

**FAMILY SERVICE CENTER OF
GALVESTON COUNTY, TEXAS
FINANCIAL STATEMENTS
AUGUST 31, 2021**

FAMILY SERVICE CENTER OF GALVESTON COUNTY, TEXAS

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Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family Service Center of Galveston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Family Service Center of Galveston, Texas (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, 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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. 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 Family Service Center of Galveston, Texas as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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* 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the 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 August 17, 2022 on our consideration of Family Service Center of Galveston, Texas' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Family Service Center of Galveston, Texas' 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 Family Service Center of Galveston, Texas' internal control over financial reporting and compliance.


Katherine Overbeck Maxwell, CPA, PLLC

Galveston, Texas
August 17, 2022

Family Service Center of Galveston County, Texas
Statement of Financial Position
August 31, 2021

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,728,463	\$ 2,610,239
Investments	1,933,909	359,164
Promises to Give, Net	803,786	813,528
Grants and Accounts Receivable	16,679	6,178
Prepaid Expenses	32,445	20,161
Total Current Assets	4,515,282	3,809,270
Property and Equipment, Net	269,465	280,649
Other Assets		
Security Deposits	6,500	6,500
Total Assets	\$ 4,791,247	\$ 4,096,419
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 4,987	\$ 9,350
Accrued Expenses	141,251	132,830
Notes Payable- PPP	-	414,700
Total Current Liabilities	146,238	556,880
Net Assets		
Without Donor Restrictions	3,802,957	2,527,839
Without Donor Restrictions- Board Designated	45,200	45,200
With Donor Restrictions	796,852	966,500
Total Net Assets	4,645,009	3,539,539
Total Liabilities and Net Assets	\$ 4,791,247	\$ 4,096,419

The accompanying notes are an integral part of these financial statements

Family Service Center of Galveston County, Texas
Statement of Activities
For the Year Ended August 31, 2021

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue				
Public Support				
Government Grants				
Federal	\$ 418,335	\$ -	\$ 418,335	\$ 447,289
State	1,083,445		1,083,445	979,782
County	362,731	-	362,731	341,017
Other Grants and Contributions	1,270,299	632,884	1,903,183	802,290
Special Events- Gross	3,650	-	3,650	237,316
Less cost of Direct Benefit	-	-	-	(26,250)
Net Special Event	3,650	-	3,650	211,066
Total Public Support	3,138,460	632,884	3,771,344	2,781,444
Revenue				
Program Service Fees	65,290	-	65,290	61,257
Interest Income	2,115	-	2,115	3,201
Investment (Net)	120,263	-	120,263	30,001
Other Income	26,244	-	26,244	23,262
Total Revenue	213,912	-	213,912	117,721
Net Assets Released from Restriction	802,532	(802,532)	-	-
Total Public Support and Revenue	\$ 4,154,904	\$ (169,648)	\$ 3,985,256	\$ 2,899,165
Expenses				
Program Services				
Individual and Family/Service to at Risk Youth (STAR)	\$ 254,713	\$ -	\$ 254,713	\$ 261,687
Victim Support Services	583,553	-	583,553	605,417
Service to At Risk Youth (STAR)	567,282	-	567,282	492,960
Juvenile Justice Program	220,809	-	220,809	184,513
Causeway Galveston	248,424	-	248,424	326,094
Prevention Services	490,058	-	490,058	458,732
JJP Oasis Program	154,434	-	154,434	151,588
CSS Program	165,597	-	165,597	141,919
Total Program Services	2,684,869	-	2,684,869	2,622,910
Supporting Services				
Management and General	187,336	-	187,336	144,579
Fundraising	7,580	-	7,580	24,485
Total Support Services	194,916	-	194,916	169,064
Total Expenses	2,879,786	-	2,879,786	2,791,974
Change in Net Assets	1,275,118	(169,648)	1,105,470	107,191
Net Assets Beginning of Year	2,573,039	966,500	3,539,539	3,432,348
Net Assets, End of Year	\$ 3,848,157	\$ 796,852	\$ 4,645,009	\$ 3,539,539

The accompanying notes are an integral part of these financial statements

Family Service Center of Galveston County, Texas
Statement of Functional Expenses
For the Year Ended August 31, 2021

