

The Family Place, Inc. and The Family Place Foundation

Auditor's Reports and Consolidated Financial Statements

Year Ended December 31, 2012
(with Summarized Comparative Information
for the Year Ended December 31, 2011)



The Family Place, Inc. and The Family Place Foundation
December 31, 2012

Contents

| | |
|---|-----------|
| Independent Auditor’s Report on Consolidated Financial Statements and Supplementary Information..... | 1 |
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities..... | 4 |
| Consolidated Statements of Functional Expenses | 6 |
| Consolidated Statements of Cash Flows | 7 |
| Notes to Consolidated Financial Statements | 8 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards | 24 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>..... | 26 |
| Independent Auditor’s Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133..... | 28 |
| Schedule of Findings and Questioned Costs..... | 30 |
| Summary Schedule of Prior Audit Findings..... | 32 |

Independent Auditor's Report on Consolidated Financial Statements and Supplementary Information

Board of Directors
The Family Place, Inc. and
The Family Place Foundation
Dallas, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Family Place, Inc. and The Family Place Foundation (collectively, the Organizations) which comprise the statements of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Family Place, Inc. and The Family Place Foundation as of December 31, 2012, 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.

Report on Summarized Comparative Information

We have previously audited the December 31, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013, on our consideration of the Organizations' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
June 12, 2013

The Family Place, Inc. and The Family Place Foundation
Consolidated Statements of Financial Position
December 31, 2012 with Comparative Totals for December 31, 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total December 31, 2012 | Total December 31, 2011 |
|--|----------------------|---------------------------|---------------------------|-------------------------------|-------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,542,082 | \$ 836,605 | \$ 5,000 | \$ 2,383,687 | \$ 2,418,212 |
| Receivables | | | | | |
| Pledges, net | 5,000 | 116,740 | - | 121,740 | 266,024 |
| Grants | 459,660 | - | - | 459,660 | 301,439 |
| Other, net | 62,502 | 66,600 | - | 129,102 | 148,707 |
| Prepaid expenses | 194,261 | - | - | 194,261 | 113,727 |
| Investments, at fair value | 3,765,096 | 659,299 | 1,453,159 | 5,877,554 | 5,281,480 |
| Property, fixtures, and equipment, net | 4,183,544 | - | - | 4,183,544 | 4,667,584 |
| Deposits and other assets | 85,121 | - | - | 85,121 | 78,091 |
| | <u>\$ 10,297,266</u> | <u>\$ 1,679,244</u> | <u>\$ 1,458,159</u> | <u>\$ 13,434,669</u> | <u>\$ 13,275,264</u> |
| Total assets | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 267,200 | \$ - | \$ - | \$ 267,200 | \$ 182,359 |
| | <u>267,200</u> | <u>-</u> | <u>-</u> | <u>267,200</u> | <u>182,359</u> |
| Total liabilities | | | | | |
| Net Assets | | | | | |
| Unrestricted | | | | | |
| Undesignated | 9,162,049 | - | - | 9,162,049 | 9,175,474 |
| Board designated | | | | | |
| Facilities and Technology | 416,700 | - | - | 416,700 | 370,254 |
| Future operations | 235,002 | - | - | 235,002 | 215,002 |
| Employee retention | 87,429 | - | - | 87,429 | 116,418 |
| Client assistance | 103,731 | - | - | 103,731 | 100,495 |
| Public Education | 25,155 | - | - | 25,155 | 25,155 |
| | <u>868,017</u> | <u>-</u> | <u>-</u> | <u>868,017</u> | <u>827,324</u> |
| Total board designated | | | | | |
| Total unrestricted | 10,030,066 | - | - | 10,030,066 | 10,002,798 |
| Temporarily restricted | - | 1,679,244 | - | 1,679,244 | 1,649,494 |
| Permanently restricted | - | - | 1,458,159 | 1,458,159 | 1,440,613 |
| | <u>10,030,066</u> | <u>1,679,244</u> | <u>1,458,159</u> | <u>13,167,469</u> | <u>13,092,905</u> |
| Total net assets | | | | | |
| Total liabilities and net assets | <u>\$ 10,297,266</u> | <u>\$ 1,679,244</u> | <u>\$ 1,458,159</u> | <u>\$ 13,434,669</u> | <u>\$ 13,275,264</u> |

