Family Gateway, Inc. and Affiliate

Consolidated Financial Statements
with Supplementary Information and Compliance Reports
December 31, 2021

Sutton Frost Cary LLP
Certified Public Accountants

Family Gateway, Inc. and Affiliate
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Independent Auditors' Report

To the Board of Directors of
Family Gateway, Inc. and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Family Gateway, Inc. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Gateway, Inc. and Affiliate as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Family Gateway, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Family Gateway Affordable Housing, Inc., were not audited in accordance with *Government Auditing Standards.*

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Gateway, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Gateway, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of Family Gateway, Inc.'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 Family Gateway, Inc.'s internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 27, 2022

Family Gateway, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2021

Assets

Current assets:	
Cash and cash equivalents	$ 3,908,588
Accounts receivable	449,384
Pledges receivable	438,570
Prepaid expenses and deposits	77,108
Total current assets	4,873,650
Pledges receivable, net of current	46,928
Property and equipment, net	1,036,129
Total assets	$ 5,956,707

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	$ 195,308
Paycheck protection program loan	434,500
Total liabilities	629,808
Net assets:	
Without donor restrictions	3,994,193
With donor restrictions	1,332,706
Total net assets	5,326,899
Total liabilities and net assets	$ 5,956,707

See notes to consolidated financial statements.

Family Gateway, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 2,638,856	$ 555,730	$ 3,194,586
In-kind contributions	435,242	-	435,242
Government grants	2,383,835	-	2,383,835
Partnership distribution	162,420	-	162,420
Rental income	8,646	-	8,646
Interest income	4,341	-	4,341
Other income	18,796	-	18,796
Net assets released from restrictions	365,559	(365,559)	-
Total revenue and support	6,017,695	190,171	6,207,866
Expenses:			
Program services	6,167,409	-	6,167,409
Management and general	460,508	-	460,508
Fundraising	432,481	-	432,481
Total expenses	7,060,398	-	7,060,398
Change in net assets	(1,042,703)	190,171	(852,532)
Net assets at beginning of year	5,036,896	1,142,535	6,179,431
Net assets at end of year	$ 3,994,193	$ 1,332,706	$ 5,326,899

See notes to consolidated financial statements.

Family Gateway, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Compensation and related expenses:				
Salaries and wages	$ 2,148,101	$ 269,982	$ 313,834	$ 2,731,917
Payroll taxes and fringe benefits	541,920	54,349	56,620	652,889
Total compensation and related costs	2,690,021	324,331	370,454	3,384,806
Client rent and utility assistance	1,239,121	-	-	1,239,121
Occupancy	437,623	40,144	863	478,630
Insurance	29,321	6,229	-	35,550
Repairs and maintenance	153,066	11,765	-	164,831
Security services	194,618	375	-	194,993
Educational supplies and activities	24,004	-	-	24,004
Meal preparation and service	54,979	-	-	54,979
Transportation	48,417	157	35	48,609
Client supplies	223,568	-	-	223,568
Supplies	92,600	21,896	10,344	124,840
Client financial assistance	592,456	-	-	592,456
Contract services	219,877	40,788	19,703	280,368
Other	11,193	10,817	27,076	49,086
Information technology	38,158	4,006	4,006	46,170
Depreciation	118,387	-	-	118,387
Total expenses by function	$ 6,167,409	$ 460,508	$ 432,481	$ 7,060,398

See notes to consolidated financial statements.

Family Gateway, Inc. and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:		
Change in net assets	$	(852,532)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		118,387
Changes in operating assets and liabilities:		
Accounts receivable		(2,640)
Pledges receivable		(305,737)
Prepaid expenses and deposits		304
Developer fee receivable		1,055,500
Accounts payable and accrued expenses		(180,644)
Net cash used by operating activities		(167,362)
Cash flows from financing activities:		
Proceeds from paycheck protection program loan		434,500
Net cash provided by financing activities		434,500
Increase in cash and cash equivalents		267,138
Cash and cash equivalents at beginning of year		3,641,450
Cash and cash equivalents at end of year	$	3,908,588

See notes to consolidated financial statements.

1. Organization

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

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

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

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

Basis of Accounting

The Organization prepares the consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted om the United States of America (GAAP).

Financial Statement Presentation

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

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

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

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

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

Financial Instruments and Credit and Market Risk Concentrations

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

Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. As of December 31, 2021, deposits in financial institutions totaled $3,655,988, which exceeded the amounts insured by the Federal Deposit Insurance Corporation and Securities Investors Protection Corporation by $2,681,919. The Organization monitors credit worthiness of each financial institution with which it conducts business and has not experienced any losses in its accounts. The Organization believes it is not exposed to any significant risk on cash and cash equivalents.

Accounts receivable are unsecured and are due mainly from government grantor agencies. Pledges receivable are unsecured and are due from various donors. The Organization evaluates the collectability of accounts and pledges receivable and maintains an allowance for potential losses, if considered necessary. No allowance for accounts or pledges receivable was considered necessary at December 31, 2021.