	Program Services								Support Services			Total Expenses 2021	Total Expenses 2020	
	Individual & Family	Victim Support Services I & II	Juvenile Justice Program	FAYS	Causeway Galveston	Prevention Services	JJP Oasis Program	CSS Program	Total Program Services	Management and General	Fund Raising			Total Support Services
Salaries	\$ 184,880	\$ 408,869	\$ 161,031	\$ 388,591	\$ 196,991	309,983	\$ 108,534	\$ 115,636	\$ 1,874,515	\$ 83,459	\$ -	\$ 83,459	\$ 1,957,974	\$ 1,879,535
Payroll taxes	13,689	30,990	12,001	28,186	14,217	23,731	8,160	8,756	139,730	6,159	-	6,159	145,889	143,349
Employee Benefits	22,700	44,879	24,497	36,944	12,197	26,946	16,263	19,525	203,951	8,685	-	8,685	212,636	238,221
Total Salaries and Related Expenses	221,269	484,738	197,529	453,721	223,405	360,660	132,957	143,917	2,218,196	98,303	-	98,303	2,316,499	2,261,105
Depreciation	-	-	-	-	-	-	-	-	-	11,184	-	11,184	11,184	9,427
Investment and Bank Fees	-	-	-	-	-	-	-	-	-	1,358	-	1,358	1,358	4,121
Insurance	1,947	4,094	1,896	4,215	2,045	4,351	1,001	1,035	20,584	628	-	628	21,212	20,860
Occupancy	9,721	41,077	3,175	21,807	831	9,287	9,534	3,229	98,661	28,364	-	28,364	127,025	137,968
Office Expense	6,588	11,790	5,320	14,259	5,730	14,221	2,807	3,032	63,747	31,075	-	31,075	94,822	46,651
Postage and Shipping	36	76	35	78	38	108	19	19	409	473	-	473	882	1,425
Client Expenses	22	-	-	-	-	2,541	-	-	2,563	488	-	488	3,051	6,112
Printing & Publications	588	1,428	763	3,097	618	2,810	313	313	9,930	568	-	568	10,498	7,848
Equipment Rental and Maintenance	1,019	2,159	993	2,206	1,070	2,278	524	542	10,791	313	-	313	11,104	12,208
Dues & Subscriptions	129	267	109	250	100	249	66	101	1,271	514	-	514	1,785	4,028
Telephone & Communications	1,154	2,454	1,124	6,750	1,212	3,192	594	614	17,094	383	-	383	17,477	16,908
Conferences & Conventions	477	1,325	211	1,275	192	1,411	383	6,390	11,664	5,381	-	5,381	17,045	23,942
Contract Services	1,557	8,259	1,104	30,578	2,001	61,184	671	1,330	106,684	367	-	367	107,051	97,644
Professional Fees	7,447	15,730	7,260	16,150	7,840	19,668	3,835	3,965	81,895	6,142	-	6,142	88,037	67,299
Travel	402	1,237	115	1,276	585	282	1,109	452	5,458	456	-	456	5,914	9,114
Staff Recruitment	31	3,840	30	8,306	885	5,198	16	16	18,322	1,010	-	1,010	19,332	6,981
Internet	652	1,372	635	1,412	685	1,459	336	347	6,898	198	-	198	7,096	7,376
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	15,776
Fundraising Expense	-	-	-	-	-	-	-	-	-	-	7,580	7,580	7,580	24,374
Parking	1,275	2,867	121	1,037	767	266	64	83	6,480	-	-	-	6,480	5,779
Utilities	399	840	389	865	420	893	205	212	4,223	129	-	129	4,352	5,108
Miscellaneous	0	-	-	-	-	-	-	-	0	2	-	2	2	(80)
Total Expenses	\$ 254,713	\$ 583,553	\$ 220,809	\$ 567,282	\$ 248,424	490,058	\$ 154,434	\$ 165,597	\$ 2,684,869	\$ 187,336	\$ 7,580	\$ 194,916	\$ 2,879,786	\$ 2,791,974

Family Service Center of Galveston County, Texas
Statement of Cash Flows
For the Year Ended August 31, 2021

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,105,470	\$ 107,191
Adjustments to Reconcile Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	11,184	9,427
Unrealized (gains)/losses	(87,472)	(19,915)
Realized (gains)/losses	(7,430)	1,901
(Increase) Decrease in Promises to Give	55,598	573,662
(Increase) Decrease in Grants and Accounts Receivable	(56,357)	29,313
(Increase) Decrease in Prepaid Expenses	(12,284)	(502)
Increase (Decrease) in Accounts Payable	(4,363)	6,319
Increase (Decrease) in Accrued Expenses	8,421	49,919
Increase (Decrease) in Notes Payable	(414,700)	414,700
Net Cash Provided (Used) By Operating Activities	598,067	1,172,015
Cash Flows from Investing Activities		
Purchase of Property and Equipment	-	(19,355)
Purchase of mutual funds	(1,479,843)	(11,987)
Net Cash Provided (Used) By Investing Activities	(1,479,843)	(31,342)
Net Increase (Decrease) in Cash	(881,776)	1,140,673
Cash and Cash Equivalents at Beginning of Year	2,610,239	1,469,566
Cash and Temporary Cash Investments at End of Year	\$ 1,728,463	\$ 2,610,239
Supplementary Data:		
Interest Paid	\$ -	\$ -
Income Taxes	\$ -	\$ -