The Family Place, Inc. and The Family Place Foundation
Consolidated Statements of Activities
Year Ended December 31, 2012 with Comparative Totals for 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total December 31, 2012 | Total December 31, 2011 |
|--|------------------|---------------------------|---------------------------|-------------------------------|-------------------------------|
| Public Support and Revenue | | | | | |
| Public Support | | | | | |
| Contributions | | | | | |
| General | \$ 1,633,006 | \$ 737,076 | \$ 5,000 | \$ 2,375,082 | \$ 2,407,550 |
| Pledges | - | 25,450 | - | 25,450 | 26,946 |
| Special events | 1,798,956 | 2,351 | - | 1,801,307 | 1,977,275 |
| In-kind goods and services | 163,098 | - | - | 163,098 | 157,910 |
| United Way | 1,089,458 | - | - | 1,089,458 | 1,106,620 |
| | <u>4,684,518</u> | <u>764,877</u> | <u>5,000</u> | <u>5,454,395</u> | <u>5,676,301</u> |
| Total contributions | | | | | |
| Grants from governmental agencies | 3,058,029 | - | - | 3,058,029 | 3,392,222 |
| Other revenue | | | | | |
| Resale shop sales | 440,136 | - | - | 440,136 | 381,135 |
| Net investment return | 236,017 | 82,900 | 12,546 | 331,463 | 55,367 |
| Program service fees | 276,430 | - | - | 276,430 | 242,086 |
| Miscellaneous income | 15,265 | - | - | 15,265 | 57,415 |
| | <u>967,848</u> | <u>82,900</u> | <u>12,546</u> | <u>1,063,294</u> | <u>736,003</u> |
| Total other revenue | | | | | |
| Net Assets Released from Restrictions | | | | | |
| Restriction satisfied by payment | 818,027 | (818,027) | - | - | - |
| | <u>818,027</u> | <u>(818,027)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total public support and revenue | <u>9,528,422</u> | <u>29,750</u> | <u>17,546</u> | <u>9,575,718</u> | <u>9,804,526</u> |
| Program and Supporting Services | | | | | |
| Program Services | | | | | |
| Public education | 237,035 | - | - | 237,035 | 246,135 |
| Resale shop | 412,026 | - | - | 412,026 | 370,045 |
| Volunteer services | 53,126 | - | - | 53,126 | 52,327 |
| Client legal services | 25,320 | - | - | 25,320 | 25,956 |
| Child development | 1,043,139 | - | - | 1,043,139 | 907,626 |
| Youth education | 456,088 | - | - | 456,088 | 421,408 |
| Outreach services | 1,483,391 | - | - | 1,483,391 | 1,594,987 |
| Batterer's treatment program | 402,402 | - | - | 402,402 | 383,659 |
| Transitional housing | 1,395,707 | - | - | 1,395,707 | 1,415,347 |
| Emergency shelter | 1,297,643 | - | - | 1,297,643 | 1,282,719 |
| Faith & Liberty's Place | 367,330 | - | - | 367,330 | 367,875 |
| Incest recovery | 275,687 | - | - | 275,687 | 269,708 |
| | <u>7,448,894</u> | <u>-</u> | <u>-</u> | <u>7,448,894</u> | <u>7,337,792</u> |
| Total program services | | | | | |

The Family Place, Inc. and The Family Place Foundation
Consolidated Statements of Activities (Continued)
Year Ended December 31, 2012 with Comparative Totals for 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total December 31, 2012 | Total December 31, 2011 |
|---------------------------------------|----------------------|-----------------------------------|-----------------------------------|--|--|
| Supporting Services | | | | | |
| Management and general | \$ 1,087,882 | \$ - | \$ - | \$ 1,087,882 | \$ 952,238 |
| Fundraising | <u>964,378</u> | <u>-</u> | <u>-</u> | <u>964,378</u> | <u>899,272</u> |
| Total supporting services | <u>2,052,260</u> | <u>-</u> | <u>-</u> | <u>2,052,260</u> | <u>1,851,510</u> |
| Total program and supporting services | <u>9,501,154</u> | <u>-</u> | <u>-</u> | <u>9,501,154</u> | <u>9,189,302</u> |
| Change in Net Assets | 27,268 | 29,750 | 17,546 | 74,564 | 615,224 |
| Net Assets, Beginning of Year | <u>10,002,798</u> | <u>1,649,494</u> | <u>1,440,613</u> | <u>13,092,905</u> | <u>12,477,681</u> |
| Net Assets, End of Year | <u>\$ 10,030,066</u> | <u>\$ 1,679,244</u> | <u>\$ 1,458,159</u> | <u>\$ 13,167,469</u> | <u>\$ 13,092,905</u> |

The Family Place, Inc. and The Family Place Foundation
Consolidated Statements of Functional Expenses
Year Ended December 31, 2012 with Comparative Totals for 2011

| | Program Services | | | | | | | Batterer's Treatment Program |
|---------------------------------|---------------------|-------------------|-----------------------|-----------------------------|----------------------|--------------------|----------------------|------------------------------------|
| | Public Education | Resale Shop | Volunteer Services | Client Legal Services | Child Development | Youth Education | Outreach Services | |
| Salaries | \$ 153,470 | \$ 159,189 | \$ 31,002 | \$ 14,803 | \$ 607,134 | \$ 308,446 | \$ 760,830 | \$ 247,896 |
| Payroll taxes, etc. | 10,755 | 10,878 | 1,874 | 312 | 44,423 | 22,634 | 55,602 | 18,489 |
| Employee benefits | 16,093 | 28,413 | 4,526 | 118 | 118,649 | 45,138 | 123,539 | 37,594 |
| Total salaries and related | 180,318 | 198,480 | 37,402 | 15,233 | 770,206 | 376,218 | 939,971 | 303,979 |
| Professional fees and contract | 5,606 | 10,981 | 379 | 50 | 2,641 | 2,516 | 110,179 | 21,749 |
| Programmatic & agency supplies | 1,541 | 3,746 | 669 | 690 | 40,145 | 5,184 | 20,410 | 3,338 |
| Postage and mailings | 7,724 | 92 | 24 | 285 | - | 47 | 318 | 771 |
| Printing | 18,635 | 469 | 793 | 45 | 302 | 4,870 | 1,430 | 883 |
| Professional & public education | 6,329 | 95 | 11 | 107 | 2,840 | 3,614 | 3,909 | 1,745 |
| Telephone | 2,198 | 5,980 | 485 | 424 | 4,512 | 6,999 | 19,370 | 7,463 |
| Travel and mileage | 37 | 631 | 258 | 100 | 83 | 7,957 | 2,294 | 3,838 |
| Rent | 4,954 | 106,067 | 7,874 | 4,771 | 869 | 26,557 | 206,768 | 43,631 |
| Utilities | - | 8,098 | - | - | 17,655 | - | - | - |
| Repairs and maintenance | 667 | 17,633 | 297 | 368 | 41,138 | 1,168 | 2,095 | 1,462 |
| Insurance | 821 | 9,271 | 808 | 284 | 11,532 | 3,083 | 10,603 | 3,167 |
| Client assistance | - | 5 | - | 375 | 82,692 | 216 | 97,415 | - |
| In-kind goods and services | 5,163 | 306 | 2,679 | 2,577 | 7,402 | 1,530 | 33,633 | 918 |
| Special events expense | - | - | - | - | - | - | - | - |
| Miscellaneous | - | 9,902 | 685 | 11 | 6,205 | 3,454 | 1,293 | 1,716 |
| Total before depreciation | 233,993 | 371,756 | 52,364 | 25,320 | 988,222 | 443,413 | 1,449,688 | 394,660 |
| Depreciation | 3,042 | 40,270 | 762 | - | 54,917 | 12,675 | 33,703 | 7,742 |
| Total functional expenses | <u>\$ 237,035</u> | <u>\$ 412,026</u> | <u>\$ 53,126</u> | <u>\$ 25,320</u> | <u>\$ 1,043,139</u> | <u>\$ 456,088</u> | <u>\$ 1,483,391</u> | <u>\$ 402,402</u> |