Cash Equivalents

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

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $2,500; the fair value of donated fixed assets is capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 15 to 20 years for buildings and improvements and 3 to 7 years for furniture and equipment. Leasehold improvements are depreciated over the shorter of the lease term or asset life.

Long-Lived Assets

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

Management believes no impairment has occurred with respect to the long-lived assets as of December 31, 2021.

Revenue Recognition

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

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization was awarded cost reimbursable government grants of $2,745,399 that have not been recognized in the consolidated financial statements at December 31, 2021, because qualifying expenditures have not yet been incurred.

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

Rental income is recognized in the month earned.

Contract Compliance

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

Allocation of Functional Expenses

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

Federal Income Taxes

Family Gateway and FGAH are nonprofit publicly supported organizations, as defined in Section 501(c)(3) of the Internal Revenue Code (Code) that are exempt from federal income taxes under Section 509(a) of the Code. For the year ended December 31, 2021, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization’s tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

New Accounting Pronouncements

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

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

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

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

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

3. Property and Equipment

Property and equipment consists of the following at December 31, 2021:

Building and improvements	$ 1,637,625
Furniture and equipment	213,219
Accumulated depreciation	(814,715)
	$ 1,036,129

Depreciation expense totaled $118,387 for the year ended December 31, 2021.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2021:

Expansion related costs	$ 106,707
Resource Center operations	700,000
Time and purpose	211,209
Time	274,289
Other	30,501
Restricted in perpetuity	10,000
	$ 1,332,706

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

5. In-Kind Contributions

Significant services, materials and use of facilities are donated to the Organization by various individuals and entities. The Organization leases its downtown facility from the City of Dallas for $1 per year. The Organization renewed this lease with the City of Dallas for an additional 10 years on September 27, 2016. The estimated fair value of the in-kind rent totaled $270,000 and is included in contributions and occupancy expense in the accompanying consolidated financial statements. Donated goods amounted to $165,242 for the year ended December 31, 2021, were recorded at fair value at the date of donation, and have been included in contributions and client assistance expense in the accompanying consolidated financial statements.

6. Leases

The Organization leases space for administrative and program facilities and has certain office equipment under noncancelable operating lease agreements which expire through July 2026. Future minimum annual lease payments required under these leases are as follows for the years ending December 31:

2022	$ 87,244
2023	89,380
2024	91,516
2025	93,652
2026	52,440
	$ 414,232

Rent expense totaled $393,893 for the year ended December 31, 2021, and includes donated use of facilities of $270,000 (See Note 5).

7. Liquidity and Availability of Resources

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

Cash and cash equivalents	$ 3,908,588
Accounts receivable	449,384
Pledges receivable	485,498
Total financial assets	4,843,470
Less amounts not available for general expenditure within one year, due to:	
Restricted for capital improvements	(106,707)
Restricted in perpetuity	(10,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 4,726,763

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

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $1,600,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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

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

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

FGAH entered into an agreement with the Developer of the Project to provide consultation on the Project. The developer fee receivable at December 31, 2020 totaling $1,055,500 was collected in full in 2021. FGAH intends to transfer the funds to Family Gateway for participation in the Project.

Hutchins GP entered into an incentive management agreement with the Partnership for performing supervisory management and oversight services. The annual non-cumulative incentive management fee is not to exceed 12% of the Project's gross revenues for such year and is payable from net cash flow as defined in the agreement. FGAH is to receive 75% of such payments. No incentive management fee was accrued or received in 2021.

The Partnership's profits, losses and distributions are allocated among partners in accordance with the Partnership agreement. In 2021, FGAH's share of the partner distribution totaled $162,420.

FGAH provides social services related to homelessness prevention, in connection with the mission of Family Gateway, to all eligible tenants of the Project at no cost to the tenants. During the year ended December 31, 2021, Family Gateway provided social services on behalf of FGAH valued at $24,000.

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

9. Paycheck Protection Program Loan

On March 18, 2021, the Organization received loan proceeds in the amount of $434,500 from a financial institution under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act. The PPP loan includes a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll and benefits, and if the Organization maintains its payroll levels. The Organization elected to account for the PPP loan in accordance with FASB ASC 470. As such, loan proceeds totaling $434,500 are recognized as a liability as of December 31, 2021. Subsequent to year end, the Organization was notified of full forgiveness of the PPP loan. Accordingly, the Organization will recognize $434,500 as gain on forgiveness of debt in 2022.

10. Subsequent Events

The Organization evaluated subsequent events after the consolidated statement of financial position date of December 31, 2021 through the date the consolidated financial statements were issued, and concluded that no additional disclosures are required.