The notes are an integral part of these financial statements

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature Activities

Family Service Center of Galveston County, Texas (FSC) is a private not-for-profit agency dedicated to enhancing the potential for growth of individuals and families. FSC strives to help people pursue healthy, independent, and fulfilling lives through the provision of counseling, education and related social services.

FSC is committed to the creation and support of policies and programs consistent with its purposes that seek to improve the quality of life in the community and to cooperate with other agencies and organizations similarly engaged.

Family Service Center of Galveston County, Texas is committed to building bridges between individuals, families, agencies, and communities.

To this end, FSC has been providing professional counseling and related social services since 1914. Counseling and related social services are provided by licensed medical health professionals with masters and doctoral degrees offering assistance to individuals and families under stress in accordance with the standards set by the Council on Accreditation of Services for Families and Children, Inc. As a recipient of United Way funds, FSC is able to offer fees adjusted according to the client's income, so no one is refused services because of inability to pay. FSC has several sources of revenue; client fees, insurance, and United Way. FSC's primary source of income is from contributions and grants from individuals, foundations, and local and federal governments.

FSC's Programs are summarized in the following categories:

- The *Individual and Family Program* provides counseling services to adults, children, families and couples. The therapist and client work together to address the client's goals from a strengths-based perspective. This program is fully funded by client fees, insurance and the United Way.

- The *Prevention and Early Intervention Program*, including *FAYS (Family and Youth Success)*, previously the STAR program, offers counseling and prevention services for youth under age 18 and their families, seeking to reduce the mental health factors that contribute to low school attainment by enhancing family, community and school support, as well as increase social emotional learning. Services include school-based counseling, family counseling, increased community collaboration, and parent education. Services are available at FSC offices, schools and community-based settings. Prevention services are free to families in Galveston, Liberty and Chambers Counties. FAYS services are covered by the Texas Department of Family and Protective Services. Funding for these services is also supported by the Kempner Foundation, the Moody Permanent Endowment Fund, the John P. McGovern Foundation, the Mildred Yount Manion Charitable Foundation, United Way Galveston County-Mainland, and Valero.

During 2020-21 fiscal year, FAYS counselors served 601 registered clients and provided 5,104 hours of direct service.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The Juvenile Justice Program provides on-site counseling and related social services to youth in detention and/or on probation at the Juvenile Justice Center. Through collaboration, youth and their counselor identify goals to enhance healthy choices. Services include group, individual and family counseling. This program is fully supported by Galveston County's Juvenile Justice Department.
- The Oasis Program offers intensive therapeutic services to youth who have engaged in inappropriate, illegal and/or dangerous sexual behavior. As an alternative to detention, this program allows youth to remain with their families during a structured treatment program. A dual emphasis on helping the youth/family and ensuring the safety of the community are equally balanced. This program is funded in part by Galveston County's Juvenile Justice Department.
- The Community Support Services Program increases access to counseling and related resources by providing these services to persons of all ages in community-based settings. Currently Family Service Center is providing services to clients at St. Vincent's House in Galveston. Funding for this program was provided by the Episcopal Health Foundation for services at St. Vincent's House and Free Clinic.
- The Victim Support Services Program provides counseling services to victims of crime. The goal of this program is to reduce the traumatic impact of criminal acts on victims of abuse and crime, to enhance their coping skills, and to promote comprehensive victim restoration. Funding for this program was provided by the Criminal Justice Division, Office of the Governor.

During the 2020-21 fiscal year, victim services counselors provided 3,299 hours of service to 426 victims of crime and their families.

Basis of Accounting

The financial statements of FSC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

FSC reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a specific purpose or in a specific future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

FSC's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, FSC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalent.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Grants Receivable

Grants receivable represent consideration from state and local government agencies, of which FSC has an unconditional right to receive. Grants receivable are stated at the amount management expects to be collected from the outstanding balance. As of August 31, 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	35 years
Furniture and Equipment	5-7 years

FSC has the policy that assets purchased equal to or greater than \$5,000 are required to be capitalized and depreciated. Property purchased with federal funds also has the \$5,000 capitalization threshold, unless computer or other electronic equipment are purchased, which has a \$500 capitalization requirement. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, FSC reports expirations of donor restrictions when the donated or acquired assets are placed in service. FSC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses

Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which FSC exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one program or supporting activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on usage of related facilities.

