

FAMILY RESOURCE AGENCY, INC.

FINANCIAL REPORT

December 31, 2022

## INTRODUCTORY SECTION

FAMILY RESOURCE AGENCY, INC.  
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December 31, 2022

INTRODUCTORY SECTION

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FAMILY RESOURCE AGENCY, INC.  
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT  
December 31, 2022

Kelly Browand, President  
Deana Laudner, President-Elect  
Sandra Holder, Secretary/Treasurer  
Rachel Bennett, Director  
David Carroll, Director  
John Corum, Director  
Cele Curtis, Director  
Rodney Dunn, Director  
Pam Edgemon, Director  
John Fischer, Director  
Ryan Goodman, Director  
Jason Hartman, Director  
Sharon Howard, Director  
Richard Hughes, Director  
Toni Miles, Director  
Stephanie Pope, Director  
Paige Rapson, Director  
Rick Smith, Director  
Tiffany Miracle, Policy Council Representative  
Holden Lane, Policy Council Representative  
Paula Bacon, CEO  
Joe Adams, Fiscal Director

## FINANCIAL SECTION

# HARTING, BISHOP & ARRENDALE, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

KELVIN W. BISHOP, CPA  
THOMAS H. ARRENDALE, CPA, MBA  
JANICE L. HAYES, CPA

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Family Resource Agency, Inc.

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

We have audited the accompanying financial statements of Family Resource Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Family Resource Agency, Inc. as of December 31, 2022, 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.

##### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family Resource Agency, Inc. 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 opinions.

##### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

##### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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 Resource Agency, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Resource Agency, Inc.'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 financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023, on our consideration of Family Resource Agency, 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 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 Resource Agency, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Resource Agency, Inc.'s internal control over financial reporting and compliance.

*Harting, Bishop & Arrendale, PLLC*  
Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee  
February 14, 2023



FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2022

ASSETS

Current Assets

Cash	\$ 706,541
Grants receivable	743,856
Accounts receivable	348,185
Prepaid expenses	<u>185,474</u>
Total current assets	<u>1,984,056</u>

Long-Term Assets

Operating lease right-of-use assets	1,076,796
Property and equipment, net	<u>1,800,630</u>
Total long-term assets	<u>2,877,426</u>

Total Assets \$ 4,861,482

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 183,026
Salaries and accrued leave payable	809,062
Advances payable	1,000
Other accrued liabilities	114,943
Refundable advances	196,511
Current portion of operating lease liabilities	<u>211,421</u>
Total current liabilities	<u>1,515,963</u>

Long-Term Liabilities

Long-term operating lease liabilities	<u>865,375</u>
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Total liabilities 2,381,338

Net Assets

Without donor restrictions	
Undesignated	2,195,466
Designated by the Board	13,339
With donor restrictions	<u>271,339</u>
Total net assets	<u>2,480,144</u>

Total Liabilities and Net Assets \$ 4,861,482

The accompanying notes are an integral part of  
this financial statement.

FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Department of Health & Human Services - GA	\$ 11,500,000	\$ -	\$ 11,500,000
Department of Health & Human Services - TN	5,468,069	-	5,468,069
Department of Health & Human Services - ARP	1,088,968	-	1,088,968
Department of Human Services - VOCA, FFV	239,098	-	239,098
TN Coalition Against Domestic and Sexual Violence	7,558	-	7,558
Child Care Food Program - GA OSR	407,567	-	407,567
Child Care Food Program - TDHS	206,125	-	206,125
Bradley County Pre-K	1,199,954	-	1,199,954
City of Cleveland Pre-K	916,027	-	916,027
Pre-K Program - GA OSR	411,824	-	411,824
In-kind donations	5,943,404	-	5,943,404
United Way of Bradley County, Inc.	107,141	-	107,141
Contributions	38,802	-	38,802
Fundraising	23,929	-	23,929
Rental income	24,326	-	24,326
Other income	253	-	253
Total Public Support and Revenue	<u>27,583,045</u>	<u>-</u>	<u>27,583,045</u>
Expenses:			
Program Services:			
Child Care Food Program	1,456,457	-	1,456,457
Family Violence Shelter	369,724	-	369,724
Pre-K Program - TN	1,723,947	-	1,723,947
Head Start - TN	7,717,092	-	7,717,092
Head Start - American Rescue Plan	884,646	-	884,646
Head Start - GA	12,049,909	-	12,049,909
Head Start - GA EHS CCP	1,840,672	-	1,840,672
Pre-K Program - GA	389,131	-	389,131
Total Program Services	26,431,578	-	26,431,578
Supporting Services:			
Management and general	1,174,858	-	1,174,858
Total Expenses	<u>27,606,436</u>	<u>-</u>	<u>27,606,436</u>
CHANGE IN NET ASSETS	(23,391)	-	(23,391)
NET ASSETS, beginning of year	<u>2,232,196</u>	<u>271,339</u>	<u>2,503,535</u>
NET ASSETS, end of year	<u>\$ 2,208,805</u>	<u>\$ 271,339</u>	<u>\$ 2,480,144</u>

The accompanying notes are an integral part of  
this financial statement.

FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2022

	Program Services								Supporting Services: Management and General	Total Expenses
	Child Care Food Program	Family Violence Shelter	Tennessee Head Start Pre-K	04CH011925-02 Tennessee Head Start	04HE001097-01 American Rescue Plan	04CH012114-01 04CH012114-02 Georgia Head Start	04HP00382-03 04HP00382-04 Georgia Head Start EHS-CCP	Georgia Head Start Pre-K		
Salaries	\$ 467,606	\$ 243,014	\$ 1,162,189	\$ 3,294,462	\$ 289,488	\$ 5,022,502	\$ 515,953	\$ 297,653	\$ 741,412	\$ 12,034,279
Fringe benefits	102,857	40,376	211,282	680,230	328,525	1,144,089	116,886	70,460	134,044	2,828,749
Total salaries and related expenses	570,463	283,390	1,373,471	3,974,692	618,013	6,166,591	632,839	368,113	875,456	14,863,028
Travel	5,455	4,086	12,193	73,160	-	71,242	9,764	1,159	5,348	182,407
Communications	362	6,951	16,996	102,226	6,284	116,572	20,061	346	12,613	282,411
Utilities	-	8,118	21,212	148,538	-	212,943	12,983	-	4,539	408,333
Contracted services	181,109	17,840	76,057	166,186	962	741,145	555,866	949	144,817	1,884,931
Food costs	599,393	4,114	-	-	-	-	-	-	-	603,507
Supplies	73,099	10,134	78,650	236,589	167,949	518,569	174,830	11,051	26,782	1,297,653
Maintenance and repairs	20,809	8,579	45,708	190,284	12,277	253,689	24,139	6,455	9,039	570,979
Training and certification	1,234	591	17,306	55,487	10,489	238,197	34,283	862	6,341	364,790
Rent	-	20,303	28,904	110,266	-	233,842	19,941	-	42,375	455,631
Insurance	-	2,821	10,458	45,305	-	75,960	7,924	146	27,514	170,128
Parent activity	-	-	259	1,696	-	10,391	1,215	50	-	13,611
In-kind rent	-	-	-	2,410,952	-	3,211,034	321,418	-	-	5,943,404
Other	245	182	112	3,988	-	9,358	685	-	11,142	25,712
MIS expenses	-	2,615	25,407	53,965	-	35,305	4,577	-	8,892	130,761
Total expenses before depreciation	1,452,169	369,724	1,706,733	7,573,334	815,974	11,894,838	1,820,525	389,131	1,174,858	27,197,286
Depreciation	4,288	-	17,214	143,758	68,672	155,071	20,147	-	-	409,150
Total expenses	<u>\$ 1,456,457</u>	<u>\$ 369,724</u>	<u>\$ 1,723,947</u>	<u>\$ 7,717,092</u>	<u>\$ 884,646</u>	<u>\$ 12,049,909</u>	<u>\$ 1,840,672</u>	<u>\$ 389,131</u>	<u>\$ 1,174,858</u>	<u>\$ 27,606,436</u>

The accompanying notes are an integral part of  
this financial statement.

FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (23,391)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	409,150
Change in operating assets and liabilities:	
Grants receivable	(465,755)
Accounts receivable	(85,009)
Prepaid expenses	(114,029)
Accounts payable	130,531
Salaries and accrued leave payable	85,846
Other accrued liabilities	(8,175)
Refundable advances	<u>2,324</u>
Net cash used by operating activities	<u>(68,508)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(347,856)</u>
Net cash used by investing activities	<u>(347,856)</u>

Net decrease in cash (416,364)

CASH, beginning of year	<u>1,122,905</u>
CASH, end of year	<u><u>\$ 706,541</u></u>

SUPPLEMENTAL DISCLOSURE

Interest paid during the year	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of  
this financial statement.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 1 - Summary of Significant Accounting Policies**

Nature of Activities

Family Resource Agency, Inc. is a nonprofit agency. The primary purpose of the agency is to provide early childhood education and supportive services to enhance early childhood development. The agency operates Head Start centers in four (4) counties in southeast Tennessee and Head Start centers in six (6) counties in North Georgia. The agency operates a Pre-K program in Bradley County, Tennessee and in North Georgia. The agency also operates a Family Violence Program in Cleveland, Tennessee and provides assistance to victims of violent crimes. Principal funding comes from the United States Department of Health and Human Services (DHHS), State of Tennessee, State of Georgia and United Way of the Ocoee Region.

Method of Accounting

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

Basis of Presentation

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for the family violence shelter.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. The agency reports contributions restricted by donors 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Agency considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 1 - Summary of Significant Accounting Policies (continued)**

Accounts Receivable

Accounts receivable represent consideration from federal and state government agencies, of which the Agency has an unconditional right to receive. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2022, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 are recorded at cost. Expenditures for additions, major renewals, and betterments are capitalized while those for maintenance and repairs are charged to expenditures as incurred. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful life of the assets. All equipment, furnishings and vehicles purchased with grant funds are subject to a reversionary ownership interest on the part of the grantor agency.

Donated Services and Contributions of Nonfinancial Assets

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. Volunteers provide a variety of tasks that relate to the Head Start program and fundraising for the family violence program that are not recognized as contributions in the financial statements since the recognition criteria were not met. Contributions of nonfinancial assets are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that benefit more than one program may be allocated based on meals served, number of classrooms, salaries by program, funded enrollment, enrolled children, full time employees supervised, square footage occupied or other equitable methods.

Revenue and Revenue Recognition

The Agency recognizes revenue from special event admission at the time of the event. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of 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 RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 1 - Summary of Significant Accounting Policies (continued)**

Leases

The Agency determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Agency does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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 the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Tax-Exempt Status

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. The Agency is not subject to unrelated business income tax for the year ended December 31, 2022. In addition, the Agency qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Recent Accounting Guidance

The Agency adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The presentation and disclosure of contributed nonfinancial assets have been enhanced in accordance with the standard. The adoption of the standard did not change the recognition and measurement requirements for contributed nonfinancial assets.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 1 - Summary of Significant Accounting Policies (continued)**

Recent Accounting Guidance (continued)

The Agency adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Agency elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Agency recognized ROU assets of \$1,286,815 and lease liabilities totaling \$1,286,815 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

**Note 2 - Liquidity and Availability**

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

Financial assets at year end:

Cash	\$ 706,541
Grants receivable	743,856
Accounts receivable	<u>348,185</u>
Total financial assets	<u>1,798,582</u>