Family Gateway, Inc. and Affiliate
Consolidating Statement of Financial Position
December 31, 2021

Assets

	Family Gateway	FGAH	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	$ 2,712,569	$ 1,196,019	$ -	$ 3,908,588
Accounts receivable	449,384	-	-	449,384
Pledges receivable	438,570	-	-	438,570
Prepaid expenses and deposits	77,108	21,323	(21,323)	77,108
Total current assets	3,677,631	1,217,342	(21,323)	4,873,650
Pledges receivable, net of current	46,928	-	-	46,928
Property and equipment, net	1,036,129	-	-	1,036,129
Total assets	$ 4,760,688	$ 1,217,342	$ (21,323)	$ 5,956,707

Liabilities and Net Assets

	Family Gateway	FGAH	Eliminations	Consolidated
Current liabilities:				
Accounts payable and accrued expenses	$ 216,631	$ -	$ (21,323)	$ 195,308
Paycheck protection program loan	434,500	-	-	434,500
Total liabilities	651,131	-	(21,323)	629,808
Net assets:				
Without donor restrictions	2,776,851	1,217,342	-	3,994,193
With donor restrictions	1,332,706	-	-	1,332,706
Total net assets	4,109,557	1,217,342	-	5,326,899
Total liabilities and net assets	$ 4,760,688	$ 1,217,342	$ (21,323)	$ 5,956,707

Family Gateway, Inc. and Affiliate
Consolidating Statement of Activities
Year Ended December 31, 2021

	Family Gateway	FGAH	Eliminations	Consolidated
Revenue and support:				
Contributions	$ 3,194,586	$ -	$ -	$ 3,194,586
In-kind contributions	435,242	-	-	435,242
Government grants	2,383,835	-	-	2,383,835
Partnership distribution	-	162,420	-	162,420
Rental income	8,646	-	-	8,646
Interest income	4,319	22	-	4,341
Other income	-	18,796	-	18,796
Total revenue and support	6,026,628	181,238	-	6,207,866
Expenses:				
Program services	6,167,409	-	-	6,167,409
Management and general	460,408	100	-	460,508
Fundraising	432,481	-	-	432,481
Total expenses	7,060,298	100	-	7,060,398
Change in net assets	(1,033,670)	181,138	-	(852,532)
Net assets at beginning of year	5,143,227	1,036,204	-	6,179,431
Net assets at end of year	$ 4,109,557	$ 1,217,342	$ -	$ 5,326,899

Family Gateway, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	ALN #	Contract Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct Funding:			
Continuum of Care Program (Rapid Rehousing)	14.267	TX0548L6T001900	$ 132,631
Continuum of Care Program (Rapid Rehousing)	14.267	TX0548L6T002001	76,269
Continuum of Care Program (Bonus 18 Bedroom Program)	14.267	TX0285L6T001908	229,506
Continuum of Care Program (Bonus 18 Bedroom Program)	14.267	TX0285L6T002009	90,510
City of Dallas:			
Continuum of Care Program - COVID	14.267		47,068
Total Continuum of Care Program			575,984
City of Dallas:			
Emergency Solutions Grant Program	14.231	OHS-2021-00016637	93,794
Emergency Solutions Grant Program	14.231	OHS-2020-00113838	126,325
Emergency Solutions Grant Program	14.231	OHS-2021-00014989	267,888
Texas Department of Housing and Community Affairs:			
Emergency Solutions Grant Program	14.231	42206000011	218,561
Emergency Solutions Grant Program	14.231	42216000010	43,918
Emergency Solutions Grant Program - COVID	14.231	4326000010	315,394
Emergency Solutions Grant Program - COVID	14.231	43206000013	384,000
Total Emergency Solutions Grant Program			1,449,880
Total U.S. Department of Housing and Urban Development			2,025,864
U.S. Department of Homeland Security:			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	97.024	Phase 37	12,000
Total Emergency Food and Shelter National Board Program			12,000
Department of the Treasury:			
City of Dallas:			
Coronavirus Relief Fund	21.019	OCC-2021-00015590	91,059
Texas Department of Housing and Community Affairs:			
Emergency Rental Assistance Program	21.023	20210000015	40,497
Total Department of the Treasury			131,556
Total expenditures of federal awards			$ 2,169,420

See notes to schedule of expeditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Family Gateway. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Family Gateway, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Gateway.

2. Summary of Significant Accounting Policies

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

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

To the Board of Directors of
Family Gateway, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the consolidated financial statements of Family Gateway, Inc. and Affiliate (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 27, 2022. The financial statements of Family Gateway Affordable Housing, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Family Gateway Affordable Housing, Inc.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Family Gateway, Inc.'s (Organization) internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 27, 2022

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

To the Board of Directors of
Family Gateway, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Family Gateway, Inc.'s (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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A Limited Liability Partnership

Arlington, Texas
September 27, 2022

Family Gateway, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section I - Summary of Auditors' Results

Consolidated Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
ALN 14.267 Continuum of Care Program	
Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - Summary Schedule of Prior Audit Findings

N/A