Income Taxes

FSC is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. FSC did not conduct any unrelated business activities in the current fiscal year. Therefore, FSC has made no provision for federal income taxes in the accompanying financial statements.

FSC may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of FSC and various positions related to the potential sources of unrelated business taxable income (UBIT). FSC has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of Texas.

FSC believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on FSC's financial condition, results of operations, or cash flows.

Revenue Recognition

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Revenue Recognition (Continued)

Revenue with and without Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted for the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the year ended August 31, 2021 and 2020 was \$1,418 and \$389, respectively.

Compensated Absences

FSC has elected to accrue compensated absences. The maximum amount of annual leave that can be accrued for any employee is no more than 160 hours. The obligated vacation amount accrued as of August 31, 2021 and 2020 was \$45,476 and \$46,084, respectively.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject FSC to credit risk consist primarily of cash and investments. All of a depositor's accounts at an insured depository institution, including all non-interest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. Additionally, cash and securities held by a customer at a Security Investor Protection Corporation (SIPC) member brokerage firm are protected up to \$500,000, which includes a \$250,000 limit for cash.

FSC maintains its cash balance in one financial institution. This balance is insured by the FDIC upto \$250,000. As of August 31, 2021, FSC had \$1,478,463 that was not covered by FDIC insurance. FSC has not experienced any losses in such accounts and believes the risk of future loss is mitigated by monitoring the balances and the financial institutions where cash is deposited.

FSC's investments amount to \$1,933,909 at August 31, 2021, and consists of cash, fixed income securities, and equity investments which are held at a brokerage firm. The investments are insured under the SIPC limit of up to \$500,000. However, these investments are exposed to

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 2 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

several risks, such as interest rates, market, and credit risk. Due to the level of risk associated with certain investment securities, it is least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in FSC's financial statements.

NOTE 3 – PROMISES TO GIVE

	<u>2021</u>	<u>2020</u>
Restricted for use	\$ 811,819	\$ 845,956
Receivable in less than one year	405,547	439,684
Receivable in one to five years	406,272	406,272
Receivable in more than five years	-	-
Total unconditional promise to give	<u>811,819</u>	<u>845,956</u>
Less discounts to net present value	(8,033)	(32,427)
Less allowance for uncollectible promises to give	-	-
Net unconditional promises to give	<u>\$ 803,786</u>	<u>\$ 813,528</u>

Promises to give receivable in more than one year are discounted at 1.00% and 4.75%, respectively.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- (i) Level 1-Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FSC has the ability to access.
- (ii) Level 2-Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- (iii) Level 3-Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets measure at fair value at August 31, 2021 are as follows:

Investments	Level 1	Level 2	Level 3	Total
Cash & Equivalents:				
Premier US Government Money Portfolio	\$ 264,765	\$ -	\$ -	\$ 264,765
Fixed Income Funds:				
BlackRock High Yield Bond Portfolio	28,022	-	-	28,022
Columbia Convertible Securities Fund	159,830	-	-	159,830
Eaton Vance Floating-Rate Advantage	23,612	-	-	23,612
PGIM Total Return Bond fund	158,299	-	-	158,299
Pimco Income Fund	39,018	-	-	39,018
Guggenheim Total Return Bond Fund	297,401	-	-	297,401
Loomis Sayles Limited Term Govt and Agency Fund	290,390	-	-	290,390
Metropolitan West Floating Income Fund	101,633	-	-	101,633
Total Fixed Income Funds	1,098,205	-	-	1,098,205
Equity Funds:				
Diamond Hill Small Mid Cap Fund	24,359	-	-	24,359
TCM Small Cap Growth Fund	50,227	-	-	50,227
TIAA-CREF Real Estate Securities Fund	54,340	-	-	54,340
T Rowe Price Institutional Large-Cap	31,172	-	-	31,172
Fidelity Low-Priced Stock Fund	29,095	-	-	29,095
Vanguard Equity Income Fund	63,146	-	-	63,146
Vanguard Large-Cap Index Fund	17,936	-	-	17,936
Vanguard Mid-Cap Index Fund	14,234	-	-	14,234
Vanguard Small-Cap Index Fund	13,502	-	-	13,502
Vanguard US Growth Fund	51,877	-	-	51,877
William Blair Small Cap Value Fund	43,667	-	-	43,667
William Blair Small-Mid Cap Growth	53,928	-	-	53,928
Total Equity Funds	447,483	-	-	447,483
International Equity Funds:				
T Rowe Price Institutional Emerging Markets Equity Funds	53,523	-	-	53,523
Vanguard International Growth Fund	69,935	-	-	69,935
Total International Equity Funds	123,457	-	-	123,457
Total Investment Value	\$ 1,933,909	\$ -	\$ -	\$ 1,933,909