Donor-imposed restrictions:

Family violence shelter	(9,800)
Tennessee Head Start program	(97,631)
Tennessee Head Start accrued annual leave	(77,507)
Georgia Head Start program	(51,548)
Georgia Head Start accrued annual leave	<u>(34,853)</u>
	<u>(271,339)</u>

Net financial assets after donor-imposed restrictions	1,527,243
Internal designations	<u>(13,339)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,513,904</u>
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The Agency receives significant revenues from grants which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Grant revenues are received through weekly draw downs for the Head Start program, and reimbursement requests for family violence shelter, child care food programs, and Pre-K programs.



FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 3 - Concentrations of Risk**

*Concentration of Credit Risk:* Family Resource Agency, Inc. maintains cash balances at local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, the Agency's uninsured cash balances total \$420,579. Uninsured balances of \$420,579 were maintained by a sweep agreement with the financial institution.

*Concentration of Grant Revenue:* Family Resource Agency, Inc. receives a substantial amount of its support from the State of Tennessee, State of Georgia and the United States Department of Health and Human Services for operations. A major reduction of funds by the grantor agencies, should this occur, may have a significant effect on the future operations of the Agency's programs and activities.

**Note 4 - Grants Receivable**

Grants receivable at December 31, 2022, consisted of:

U.S Department of Health and Human Services-TN	\$ 358,280
U.S Department of Health and Human Services-ARP	50,882
U.S Department of Health and Human Services-GA	118,948
U.S Department of Health and Human Services-GA EHS CCP	132,313
 Tennessee Department of Finance and Administration: Family Violence Grants	 32,872
 Tennessee Department of Human Services: Child Care Food Program	 15,198
 Georgia Department of Early Care & Learning Child Care Food Program	 30,797
 Tennessee Coalition to End Domestic and Sexual Violence	 4,566
	<hr/>
	\$ 743,856

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 5 - Property and Equipment**

Major classifications of property and equipment and their respective depreciable lives are summarized below:

		Depreciable Lives
Furniture and Equipment	\$ 2,328,686	3-10 Years
Leasehold Improvements	6,029,819	5-20 Years
Building	209,627	20 Years
Vehicles	<u>394,856</u>	5 Years
	8,962,988	
Accumulated Depreciation	<u>(7,162,358)</u>	
	<u>\$ 1,800,630</u>	

Depreciation expense aggregated \$409,150 for the year ended December 31, 2022.

**Note 6 - Refundable Advances**

During 2022, the Agency received restricted grants totaling \$196,511 that contained donor restrictions (primarily expenditure for specified activities). Since these grants are promises, conditioned on future uncertain events, they are not recorded as contribution revenue until donor conditions are met. Funds received from the grantor in advance of the conditions being met totaled \$196,511; are recorded as refundable advances; and will subsequently be recognized as contribution revenue when donor conditions are met.

**Note 7 – Leases**

The Agency evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Agency's right to use underlying assets for the lease term, and the lease liabilities represent the Agency's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Agency has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of December 31, 2022, was 1.28%.

The Agency's operating leases consist of real estate leases for office and classroom space. For the year ended December 31, 2022, total operating lease cost was \$374,329, and total short-term lease cost was approximately \$148,849. As of December 31, 2022, the weighted-average remaining lease term for the Agency's operating leases was approximately 5 years.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 7 – Leases (continued)**

Cash paid for operating leases for the year ended December 31, 2022 was \$225,480. There were no noncash investing and financing transactions related to leasing.

Future maturities of lease liabilities are presented in the following table, for the fiscal years ended December 31:

2023	\$ 225,480
2024	225,480
2025	220,680
2026	165,576
2027	94,968
Thereafter	<u>189,936</u>
Total lease payments	1,122,120
Less present value discount	<u>(45,324)</u>
Total lease obligations	<u><u>\$ 1,076,796</u></u>

**Note 8 – Contributed Services**

Many individuals volunteer their time and perform a variety of tasks relating to the Head Start program. This non-specialized volunteer time received during the year is used to meet matching requirements of the Head Start program and does not meet revenue recognition criteria. For the year ended December 31, 2022, the Georgia Head Start program recorded \$5,174 and the Georgia Head Start CCP program recorded \$1,280 of in-kind services.