| Program Services | | | | Supporting Services | | | | 2012 Total | 2011 Total |
|-------------------------|----------------------|-------------------------------|--------------------|---------------------|------------------------------|-------------------|---------------------|---------------------|---------------------|
| Transitional Housing | Emergency Shelter | Faith & Liberty's Place | Incest Recovery | Total | Management and General | Fund- Raising | Total | | |
| \$ 502,726 | \$ 765,063 | \$ 87,577 | \$ 155,210 | \$ 3,793,346 | \$ 595,197 | \$ 386,926 | \$ 982,123 | \$ 4,775,469 | \$ 4,494,975 |
| 37,476 | 53,426 | 6,553 | 11,405 | 273,827 | 41,994 | 25,205 | 67,199 | 341,026 | 368,738 |
| 93,743 | 121,251 | 13,122 | 23,215 | 625,401 | 64,439 | 34,811 | 99,250 | 724,651 | 596,699 |
| 633,945 | 939,740 | 107,252 | 189,830 | 4,692,574 | 701,630 | 446,942 | 1,148,572 | 5,841,146 | 5,460,412 |
| 32,998 | 6,286 | 175,691 | 18,004 | 387,080 | 79,540 | 19,304 | 98,844 | 485,924 | 474,932 |
| 97,605 | 56,786 | 9,040 | 3,350 | 242,504 | 34,811 | 5,167 | 39,978 | 282,482 | 219,242 |
| 33 | - | 221 | 50 | 9,565 | 1,563 | 19,435 | 20,998 | 30,563 | 21,699 |
| 234 | 1,545 | 45 | 95 | 29,346 | 1,390 | 61,186 | 62,576 | 91,922 | 86,139 |
| 7,769 | 2,364 | 1,845 | 522 | 31,150 | 26,090 | 4,325 | 30,415 | 61,565 | 50,322 |
| 29,720 | 19,201 | 3,308 | 2,779 | 102,439 | 12,846 | 6,259 | 19,105 | 121,544 | 112,868 |
| 1,037 | 153 | 86 | 74 | 16,548 | 412 | 668 | 1,080 | 17,628 | 16,381 |
| 691 | 1,447 | 60,792 | 33,379 | 497,800 | 71,240 | 24,155 | 95,395 | 593,195 | 590,302 |
| 55,197 | 27,098 | - | - | 108,048 | - | - | - | 108,048 | 124,188 |
| 100,307 | 40,785 | 1,873 | 433 | 208,226 | 4,164 | 2,079 | 6,243 | 214,469 | 212,410 |
| 23,398 | 16,001 | 2,531 | 1,959 | 83,458 | 4,984 | 2,549 | 7,533 | 90,991 | 83,933 |
| 199,912 | 75,924 | - | 11,298 | 467,837 | - | - | - | 467,837 | 657,586 |
| 23,003 | 12,193 | 408 | 6,081 | 95,893 | 42,934 | 13,654 | 56,588 | 152,481 | 157,160 |
| - | - | - | - | - | - | 265,838 | 265,838 | 265,838 | 294,818 |
| 18,040 | 9,723 | 146 | 169 | 51,344 | 11,237 | 9,158 | 20,395 | 71,739 | 33,002 |
| 1,223,889 | 1,209,246 | 363,238 | 268,023 | 7,023,812 | 992,841 | 880,719 | 1,873,560 | 8,897,372 | 8,595,394 |
| 171,818 | 88,397 | 4,092 | 7,664 | 425,082 | 95,041 | 83,659 | 178,700 | 603,782 | 593,908 |
| <u>\$ 1,395,707</u> | <u>\$ 1,297,643</u> | <u>\$ 367,330</u> | <u>\$ 275,687</u> | <u>\$ 7,448,894</u> | <u>\$ 1,087,882</u> | <u>\$ 964,378</u> | <u>\$ 2,052,260</u> | <u>\$ 9,501,154</u> | <u>\$ 9,189,302</u> |