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measure at fair value at August 31, 2020 are as follows:

Investments	Level 1	Level 2	Level 3	Total
Cash & Equivalents:				
Premier US Government Money Portfolio	\$ 13,679	\$ -	\$ -	\$ 13,679
Fixed Income Funds:				
BlackRock High Yield Bond Portfolio	22,491	-	-	22,491
Columbia Convertible Securities Fund	25,476	-	-	25,476
Eaton Vance Floating-Rate Advantage	18,777	-	-	18,777
PGIM Total Return Bond fund	30,065	-	-	30,065
Pimco Income Fund	30,443	-	-	30,443
Total Fixed Income Funds	127,251	-	-	127,251
Equity Funds:				
Diamond Hill Small Mid Cap Fund	19,873	-	-	19,873
ICM Small Company Portfolio	16,333	-	-	16,333
Invesco Real Estate Fund	17,367	-	-	17,367
TCM Small Cap Growth Fund	14,848	-	-	14,848
T Rowe Price Institutional Large-Cap	26,403	-	-	26,403
Vanguard Equity Income Fund	25,871	-	-	25,871
Vanguard Large-Cap Index Fund	14,871	-	-	14,871
Vanguard Mid-Cap Index Fund	10,928	-	-	10,928
Vanguard Small-Cap Index Fund	11,421	-	-	11,421
William Blair Small-Mid Cap Growth	19,137	-	-	19,137
Total Equity Funds	177,053	-	-	177,053
International Equity Funds:				
T Rowe Price Institutional Emerging Markets Equity Funds	20,917	-	-	20,917
Vanguard International Growth Fund	20,264	-	-	20,264
Total International Equity Funds	41,180	-	-	41,180
Total Investment Value	\$ 359,164	\$ -	\$ -	\$ 359,164

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at August 31, 2021.

- Cash equivalents - the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.
- Money market funds - are valued at their fair value at the end of the year.
- Real Estate Investment Trusts (REITS) - are valued at the closing price reported on the active-market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FSC believes their valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

The following schedule summarizes the investment return in the Statement of Activities for the years ended August 31, 2021 and 2020, net of investment management fees:

	2021	2020
Dividends	\$ 30,983	\$ 14,477
Interest	-	
Net realized gains(losses)	7,430	(1,901)
Net unrealized gains(losses)	87,472	19,915
Investment management fees	(5,622)	(2,490)
Total investment return, net	\$ 120,263	\$ 30,001

NOTE 5 – PROPERTY AND EQUIPMENT

As of August 31, 2021 and 2020, property and equipment consist of the following:

	2021	2020
Land	\$ 139,320	\$ 139,320
Building	117,910	117,910
Furniture and Fixtures	47,809	47,809
Subtotal Property and Equipment	305,039	305,039
Less: Accumulated Depreciation	(35,574)	(24,390)
Total Property and Equipment, Net	\$ 269,465	\$ 280,649

Depreciation expense charged to operations for the year-ended August 31, 2021 and 2020 was \$11,184 and \$9,427, respectively.

FSC received a property gift from the Mary Moody Northern Endowment Fund with an appraised value of \$257,230 in July 2018. The property is located at 2902 Broadway St., Galveston, Texas and FSC's administration moved to the building in September 2018. It was donated to support the mission of FSC and is to be used solely as office and/or counseling and meeting space for the promotion of mental health and well-being of individuals and families through counseling, education, and prevention services, unless the Endowment consents in writing to another use.

In the event that FSC no longer wishes to use the property in furtherance of its mission, or ceases to use the property in a manner agreed upon, title to the property will automatically revert back to the endowment.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 6 – BOARD DESIGNATED NET ASSETS

The Board authorized that a portion of unrestricted assets be allocated to an unrestricted Board Designated Account to self-insure in case of loss due to a storm. An inventory of assets held at the Dickinson location and their replacement cost was used to arrive at the allocation amount. Currently, \$45,200 has been allocated to the account in order to replace all assets at this location in the event of a major storm.

