awards			<u><u>\$ 1,415,173</u></u>

See notes to schedule of expenditures of federal awards.

The Parenting Center

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 and continues to use the cost allocation plan negotiated individually with its grantors.