The Family Place, Inc. and The Family Place Foundation
Consolidated Statements of Cash Flows
Year Ended December 31, 2012 with Comparative Totals for December 31, 2011

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Operating Activities | | |
| Change in net assets | \$ 74,564 | \$ 615,224 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 603,782 | 593,908 |
| Loss on disposal of property, fixtures, and equipment | 29,134 | 76,638 |
| Net unrealized (gains) losses on investments | (203,899) | 137,484 |
| Net realized (gains) losses on sale of investments | (12,650) | (63,287) |
| Changes in operating assets and liabilities: | | |
| Receivables | 5,668 | 337,537 |
| Prepaid expenses | (80,534) | (10,343) |
| Deposits and other assets | (7,030) | (2,571) |
| Accounts payable and accrued expenses | 84,841 | (107,445) |
| | <u>493,876</u> | <u>1,577,145</u> |
| Net cash provided by (used in) operating activities | | |
| Investing Activities | | |
| Purchases of property, fixtures, and equipment | (148,876) | (192,059) |
| Proceeds from sales of investments | 176,295 | 1,009,338 |
| Purchases of investments | (555,820) | (1,793,216) |
| | <u>(528,401)</u> | <u>(975,937)</u> |
| Net cash provided by (used in) investing activities | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (34,525) | 601,208 |
| Cash and Cash Equivalents, Beginning of Year | <u>2,418,212</u> | <u>1,817,004</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,383,687</u> | <u>\$ 2,418,212</u> |

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Family Place, Inc. (the Agency) and The Family Place Foundation (the Foundation) are collectively known as (the Organizations). The Agency is a voluntary health and welfare organization with the stated mission of stopping family violence. The programs operated by the Agency educate the public about family violence, provide counseling for victims of family violence, deliver continuous telephone assistance, present prevention programs for youth, and provide counseling for batterers. The Agency maintains a Safe Campus for victims and their families, which provides emergency shelter, extended-stay transitional housing, a licensed child development center, K-2nd grade school for children, employment, and life-skills training for adults.

In 2007, the Foundation was formed as a public charity within the meaning of Sections 501(a) and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC) to operate exclusively for charitable purposes by engaging directly in support of or by making distributions to the Agency. The unrestricted net assets of the Foundation were approximately \$72,000 and \$23,000 at December 31, 2012 and 2011, respectively. The restricted net assets of the Foundation were approximately \$724,000 and \$17,000 at December 31, 2012 and 2011, respectively.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Agency and the Foundation. All significant accounts and transactions between the Agency and the Foundation have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements of the Organizations have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from these estimates.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Cash and Cash Equivalents

The Organizations consider all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At December 31, 2012, the Organizations' cash accounts exceeded federally insured limits by approximately \$1,529,000.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution. The Organizations have not experienced any losses in such accounts. Management monitors the ongoing business of such financial institutions and does not believe undue investment risk exists.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the accompanying consolidated statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Investments are comprised of certificates of deposit and mutual funds. The carrying values of certificates of deposit approximate fair value. The fair values of mutual funds are determined primarily by reference to quoted market prices. Changes in market conditions may affect future designations and/or market valuations, which will be monitored, as necessary, by management.

Accounts Receivable

Accounts receivable are stated at the amount billed to donors plus any accrued and unpaid interest. The Organizations provide an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Account balances past due more than 180 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the donor.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Property, Fixtures, and Equipment

Property, fixtures, and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Depreciation is computed using the straight-line method over periods of 3 to 30 years. Generally, the Organizations capitalize assets in excess of \$1,000.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organizations has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organizations in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment, and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

In-kind Contributions

In addition to receiving cash contributions, the Organizations receive in-kind contributions of donated software, goods, and food from various donors. It is the policy of the Organizations to record the estimated fair value of certain in-kind donations as an expense or an asset, as applicable, in its financial statements and similarly increase contribution revenue by a like amount. Generally, the Organizations recognize donated property if the estimated fair value exceeds \$1,000. For the years ended December 31, 2012 and 2011, \$47,925 and \$34,787, respectively, was received in in-kind contributions.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted of:

| | 2012 | 2011 |
|---|-------------------|-------------------|
| Technology and design consulting for program services | \$ 64,131 | \$ 48,957 |
| Technology and design consulting for support services | 50,298 | 72,742 |
| Landscaping for program services | - | 1,424 |
| Total contributed services | \$ 114,429 | \$ 123,123 |

Deferred Revenue

Revenue from special events and government grants is deferred and recognized over the periods to which the events and grants relate. For the years ended December 31, 2012 and 2011, \$20,173 and \$19,544, respectively were considered deferred revenues.

Government Grants

Support funded by grants is recognized as the Agency performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Income Taxes

The Organizations are exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, the Organizations are subject to federal income tax on any unrelated business taxable income. The Organizations had no unrelated business income during the years ended December 31, 2012 and 2011.

The Organizations file tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organizations are no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services benefited. Distribution of all other expenses is based on actual usage or management's estimate of usage applicable to the various programs and supporting services benefited.

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of activities on a net basis.