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 3,802,957	\$ 2,527,839
Board-designated for Operating Reserve	45,200	45,200
Total net assets without donor restrictions	<u>\$ 3,848,157</u>	<u>\$ 2,573,039</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are restricted for the following purposes as of August 31, 2021:

Subject to expenditure for specific purpose:

Galveston Community of Care	49,416
Individual and Family Counseling	88,247
Integrated Mental/Behavioral Health Services	185,990
Prevention and Early Intervention Program for Youth	25,000
Mental Health Component of St. Vincent's Free Clinic	41,927
Total	<u>390,580</u>

Subject to passage of time:

Individual and Family Counseling	-
Galveston Community of Care	406,272
Total	<u>406,272</u>

Total net assets with donor restrictions	<u>796,852</u>
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Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Donor restricted net assets are restricted for the following purposes as of August 31, 2020:

Subject to expenditure for specific purpose:

Galveston Community of Care	25,022
Individual and Family Counseling	20,922
Integrated Mental/Behavioral Health Services	25,000
Prevention and Early Intervention Program for Youth	166,250
Mental Health Component of St. Vincent's Free Clinic	120,026
Total	357,219

Subject to passage of time:

Individual and Family Counseling	43,078
Galveston Community of Care	566,203
Total	609,281

Total net assets with donor restrictions	966,500
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NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

The following amounts were released from restrictions for the year ended August 31, 2021:

Expiration of time restrictions:

Satisfaction of purpose restrictions:

Toward increased access to quality trauma informed mental health services	-
Mental Health Components of St. Vincent's free Clinic	140,598
Prevention and Early Intervention Programs for Youth	76,250
RACE Parenting Initiative	170,000
Relief & Rebuilding efforts for the Victims of Hurricane Harvey	-
Integrated Mental/Behavioral Health Services	25,000
Program- Needs of At-Risk Youth of Galveston County	-
Galveston Community of Care	159,931
Individual and Family Counseling Program	230,753
Other	-
Total for satisfaction of purpose restriction	802,532

Total net assets released from restrictions	802,532
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Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS (CONTINUED)

The following amounts were released from restrictions for the year ended August 31, 2020:

Expiration of time restrictions:

Satisfaction of purpose restrictions:

Toward increased access to quality trauma informed mental health services	35,000
Mental Health Components of St. Vincent's free Clinic	70,000
Prevention and Early Intervention Programs for Youth	11,250
RACE Parenting Initiative	31,667
Relief & Rebuilding efforts for the Victims of Hurricane Harvey	239,182
Integrated Mental/Behavioral Health Services	343,628
Program- Needs of At-Risk Youth of Galveston County	-
Galveston Community of Care	236,613
Individual and Family Counseling Program	191,176
Other	15,000
Total for satisfaction of purpose restriction	1,173,515

Total net assets released from restrictions

1,173,515

NOTE 10 – EMPLOYEE BENEFITS

Pension Plan - On January 1, 1993 FSC adopted a 403(b)-retirement plan. FSC contributes 3% of each eligible participant's salaries to the plan. FSC contributes for participants after one year of service and the employee will be one-hundred percent (100%) vested upon completion of three years of service. Pension costs for the year ended August 31, 2021 and 2020 amounted to \$63,428 and \$41,437, respectively.

Medical Insurance - Employees are eligible for health insurance the first month after 30 days of employment and must work 30 or more hours per week. Employees are required to pay a proportional share of the insurance and if the family is covered, the premium for family members. Medical insurance costs for the year ended August 31, 2021 and 2020 amounted to \$121,978 and \$138,349, respectively.

Life Insurance - Employees are eligible the first of the month following the hire date and work 30 or more hours per week. Coverage amounts to one year's wages. Life insurance-costs for the year ended August 31, 2021 and 2020 amounted to \$17,423 and \$13,548, respectively.

