



**City House, Inc.**

**Financial Statements  
with Supplementary Information and Compliance Reports  
December 31, 2021 and 2020**

# City House, Inc.

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## **Independent Auditors' Report**

To the Board of Directors of  
City House, Inc.

### ***Opinion***

We have audited the accompanying financial statements of City House, Inc. (Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Organization'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 the Organization'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, 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization'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 the Organization's internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas  
June 22, 2022

**City House, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 2,657,791	\$ 1,923,466
Investment	7,953	-
Government grants receivable	45,382	56,110
Accounts receivable	4,696	94,079
Contributions receivable	28,351	-
Prepaid expenses and other assets	50,658	39,262
Property and equipment, net	2,912,406	2,868,690
<b>Total assets</b>	<b>\$ 5,707,237</b>	<b>\$ 4,981,607</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 65,889	\$ 23,242
Accrued expenses	78,688	63,013
Paycheck Protection Program loan	281,083	319,838
Note payable	1,243,291	1,272,501
<b>Total liabilities</b>	1,668,951	1,678,594
<b>Net assets:</b>		
Without donor restrictions	3,923,220	3,171,476
With donor restrictions	115,066	131,537
<b>Total net assets</b>	<b>4,038,286</b>	<b>3,303,013</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,707,237</b>	<b>\$ 4,981,607</b>

See notes to financial statements.

**City House, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 1,072,766	\$ 38,000	\$ 1,110,766
Government grants	1,055,233	-	1,055,233
In-kind contributions	210,740	-	210,740
Special events, net of direct costs of \$180,422	342,971	-	342,971
Program service fees	315,862	-	315,862
Investment income, net	561	-	561
Other income	7,337	-	7,337
Net assets released from restrictions	54,471	(54,471)	-
<b>Total support and revenue</b>	<b>3,059,941</b>	<b>(16,471)</b>	<b>3,043,470</b>
<b>Expenses:</b>			
Program services	2,252,275	-	2,252,275
General and administrative	194,818	-	194,818
Fundraising	180,942	-	180,942
<b>Total expenses</b>	<b>2,628,035</b>	<b>-</b>	<b>2,628,035</b>
Change in net assets from operations	431,906	(16,471)	415,435
<b>Non-operating income:</b>			
Forgiveness of Paycheck Protection Program loan	319,838	-	319,838
Change in net assets	751,744	(16,471)	735,273
<b>Net assets at beginning of year</b>	<b>3,171,476</b>	<b>131,537</b>	<b>3,303,013</b>
<b>Net assets at end of year</b>	<b>\$ 3,923,220</b>	<b>\$ 115,066</b>	<b>\$ 4,038,286</b>

See notes to financial statements.

**City House, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 1,138,139	\$ 921	\$ 1,139,060
Government grants	849,693	-	849,693
In-kind contributions	198,057	-	198,057
Special events, net of direct costs of \$26,310	41,995	-	41,995
Program service fees	302,659	-	302,659
Interest income	9,448	-	9,448
Other income	10,391	-	10,391
Net assets released from restrictions	71,360	(71,360)	-
<b>Total support and revenue</b>	<b>2,621,742</b>	<b>(70,439)</b>	<b>2,551,303</b>
<b>Expenses:</b>			
Program services	2,168,314	-	2,168,314
General and administrative	201,653	-	201,653
Fundraising	191,520	-	191,520
<b>Total expenses</b>	<b>2,561,487</b>	<b>-</b>	<b>2,561,487</b>
Change in net assets	60,255	(70,439)	(10,184)
<b>Net assets at beginning of year</b>	<b>3,111,221</b>	<b>201,976</b>	<b>3,313,197</b>
<b>Net assets at end of year</b>	<b>\$ 3,171,476</b>	<b>\$ 131,537</b>	<b>\$ 3,303,013</b>

See notes to financial statements.