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

Comparative 2011 Financial Information

Certain financial information of the Organizations for 2011 have been included in summarized form for purposes of comparison to the 2012 totals. Such information is not intended to be a complete presentation of the financial position, changes in net assets, cash flows, and functional expenses in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organizations' 2011 consolidated financial statements from which the summarized information was derived.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Note 2: Grant Commitments

The Agency receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the accompanying consolidated financial statements of the Organizations are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2012 and 2011, have been recorded as receivables, which totaled \$459,660 and \$301,439, respectively. The Agency expects to receive the December 31, 2012 grant commitments by December 31, 2013.

Note 3: Receivables

Receivables consisted of the following:

| | December 31, 2012 | | | Total |
|--|-------------------|---------------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Pledges | \$ 5,000 | \$ 82,972 | \$ - | \$ 87,972 |
| Grants | 459,660 | - | - | 459,660 |
| Contributions | 26,093 | 66,600 | - | 92,693 |
| Special events | 29,058 | - | - | 29,058 |
| Miscellaneous | 1,677 | - | - | 1,677 |
| Accrued interest | 5,674 | - | - | 5,674 |
| Receivables due within one year | <u>527,162</u> | <u>149,572</u> | <u>-</u> | <u>676,734</u> |
| Pledges | - | 47,516 | - | 47,516 |
| Grants | - | - | - | - |
| Contributions | - | - | - | - |
| Special events | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Accrued interest | - | - | - | - |
| Receivables due in one to five years | <u>-</u> | <u>47,516</u> | <u>-</u> | <u>47,516</u> |
| Less allowance for uncollectible pledges | - | (11,756) | - | (11,756) |
| Less unamortized discount of pledges | - | (1,992) | - | (1,992) |
| Total receivables, net | <u>\$ 527,162</u> | <u>\$ 183,340</u> | <u>\$ -</u> | <u>\$ 710,502</u> |

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

| | December 31, 2011 | | | Total |
|--|-------------------|---------------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Pledges | \$ 5,000 | \$ 182,992 | \$ - | \$ 187,992 |
| Grants | 301,439 | - | - | 301,439 |
| Contributions | 42,774 | 520 | - | 43,294 |
| Special events | 54,840 | - | - | 54,840 |
| Miscellaneous | 14,111 | - | - | 14,111 |
| Accrued interest | 1,131 | - | - | 1,131 |
| | <u>419,295</u> | <u>183,512</u> | <u>-</u> | <u>602,807</u> |
| Receivables due within one year | | | | |
| Pledges | - | 106,508 | - | 106,508 |
| Contributions | - | - | - | - |
| Special events | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Accrued interest | 35,331 | - | - | 35,331 |
| | <u>35,331</u> | <u>106,508</u> | <u>-</u> | <u>141,839</u> |
| Receivables due in one to five years | | | | |
| Less allowance for uncollectible pledges | - | (24,132) | - | (24,132) |
| Less unamortized discount of pledges | - | (4,344) | - | (4,344) |
| | <u>-</u> | <u>(28,476)</u> | <u>-</u> | <u>(28,476)</u> |
| Total receivables, net | <u>\$ 454,626</u> | <u>\$ 261,544</u> | <u>\$ -</u> | <u>\$ 716,170</u> |

The rate used for discount calculations was 0.99% in 2012 and 0.91% in 2011.

Note 4: Investments and Investment Return

Investments at December 31 consisted of the following:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Certificates of deposits | \$ 2,625,602 | \$ 2,315,067 |
| Mutual funds – equities | 1,637,120 | 1,461,416 |
| Mutual funds – fixed income | 1,482,216 | 1,393,302 |
| Mutual funds – alternative investments | 132,616 | 111,695 |
| | <u>5,677,554</u> | <u>5,281,480</u> |
| Total investments | <u>\$ 5,877,554</u> | <u>\$ 5,281,480</u> |

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

The Organizations' temporarily and permanently restricted net assets include two endowment funds established by donors. At December 31, 2011, the fair value of the assets of some of these funds was \$12,546 less than the level required by donor stipulation or law.

Total investment return is comprised of the following:

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|----------------------|
| Interest and dividend income | \$ 143,552 | \$ 146,170 |
| Net realized gains (losses) on sales of investments | 12,650 | 63,287 |
| Net unrealized gains (losses) on investments | 203,899 | (137,484) |
| Investment fees | <u>(28,638)</u> | <u>(16,606)</u> |
| Total investment return | <u>\$ 331,463</u> | <u>\$ 55,367</u> |

Note 5: Disclosures About Fair Value of Investments

Accounting Standards Codification Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and 2011:

| | Fair Value | Fair Value Measurements Using | | |
|--|--------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2012 | | | | |
| Certificates of deposits | \$ 2,625,602 | \$ 2,625,602 | \$ - | \$ - |
| Mutual funds – equities | 1,637,120 | 1,637,120 | - | - |
| Mutual funds – fixed income | 1,482,216 | 1,482,216 | - | - |
| Mutual funds – alternative investments | 132,616 | 132,616 | - | - |
| December 31, 2011 | | | | |
| Certificates of deposits | \$ 2,315,067 | \$ 2,315,067 | \$ - | \$ - |
| Mutual funds – equities | 1,461,416 | 1,461,416 | - | - |
| Mutual funds – fixed income | 1,393,302 | 1,393,302 | - | - |
| Mutual funds – alternative investments | 111,695 | 111,695 | - | - |

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2012.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include certificates of deposits and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified as Level 2. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. During the years ended December 31, 2012 and 2011, all investments were Level 1 investments. There were no significant transfers between levels. Certificates of deposits are valued at cost plus accrued interest which approximates fair value.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Note 6: Property, Fixtures, and Equipment