Long-Term Disability - Employees are eligible after one year of service and work 30 or more hours per week. Long-term disability commences six months after the employee is off due to disability and covers salary for 6 months and is then reduced. Long-term disability costs for the year ended August 31, 2021 and 2020 amounted to \$7,105 and \$7,666, respectively.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 11 – LEASE COMMITMENTS

FSC leases another office space under a non-cancellable lease agreement dated September 1, 2016 that expires on August 31, 2021. The lease agreement terms are monthly rental payments of \$4,150. On January 1, 2018, this agreement was amended to include additional office space with payments of \$575 a month, expiring August 31, 2021. In addition, FSC leases another office space under a noncancellable lease agreement dated September 1, 2020, that expires on August 31, 2025. The lease agreement terms are monthly rental payments of \$3,480 with annual rate increases. On June 1, 2021, FSC entered into a non-cancellable agreement for additional space that expires on May 31, 2025. The lease agreement terms are monthly payments of \$1,073 with annual rate increases. These periodic base rate increases are reflected in the future minimum lease payments below. Furthermore, FSC leases office equipment under a non-cancelable lease agreement with monthly payments of \$537 that expire on August 31, 2025.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of August 31, 2021 are as follows:

2022	121,896
2023	123,225
2024	124,845
2025	123,207
2026	<u>66,000</u>
Total	<u>559,173</u>

Total rent expense for the year ended August 31, 2021 and 2020 amounted to \$101,364 and \$119,640, respectively.

NOTE 12 - CONCENTRATIONS

FSC is dependent on several sources of support and revenue. For the year ended August 31, 2021, approximately \$2,043,013, or sixty-two percent (62%), of FSC's revenue came from four grantors. In addition, approximately \$720,839, or eighty-seven percent (87%) of FSC's promises to give came from four grantors. A significant reduction in any of these individual grants, if this were to occur, would have an adverse impact on FSC's programs and activities.

Additionally, FSC conducts its operations solely in the greater Houston/Galveston area, and therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for FSC's services.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 13 – CONTINGENCIES

FSC's programs are supported through federal, state, and local grant programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that FSC has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, have had a broad and negative impact on commerce and financial markets around the world. The uncertainties brought on by the pandemic has caused significant declines in value of U.S and global markets. FSC is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on FSC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the FSC's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact FSC's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic

NOTE 14 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprise the following:

	2021	2020
Cash and cash equivalents	\$ 1,728,463	\$ 2,610,239
Promises to give, net of discount	803,786	813,528
Grants Receivable	16,679	6,178
Investments	1,933,909	359,164
Total financial assets	4,482,837	3,789,109
Less: Financial assets not available for general expenditures:		
<i>Restricted for specific purposes and passage of time</i>	(796,852)	(966,500)
<i>Board-designated reserve fund</i>	(45,200)	(45,200)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,640,785	\$ 2,777,409

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FSC considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 14 – LIQUIDITY AND AVAILABILITY (CONTINUED)

FSC is substantially supported by contributions and service provider contracts, and regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. FSC has an operating reserve policy to designate a minimum of three months of average recurring operating costs. Although FSC does not intend to spend from the operating reserve fund, amounts could be made available, if necessary.

NOTE 15 – PAYCHECK PROTECTION PROGRAM

In April 2020, FSC received a loan approval of \$414,700 from Moody National Bank (a Small Business Administrator "SBA" approved partner) under the Paycheck Protection Program "PPP". The program was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for forgivable loans to qualifying organizations as long as the organization maintains its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a "covered period" (eight or 24 weeks, not to extend beyond December 31, 2020). The loan may be forgiven by U.S. Small Business Administration (SBA) subject to certain conditions as outlined in the loan agreement and the CARES Act. FSC was notified on December 16, 2020 that the PPP loan was forgiven by the SBA including all related accrued unpaid interest. FSC recognized the \$414,700 as revenue during the fiscal year ended August 31, 2021.

NOTE 16- ACCOUNTING PRONOUNCEMENTS ADOPTED

On August 18, 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. FSC has implemented ASU 2016-14 at fiscal year ended August 31, 2019.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The amendments was adopted and applied on a modified prospective basis as of September 1, 2019. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will 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 standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The Standard can be adopted using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical, or (ii) a modified retrospective approach with the cumulative effect of initially adopting ASU 2019-09 recognized at the date of adoption (which includes additional footnote disclosures). In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* that allows entities to elect to postpone adoption until fiscal years beginning after December 15, 2020. FSC’s management is currently evaluating the full effect that the adoption of this standard will have on the financial statements and has not yet determined the method by which it will be adopted.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* that allows entities to elect to postpone adoption until fiscal years beginning after December 15, 2021. FSC’s management is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

NOTE 18 – PRIOR-PERIOD INFORMATION

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with FSC’s financial statements for the year ended August 31, 2020, from which the summarized information was derived.