**City House, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2021**

	Program Services	General and Administrative	Fundraising	Total
Compensation related	\$ 1,386,426	\$ 95,616	\$ 111,551	\$ 1,593,593
Client assistance	366,136	-	-	366,136
Depreciation and amortization	104,444	3,268	2,179	109,891
Insurance	54,902	1,734	1,156	57,792
Interest and fees	71,523	3,765	-	75,288
Miscellaneous	-	6,947	-	6,947
Occupancy	121,600	3,840	2,560	128,000
Office	36,527	1,804	6,764	45,095
Professional fees	-	73,632	47,087	120,719
Repairs and maintenance	54,288	1,714	1,142	57,144
Special events	-	-	180,422	180,422
Telephone	44,156	2,181	8,176	54,513
Training	6,071	317	-	6,388
Transportation	6,202	-	327	6,529
<b>Total expenses</b>	<b>2,252,275</b>	<b>194,818</b>	<b>361,364</b>	<b>2,808,457</b>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct costs of special events	-	-	(180,422)	(180,422)
<b>Total expenses included in the expense section on the statement of activities</b>	<b><u>\$ 2,252,275</u></b>	<b><u>\$ 194,818</u></b>	<b><u>\$ 180,942</u></b>	<b><u>\$ 2,628,035</u></b>

See notes to financial statements.

**City House, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services	General and Administrative	Fundraising	Total
Compensation related	\$ 1,314,157	\$ 90,632	\$ 105,736	\$ 1,510,525
Client assistance	450,106	-	-	450,106
Depreciation and amortization	101,398	3,173	2,115	106,686
Insurance	64,030	2,022	1,348	67,400
Interest and fees	44,719	2,354	-	47,073
Miscellaneous	-	3,693	-	3,693
Occupancy	80,148	2,531	1,687	84,366
Office	48,251	2,383	8,935	59,569
Professional fees	-	92,018	58,845	150,863
Repair and maintenance	17,739	560	373	18,672
Special events	-	-	30,393	30,393
Telephone	44,917	2,218	8,318	55,453
Training	1,320	69	-	1,389
Transportation	1,529	-	80	1,609
<b>Total expenses</b>	<b>2,168,314</b>	<b>201,653</b>	<b>217,830</b>	<b>2,587,797</b>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct costs of special events	-	-	(26,310)	(26,310)
<b>Total expenses included in the expense section on the statement of activities</b>	<b><u>\$ 2,168,314</u></b>	<b><u>\$ 201,653</u></b>	<b><u>\$ 191,520</u></b>	<b><u>\$ 2,561,487</u></b>

See notes to financial statements.

**City House, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 735,273	\$ (10,184)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program	(319,838)	-
Depreciation and amortization	109,891	106,686
Changes in operating assets and liabilities:		
Government grants receivable	10,728	(7,347)
Accounts receivable	89,383	(23,881)
Contributions receivable	(28,351)	-
Prepaid expenses and other assets	(13,443)	3,682
Accounts payable	42,647	(28,598)
Accrued expenses	15,675	18,950
Refundable advances	-	(42,574)
<b>Net cash provided by operating activities</b>	<b>641,965</b>	<b>16,734</b>
<b>Cash flows from investing activities:</b>		
Proceeds from certificates of deposit	-	627,635
Purchase of investment	(7,953)	-
Purchases of property and equipment	(151,560)	(51,589)
<b>Net cash provided (used) by investing activities</b>	<b>(159,513)</b>	<b>576,046</b>
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	(29,210)	(12,855)
Proceeds from Paycheck Protection Program	281,083	319,838
<b>Net cash provided by financing activities</b>	<b>251,873</b>	<b>306,983</b>
Increase in cash and cash equivalents	734,325	899,763
Cash and cash equivalents, beginning of year	1,923,466	1,023,703
Cash and cash equivalents, end of year	<u>\$ 2,657,791</u>	<u>\$ 1,923,466</u>
<b>Supplemental cash flow information:</b>		
Interest paid	<u>\$ 82,701</u>	<u>\$ 43,101</u>
<b>Supplemental disclosure of non-cash financing activity:</b>		
Forgiveness of Paycheck Protection Program loan	<u>\$ 319,838</u>	<u>\$ -</u>

See notes to financial statements.