The following schedule summarizes property, fixtures, and equipment as of December 31:

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| Building and building improvements | \$ 4,453,680 | \$ 4,918,154 |
| Furniture and equipment | 2,077,787 | 2,008,212 |
| Land improvements | 807,391 | 796,416 |
| Leasehold improvements | 442,471 | 442,471 |
| Vehicles | 202,076 | 188,464 |
| | <u>7,983,405</u> | <u>8,353,717</u> |
| Less accumulated depreciation and amortization | <u>(3,799,861)</u> | <u>(3,686,133)</u> |
| Property, fixtures, and equipment, net | <u>\$ 4,183,544</u> | <u>\$ 4,667,584</u> |

Note 7: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Program services | \$ 928,003 | \$ 683,104 |
| Safe Campus expansion | 396,982 | 430,941 |
| Agency operations | 234,524 | 361,273 |
| Client assistance | 119,735 | 174,176 |
| | <u>1,679,244</u> | <u>1,649,494</u> |
| Total temporarily restricted net assets | <u>\$ 1,679,244</u> | <u>\$ 1,649,494</u> |

Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to:

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| Investment in perpetuity, the income of which is expendable to support | | |
| Employee retention activities | \$ 805,859 | \$ 788,313 |
| Children's program activities | 652,300 | 652,300 |
| | <u>1,458,159</u> | <u>1,440,613</u> |
| Total permanently restricted net assets | <u>\$ 1,458,159</u> | <u>\$ 1,440,613</u> |

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

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.

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Purpose restrictions accomplished | | |
| Program services | \$ 527,069 | \$ 332,886 |
| Client assistance | 76,279 | 217,987 |
| Safe Campus expansion | 38,958 | 29,155 |
| Agency operations | <u>100,299</u> | <u>17,750</u> |
| Total | 742,605 | 597,778 |
| Time restrictions expired passage of specified time | <u>75,422</u> | <u>56,000</u> |
| Total net assets released from restrictions | <u>\$ 818,027</u> | <u>\$ 653,778</u> |

Note 8: Endowment

The Agency's endowment consists of an individual donor-restricted fund established to retain employees in support of Agency programming. The Foundation's endowment consists of one donor-restricted fund established for children's programming. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organizations' governing body has interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the fund
3. General economic conditions

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organizations
7. Investment policies of the Organizations

The composition of net assets by type of endowment fund at December 31, 2012 and 2011, was as follows:

| | 2012 | | | Total |
|----------------------------------|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Donor-restricted endowment funds | \$ - | \$ - | \$ 1,458,159 | \$ 1,458,159 |

| | 2011 | | | Total |
|----------------------------------|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Donor-restricted endowment funds | \$ - | \$ - | \$ 1,440,613 | \$ 1,440,613 |

Changes in endowment net assets for the years ended December 31, was as follows:

| | 2012 | | | Total |
|---|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ - | \$ - | \$ 1,440,613 | \$ 1,440,613 |
| Contribution | - | - | 5,000 | 5,000 |
| Investment return: | | | | |
| Net appreciation | - | - | 12,546 | 12,546 |
| Endowment net assets, end of year | \$ - | \$ - | \$ 1,458,159 | \$ 1,458,159 |

| | 2011 | | | Total |
|---|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ - | \$ - | \$ 1,434,168 | \$ 1,434,168 |
| Investment return: | | | | |
| Net appreciation | - | - | 6,445 | 6,445 |
| Endowment net assets, end of year | \$ - | \$ - | \$ 1,440,613 | \$ 1,440,613 |

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at December 31 consisted of:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Permanently restricted net assets-portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation | <u>\$ 1,458,159</u> | <u>\$ 1,440,613</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organizations are required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, any deficiencies of this nature would be aggregately reported in unrestricted net assets.

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organizations must hold in perpetuity or for donor-specified periods. Under the Organizations' policies, endowment assets are invested in a manner that is intended to produce results that exceed inflation while assuming a prudent level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organizations targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Agency, in compliance with donors' restrictions, appropriates for expenditure each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through the year-end preceding the year in which expenditure is planned.

The Foundation, in compliance with donors' restrictions, appropriates for expenditure each year a range of 2% to 5% of its endowment fund's average fair value over the prior 16 quarters through the year-end preceding the year in which expenditure is planned.

In determining this expenditure, the Organizations consider the long-term expected return on its endowments. Accordingly, over the long term, the Organizations' objective is to maintain the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Note 9: Retirement Benefits

The Agency has a contributory defined contribution retirement plan (the Plan) under Section 403(b) of the IRC. The Plan is open to all employees meeting minimum age and service requirements. Contributions to the Plan by the Agency are made at the discretion of the Agency's Board of Directors. The Agency made a \$34,000 contribution in 2012 and no contributions in 2011.