Family Service Center of Galveston County, Texas
Notes to the Financial Statements
August 31, 2021

NOTE 19 - SUBSEQUENT EVENTS

In preparing these financial statements, FSC has evaluated events and transactions for potential recognition or disclosure through August 17, 2022, the date the financial statements were available to be issued. FSC entered into a new lease agreement and moved the Texas City mainland-office to a new building. The 5-year noncancellable lease agreement starts on September 1, 2021 and expires on August 31, 2026. The terms of the lease agreement include a rental payment of \$5,500 per month, which is included in the calculation of the future minimum lease payments as noted in Note 11 above. FSC has determined that no adjustment to the financial statements for the year ended August 31, 2021 is deemed necessary as a result of this event.

Family Service Center of Galveston County, Texas
Statement of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity ID Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice			
Texas Office of the Governor - Criminal Justice Division Victims of Crime Act Formula Grant Program	16.575	2580306	<u>\$ 418,335</u>
Total Passed Through Texas Office of the Governor - Criminal Justice Division			<u>418,335</u>
Department of Family and Protective Services			
Texas Department of Family and Protective Services Family and Youth Success (FAYS) (Formerly known as STAR)	93.556	24555413	915,834
Texas Department of Family and Protective Services Community Based Child Abuse Prevention (Fatherhood)	93.590	24767856	<u>167,612</u>
Total Passed Through Texas Department of Family and Protective Services			<u>1,083,446</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,501,781</u></u>

Family Service Center of Galveston County, Texas
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal and state grant activity of Family Service Center of Galveston County, Texas under programs of the federal government for the year ended August 31, 2021. 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 selection portion of the operations of Family Service Center of Galveston County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Service Center of Galveston County.

NOTE 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 Service Center of Galveston County, Texas has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Family Service Center of Galveston County, Texas has not contracted or made awards to any subrecipients.



Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

INDEPENDENT AUDITOR'S 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 Service Center of Galveston County, Texas
Galveston, Texas

We have audited, in accordance with the 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 financial statements of Family Service Center of Galveston County, Texas (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 17, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Service Center of Galveston County, Texas's internal control over financial reporting (internal control) as a basis for designing 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 Family Service Center of Galveston County, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Family Service Center of Galveston County, Texas'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. 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 Family Service Center of Galveston County, Texas'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 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.


Katherine Overbeck Maxwell, CPA, PLLC

Galveston, Texas

August 17, 2022



Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Family Service Center of Galveston County, Texas
Galveston, Texas

Report on Compliance for Each Major Federal Program

We have audited Family Service Center of Galveston County, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family Service Center of Galveston County, Texas's major federal programs for the year ended August 31, 2021. Family Service Center of Galveston County, Texas'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Service Center of Galveston County, Texas'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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Service Center of Galveston County, Texas'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 Family Service Center of Galveston County, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, Family Service Center of Galveston County, Texas 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 August 31, 2021.

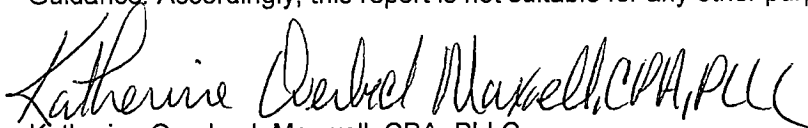
Report on Internal Control over Compliance

Management of Family Service Center of Galveston County, Texas 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 Family Service Center of Galveston County, Texas'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 Family Service Center of Galveston County, Texas'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 a 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.


Katherine Overbeck Maxwell, CPA, PLLC

Galveston, Texas

August 17, 2022

**Family Service Center of Galveston County, Texas
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2021**

Section I - Summary of Auditor's Reports

Financial Statement

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:
 Material Weakness Identified _____ Yes X No

Significant Deficiencies Identified that are
 Not Considered to be Material Weaknesses _____ Yes X No

Noncompliance Material to Financial
 Statement Noted _____ Yes X No

Federal Awards

Internal Control over Major Program:
 Material Weakness Identified _____ Yes X No

Significant Deficiencies Identified that are
 not Considered to be Material Weaknesses _____ Yes X No

Type of Auditor's Report Issued on Compliance
 for Major Programs Unmodified

Any Audit Findings Disclosed that are
 Required to be Reported in Accordance
 with 2 CFR 200.516(a) _____ Yes x No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.556	Family and Youth Success (FAYS)

Dollar Threshold Used to Distinguish Between
 Type A and Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? _____ Yes X No

**Family Service Center of Galveston County, Texas
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021**

Section II Financial Statement Findings

None

Section III Federal Award Findings and Questioned Costs

None

Section IV Schedule of Prior Year Audit Findings

Compliance Findings

2020-01 Billing for sessions performed
Significant Deficiency. An error in the billing spreadsheet
led to the organization billing for more sessions than actually performed

Corrective Action was taken.