# City House, Inc.

## Notes to Financial Statements

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### 1. Organization

City House, Inc. (Organization) is a Texas not-for-profit corporation organized to provide information for the citizens of Collin County, Texas about youth and to serve special needs of particular children. The Organization's mission, providing emergency shelter and transitional residential services to children and young adults who are in need due to abuse, neglect or homelessness, is carried out by enriching the lives of at-risk youth in Collin County through the following programs:

*My Friend's House* - My Friend's House is an emergency shelter for both community and newborns through age 17 who have suffered from abuse, neglect or homelessness.

*Transitional Living Program* - The Transitional Living Program provides long-term shelter for homeless young adults ages 18 through 21 for up to eighteen months.

*Youth Resource Center* - Youth Resource Center is a community outreach program that provides education to schools and the local community in addition to prevention services for youth and young adults in need of services at our Drop-In Center.

*Counseling Services* - Counseling services are provided free of charge with licensed clinical social workers on staff.

### 2. Summary of Significant Accounting Procedures

#### ***Basis of Accounting***

The Organization prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

#### ***Financial Statement Presentation***

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

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

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

**City House, Inc.**  
**Notes to Financial Statements**

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

Revenues are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Donor restricted contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions.

***Concentrations of Risk***

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

The Organization maintains cash and cash equivalents at financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021, the Organization's uninsured balances totaled \$1,850,323. Management has placed these funds with high credit quality financial institutions to minimize risk. The Organization has not experienced any losses on such assets.

Government grants receivable, contributions receivable and accounts receivable are unsecured and are due from various government agencies and individuals. The Organization periodically evaluates the collectability of government grants receivable and accounts receivable and maintains allowances as considered necessary.

The Organization operates entirely within the Collin County, Texas area. Therefore, financial activities are subject to the economic conditions of the area. In 2021 and 2020, the Organization received approximately 31% and 33%, respectively, of its total support and revenue from grants and contracts with federal, state and local government agencies. Continuation of such funding, at current levels, in future periods is subject to various factors such as economic conditions, compliance with grant and contract provisions, potential new legislation and continued applicability of the Organization's mission.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased.

## **City House, Inc.**

### **Notes to Financial Statements**

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#### ***Investments***

At December 31, 2021, the Organization's investments in marketable securities consist of exchange traded funds and are stated at fair value in the statements of financial position. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Interest income is recognized under the accrual basis and dividend income is recognized on the ex-dividend date.

#### ***Government Grants Receivable, Contributions Receivable and Accounts Receivable***

Government grants, contributions receivable and accounts receivable are recorded based on the reimbursable amount incurred and are due within the next year. No allowance for doubtful accounts was considered necessary at December 31, 2021 and 2020.

#### ***Property and Equipment***

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the donation. The Organization capitalizes expenditures for property and equipment with a value greater than \$3,000. Depreciation is computed using the straight-line method over estimated useful lives of 4 to 39 years. The cost of maintenance and repairs is expensed as incurred.

#### ***Long-Lived Assets***

The Organization's long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to the long-lived assets in 2021 and 2020.

#### ***Deferred Rent***

The Organization records rental expense on a straight-line basis over the term of the lease agreement. The difference between payments made and rental expense is reflected as deferred rent, which is included in accrued expenses in the accompanying statements of financial position.

## **City House, Inc.**

### **Notes to Financial Statements**

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#### ***Revenue Recognition***

The Organization recognizes contributions when cash, securities, or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

The Organization was awarded cost-reimbursable government grants of \$696,000 and \$562,000 that have not been recognized in the financial statements at December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Donated supplies are reflected as contributions at their estimated fair value at date of receipt. Donated use of facilities is reflected as a contribution at the estimated fair value of the rent. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization.

Special event revenue is recognized at the time of the event.

#### ***Allocation of Functional Expenses***

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include occupancy, which is allocated on a square footage percentage, as well as salaries and wages, benefits, payroll taxes, professional services, depreciation and insurance, which are all allocated based on estimates of time and effort. Client assistance, office, telephone, training, transportation, interest, repairs and maintenance and miscellaneous expenses are expensed directly to the appropriate program or function.