Note 10: Operating Leases

The Agency leases its facilities under variable noncancellable operating lease agreements expiring through May 2024. Future minimum annual lease payments at December 31, 2012, are:

| | |
|---|--------------------------------|
| 2013 | \$ 506,443 |
| 2014 | 458,562 |
| 2015 | 368,693 |
| 2016 | 162,154 |
| 2017 | 107,758 |
| Later years | <u>35,925</u> |
| Total minimum annual lease payments | <u><u>\$ 1,639,535</u></u> |

Rental expense under these operating leases for the years ended December 31, 2012 and 2011, was approximately \$593,000 and \$590,000, respectively. The Agency's leased office space is accounted for using the straight-line method. The difference between the net cash requirement of the lease and the straight-line method is accrued within accounts payable and accrued liabilities in the accompanying consolidated statements of financial position.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grants and Other Revenue Sources

The Agency receives most of its revenue from government grants, the United Way, special events, and charitable contributions. Government grants must be approved each year, and the amount of in-kind goods and services, special events, and charitable contributions received may be sensitive to economic conditions. The Agency is subject to the risk that these sources of revenue can vary from year-to-year. Management, with oversight from the Board of Directors, closely monitors the cash flows of the Agency and adjusts the operating budget to maintain expenditures at levels supported by cash flows.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Federal and other grants are subject to periodic review and assessment by the related federal and other agencies. The Agency believes matters related to these reviews will not have a material adverse effect on the consolidated financial position or activities of the Agency.

Note 12: Line of Credit

On September 29, 2012, the Agency obtained a \$750,000 unsecured line of credit with an interest rate of 4% that matures on September 29, 2013. No amounts were outstanding at December 31, 2012.

Note 13: Subsequent Events

Subsequent events have been evaluated through June 12, 2013, which is the date the consolidated financial statements were available to be issued.

The Family Place, Inc. and The Family Place Foundation
Notes to Consolidated Financial Statements
December 31, 2012 with Comparative Totals for December 31, 2011

Note 14: Grants from Governmental Agencies

Grants from governmental agencies consist of the following for the years ended December 31:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| U. S. Department of Housing and Urban Development | | |
| Supportive Housing Program | \$ 974,346 | \$ 965,366 |
| Homelessness Prevention and Rapid Re-Housing Program-HPRP (Passed through the Texas Department of Housing and Community Affairs) | 89,524 | 279,407 |
| Homelessness Prevention and Rapid Re-Housing Program-HPRP (Passed through the City of Dallas Department of Environmental and Health Services) | - | 132,520 |
| Emergency Shelter Grant Program-ESGP (Passed through the Texas Department of Housing and Community Affairs) | 72,185 | 56,616 |
| Emergency Shelter Grant Program-ESG (Passed through the City of Dallas Department of Environmental and Health Services) | 58,897 | 37,075 |
| U. S. Department of Health and Human Services | | |
| Family Violence Prevention and Services/Grants for Battered Women's Shelters (Passed through the Texas Health and Human Services Commission) | 586,654 | 233,920 |
| Injury Prevention and Control Research and State and Community Based Programs (Passed through Texas Office of the Attorney General) | 55,106 | 58,082 |
| Preventive Health and Health Services-(Passed through Texas Office of the Attorney General) | 12,644 | 4,533 |
| U. S. Department of Justice-Office of Justice Programs | | |
| Victims of Crime Act Fund -VOCA (Passed through State of Texas, Office of the Governor-Criminal Justice Division) | 457,024 | 479,305 |
| Violence Against Women Act (VAWA) - Safe Havens: Supervised Visitation for Children (Passed through Dallas County) | 120,776 | 123,270 |
| Violence Against Women Act (VAWA)-Grants to Encourage Arrest Program (Passed through Dallas County) | 9,411 | 27,000 |
| American Recovery and Reinvestment Act (ARRA) (Passed through State of Texas, Office of the Governor-Criminal Justice Division) | - | 20,854 |
| U. S. Department of Homeland Security | | |
| Emergency Food and Shelter National Board Program (Passed through the Community Council of Greater Dallas) | - | 13,350 |
| U. S. Department of Agriculture Office | | |
| Child and Adult Care Food Program (Passed through Red River CCFP, Inc.) | 31,123 | - |
| State of Texas, Health and Human Services Commission | 254,797 | 640,724 |
| State of Texas, Office of the Attorney General, Crime Victim Services Division | | |
| Sexual Assault Prevention | 89,811 | 88,923 |
| Other Victim Assistance Grant | 39,612 | 47,077 |
| Texas Department of Criminal Justice Community Justice Assistance | | |
| Division-Diversion Target Program Grant (CJAD-BIPP) | 53,365 | 57,063 |
| Dallas County Family Protection Fee | 69,000 | 70,120 |
| Dallas County District Attorney | 21,110 | 18,650 |
| Dallas County Juvenile Department | 3,675 | 750 |
| South Dallas Fair Park Trust Fund (Passed through the City of Dallas) | 32,703 | 10,923 |
| Town of Addison | 10,000 | 10,000 |
| City of Farmers Branch | 7,500 | 7,500 |
| City of Coppell | 5,000 | 5,000 |
| City of Carrollton | 3,766 | 4,194 |
| | <u>\$ 3,058,029</u> | <u>\$ 3,392,222</u> |