**Note 9 – Contributed Facilities**

The Agency received contributed space during the year ended December 31, 2022 with a fair market value on the dates of donation of \$6,023,710. The fair market value is based on current market rates for the facilities. The amounts are recorded as in-kind revenues and expenses in the accompanying statements of activities and functional expenses.

**Note 10 - Retirement Plan**

Family Resource Agency, Inc. maintains a defined contribution retirement plan for its employees. The plan is approved under Internal Revenue Code Section 403(b). The plan is funded under a tax deferred group annuity contract. Employees are eligible to make salary deferral contributions as of the first day of employment. The agency contributes 5% of annual compensation to the plan for qualified employees. Employees are not required to make any contributions to the plan in order to participate. Total expense recognized during the year ended December 31, 2022 was \$499,903.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 11 - Child Care Food Program**

The objective of the Child Care Food Program is to initiate, maintain, or expand nonprofit food service programs for eligible children in nonresidential child care facilities. Eligible children in the Head Start and Pre-K programs of the agency participate in the Child Care Food Program. The following is a breakdown of the revenues and expenses of the Child Care Food Program between the Head Start and Pre-K programs for the year ended December 31, 2022.

Program	Revenues	Expenses	Net
Head Start-GA	\$ 370,148	\$ 968,627	\$ (598,479)
Head Start-GA EHS CCP	18,055	58,265	(40,210)
Head Start-TN	135,940	438,272	(302,332)
Pre-K TN	13,757	35,346	(21,589)
	<u>\$ 537,900</u>	<u>\$ 1,500,510</u>	<u>\$ (962,610)</u>

**Note 12 - Fund-Raising Expense**

Fund-raising was conducted for the family violence shelter. Total fund-raising expense for the year ended December 31, 2022 was \$16,732. These expenses are reported in the family violence shelter program on the statement of functional expenses.

**Note 13 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose:	
Family violence shelter	\$ 9,800
Tennessee Head Start program	97,631
Tennessee Head Start accrued annual leave	77,507
Georgia Head Start accrued annual leave	34,853
Georgia Head Start program	51,548
	<u>\$ 271,339</u>

The Agency has elected to set aside funding for accrued annual leave for the Tennessee Head Start and Georgia Head Start program as allowed by Department of Health and Human Services program instructions. The Agency maintains the accrued annual leave funding in a separate reserve account. The reserve account will only be available for accrued annual leave obligations. There were no net assets released from donor restrictions during the year ended December 31, 2022.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**Note 14 - Board Designated Net Assets**

Included in net assets without donor restrictions are Board designated funds which represent resources currently available for use, but expendable only for the family violence shelter of \$13,339.

**Note 15 – Subsequent Events**

Subsequent events were evaluated through February 14, 2023, which is the date the financial statements were available to be issued.

## SUPPLEMENTAL INFORMATION

FAMILY RESOURCE AGENCY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
For the Year Ended December 31, 2022