Supplementary Information

The Family Place, Inc. and The Family Place Foundation
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

| Federal Agency/Cluster/Program | Pass-Through Entity | Federal CFDA Number | Grant or Identifying Number | Federal Expenditures |
|--|---|------------------------|-----------------------------------|-------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Supportive Housing Program | | 14.235 | TX0080B6T001104 | \$ 974,346 |
| Homelessness Prevention and Rapid Re-Housing Program – American Recovery & Reimbursement Act | Texas Department of Housing & Community Affairs | 14.257 | 12090000698 | 89,524 |
| Emergency Solutions Grants Program | Texas Department of Housing & Community Affairs | 14.231 | 42120001535 | 72,185 |
| Emergency Solutions Grants Program | City of Dallas | 14.231 | Dec-37 | <u>58,897</u> |
| Total U.S. Department of Housing and Urban Development | | | | <u>1,194,952</u> |
| <u>U.S. Department of Justice</u> | | | | |
| <u>Victim of Crime Act</u> | | | | |
| Community-Based Counseling for Victims of Domestic Violence | Texas Office of the Governor – Criminal Justice Division | 16.575 | VA-10-V30-23492-03 | 78,313 |
| Incest Recovery Program | Texas Office of the Governor – Criminal Justice Division | 16.575 | VA-10-V30-23488-03 | 77,565 |
| Latina Program for Victims of Domestic Violence | Texas Office of the Governor – Criminal Justice Division | 16.575 | VA-10-v30-23489-03 | 77,491 |
| Emergency Shelter Services for Victims of Family Violence | Texas Office of the Governor – Criminal Justice Division | 16.575 | VA-10-V30-23490-03 | 75,418 |
| Southern Sector Domestic Violence Program | Texas Office of the Governor – Criminal Justice Division | 16.575 | VA-10-V30-25538-01 | 73,294 |
| Victims Advocate Program for Victims of Domestic Violence | Texas Office of the Governor – Criminal Justice Division | 16.575 | VA-10-V30-23491-03 | 50,683 |
| Counseling Program for Child Victims of Domestic Violence | Texas Office of the Governor – Criminal Justice Division | 16.575 | VA-12-V30-25696-01 | 24,260 |
| <u>Violence Against Women Act</u> | | | | |
| VAWA-Safe Havens: Supervised Visitation and Safe Exchange Grant Program | Dallas County | 16.527 | 2010-CW-AX-K017 | 120,776 |
| VAWA-Grants to Encourage Arrest Program | Dallas County | 16.590 | 2007-WE-AX-0019 | <u>9,411</u> |
| Total U.S. Department of Justice | | | | <u>587,211</u> |
| <u>U. S. Department of Health and Human Services</u> | | | | |
| Federal Family Violence Prevention Act & Federal Title Block Grant (FVPSA Award) | Texas Health and Human Services Commission | 93.671 | 529-13-0017-00026 | 134,578 |
| Federal Social Security Block Grant | Texas Health and Human Services Commission | 93.667 | 529-13-0017-00026 | 356,992 |
| Federal Family Violence Prevention Act & Federal Title Block (Special Nonresidential Project) | Texas Health and Human Services Commission | 93.671 | 529-11-0007-00002B | 95,084 |
| Injury Prevention & Control Research & State & Community Based Programs | Texas Office of the Attorney General | 93.136 | 13-39159 | 55,106 |
| Preventive Health & Health Service Block Grant | Texas Office of the Attorney General | 93.991 | 13-39159 | <u>12,644</u> |
| Total U.S. Department of Health and Human Services | | | | <u>654,404</u> |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Emergency Food and Shelter National Board | Community Council of Greater Dallas | 97.024 | 29-782600-011 | - |
| <u>U.S. Department of Agriculture Office</u> | | | | |
| Child and Adult Care Food Program | Red River CCFP, Inc. | 10.558 | TX-049-0005 CE03114 | <u>31,123</u> |
| | | | | <u>\$ 2,467,690</u> |

The Family Place, Inc. and The Family Place Foundation
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2012

Notes to Schedule

1. This schedule includes the federal awards activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.
2. Of the federal expenditures presented in this schedule, the Agency provided federal awards to subrecipients as follows:

| Program | CFDA Number | Subrecipient | Amount Provided |
|------------------------------------|-------------|-------------------------|--------------------|
| Emergency Solutions Grants Program | 14.231 | The Promise House, Inc. | \$ 2,886 |

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

Board of Directors
The Family Place, Inc. and
The Family Place Foundation
Dallas, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of The Family Place, Inc. and The Family Place Foundation (collectively, the Organizations) which comprise the statements of financial position as of December 31, 2012, 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 June 12, 2013.

Internal Control over Financial Reporting

Management of the Organizations is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Organizations' internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 Organizations' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

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

The purpose of this communication 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 entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
June 12, 2013

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
And on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Board of Directors
The Family Place, Inc. and
The Family Place Foundation
Dallas, Texas

Report on Compliance for Each Major Federal Program

We have audited the compliance of The Family Place, Inc. (the Agency) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Agency'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

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Agency'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. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, The Family Place, Inc. complied, in all material respects, with the 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, 2012.

Report on Internal Control Over Compliance

The management of The Family Place, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
June 12, 2013

The Family Place, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

Summary of Auditor's Results

1. The opinion expressed in the independent auditor's report was:
 Unmodified Modified Adverse Disclaimed

2. The independent auditor's report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? Yes No
 Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:
 Significant deficiency(ies)? Yes No
 Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major federal awards was:
 Unmodified Modified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The Agency's major programs were:

| Cluster/Program | CFDA Number |
|-----------------------------|-------------|
| Supportive Housing Program | 14.235 |
| Social Security Block Grant | 93.667 |

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

The Family Place, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Finding |
|-----------------------------|----------------------------|
| | No matters are reportable. |

Findings Required to be Reported by OMB Circular A-133

| Reference Number | Finding | Questioned Costs |
|-----------------------------|----------------------------|-----------------------------|
| | No matters are reportable. | |

The Family Place, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2012

| Reference Number | Summary of Finding | Status |
|-----------------------------|---------------------------|---------------|
| No matters are reportable. | | |