Federal Grantor/ Pass through Grantor	CFDA Number	Contract Number	Expenditures
<b><u>Federal Awards</u></b>			
<b>U.S. Dept. of Health and Human Services:</b>			
<b>Head Start Cluster</b>			
Head Start	93.600	04CH011925-02	\$ 5,468,069
Head Start ARP	93.600	04CHE001097-01	1,088,968
Head Start	93.600	04CH012114-01	6,873,780
Head Start	93.600	04CH012114-02	3,011,123
Head Start	93.600	04HP00382-03	1,133,620
Head Start	93.600	04HP00382-04	481,477
Total Head Start Cluster			<u>18,057,037</u>
<b>CCDF Cluster</b>			
Pass through Georgia Dept. of Early Care & Learning			
Child Care and Development Block Grant	93.575		<u>20,000</u>
Total CCDF Cluster			<u>20,000</u>
Pass through TN Dept. of Finance & Admin.:			
VOCA DV	93.671	VOCA 47755	19,917
ARP DV	93.671	VOCA 47754	16,279
ARP SA	93.671	VOCA 47762	<u>2,251</u>
			<u>38,447</u>
Total U.S. Dept. of Health and Human Services:			<u>18,115,484</u>
<b>U.S. Dept of Justice</b>			
Pass through TN Dept. of Finance & Admin.:			
VOCA DV	16.575	VOCA 41600	67,132
VOCA DV	16.575	VOCA 47764	67,406
VOCA SA	16.575	VOCA 41601	12,807
VOCA SA	16.575	VOCA 47743	<u>53,306</u>
Total U.S. Dept. of Justice			<u>200,651</u>
<b>U.S. Dept of Agriculture</b>			
Pass through TN Dept. of Human Services			
Child and Adult Care Food	10.558	03-47-53307-00-1	206,125
Pass through Georgia Dept. of Early Care & Learning			
Child and Adult Care Food	10.558	04519	<u>407,567</u>
Total U.S. Dept. of Agriculture			<u>613,692</u>
<b>Total Federal Awards</b>			<u>18,929,827</u>
<b><u>State Financial Assistance</u></b>			
Tennessee Coalition Against Domestic and Sexual Violence	N/A		7,558
Georgia Dept. of Early Care & Learning			
Pre-K Lottery Funds	N/A	2000-968	<u>391,824</u>
			<u>\$ 19,329,209</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state award activity of Family Resource Agency, Inc. under programs of the federal and state governments for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Family Resource Agency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Resource Agency, Inc.

NOTE B - 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.

NOTE C - INDIRECT COST RATE

Family Resource Agency, Inc. has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## INTERNAL CONTROL AND COMPLIANCE



# HARTING, BISHOP & ARRENDALE, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

KELVIN W. BISHOP, CPA  
THOMAS H. ARRENDALE, CPA, MBA  
JANICE L. HAYES, CPA

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### 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 Resource Agency, Inc.

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 Resource Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2023.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Family Resource Agency, Inc.'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 Resource Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Family Resource Agency, Inc.'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 or significant deficiencies may exist that were not identified.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Family Resource Agency, Inc.'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.

*Harting, Bishop & Arrendale, PLLC*

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

February 14, 2023

**HARTING, BISHOP & ARRENDALE, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**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 Resource Agency, Inc.

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Family Resource Agency, Inc.'s 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 Family Resource Agency, Inc.'s major federal programs for the year ended December 31, 2022. Family Resource Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Family Resource Agency, Inc. 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, 2022.

***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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Family Resource Agency, Inc. 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 Family Resource Agency, Inc.'s compliance with the compliance requirements referred to above.

***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 Family Resource Agency, Inc.'s federal programs.

### ***Auditor's 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 Family Resource Agency, Inc.'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 generally accepted auditing standards, *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 Family Resource Agency, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Family Resource Agency, Inc.'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 Family Resource Agency, Inc.'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 Family Resource Agency, Inc.'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 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 Auditor's 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.

*Harting, Bishop & Arrendale, PLLC*

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

February 14, 2023

FAMILY RESOURCE AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2022

SECTION I : SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>      X      </u> None reported
Noncompliance material to the financial statements identified?	<u>          </u> Yes	<u>      X      </u> No

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>      X      </u> None reported

Type of auditors' report issued on compliance for major federal 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:

<u>Program Name or Cluster</u>	<u>CFDA No.</u>
Head Start	93.600
Child and Adult Care Food Program	10.558

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee?       X       Yes            No



FAMILY RESOURCE AGENCY, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2022

There were no prior findings reported.