**City House, Inc.**  
**Notes to Financial Statements**

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***Federal Income Tax***

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511.

The Organization had no unrelated business income for the years ended December 31, 2021 and 2020. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021, and 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

***Estimates***

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

***Contract Compliance***

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's financial statements.

***New Accounting Pronouncements***

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

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



# City House, Inc.

## Notes to Financial Statements

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In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases*, for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. The standard takes effect for fiscal years beginning after December 15, 2021.

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

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

### 3. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;   |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;                                   |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

**City House, Inc.**  
**Notes to Financial Statements**

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***Exchange Traded Funds***

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

The following table presents the Organization's investments at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	<u>\$ 7,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,953</u>

**4. Property and Equipment**

Property and equipment consists of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 739,173	\$ 739,173
Buildings and improvements	2,984,437	2,961,582
Equipment	404,073	264,579
Construction in progress	<u>7,794</u>	<u>18,583</u>
	4,135,477	3,983,917
Accumulated depreciation	<u>(1,223,071)</u>	<u>(1,115,227)</u>
	<u>\$ 2,912,406</u>	<u>\$ 2,868,690</u>

**5. Long-Term Debt**

In March 2018, the Organization entered into a \$1,445,000 loan agreement with a bank. The loan bears interest at 4.67% with monthly payments of principal and interest of \$9,481, until maturity in March 2038, when all outstanding principal and interest is due. The loan is collateralized by a deed of trust on real property. The balance outstanding on the loan at December 31, 2021 and 2020 totaled \$1,243,291 and \$1,272,501, respectively.

**City House, Inc.**  
**Notes to Financial Statements**

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Minimum required future principal payments on the note are as follows for the years ending December 31:

2022	\$	56,413
2023		59,105
2024		61,925
2025		64,880
2026		67,975
Thereafter		932,993
		\$ 1,243,291

**6. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes at December 31:

	2021	2020
College educational support	\$ 1,997	\$ 1,997
Playground covering	-	18,000
Outreach clothing closet	-	12,089
Outreach expansion	63,669	66,282
Enrichment	21,699	22,436
Rental assistance	-	4,247
Vehicle maintenance	622	1,630
Counseling	-	4,856
Capital improvements	27,079	-
	\$ 115,066	\$ 131,537

**7. In-Kind Contributions**

Significant amounts of food and supplies are donated to the Organization by various individuals and organizations. Donated food and supplies valued at \$210,740 and \$184,162 and contributed professional services valued at \$0 and \$13,895 for the years ended December 31, 2021 and 2020, respectively, were recorded at fair value at the date of donation and have been included in in-kind contributions and program expense in the accompanying statements of activities.

**City House, Inc.**  
**Notes to Financial Statements**

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**8. Operating Leases**

The Organization leases office facilities and equipment expiring through 2024. Lease expense for the years ended December 31, 2021 and 2020 totaled \$92,126 and \$91,126, respectively.

The following is a schedule of future minimum lease payments under these non-cancellable operating lease agreements for the years ending December 31:

2022	\$	95,475
2023		92,848
2024		54,161

**9. Liquidity and Availability of Resources**

The Organization's financial assets available to meet cash needs for general expenditures within one year are as follows at December 31:

	2021	2020
Cash and cash equivalents	\$ 2,657,791	\$ 1,923,466
Investment	7,953	-
Government grants receivable	45,382	56,110
Accounts receivable	33,047	94,079
Total financial assets	2,744,173	2,073,655
Less amounts not available for general expenditure within one year, due to:		
Donor-imposed restrictions	(115,066)	(131,537)
Resident savings	(13,222)	(3,958)
Financial assets available to meet cash needs for general expenditure within one year	\$ 2,615,885	\$ 1,938,160

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

**City House, Inc.**  
**Notes to Financial Statements**

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**10. Paycheck Protection Program Loans**

In May 2020, the Organization entered into an unsecured loan (PPP Loan) in the aggregate amount of \$319,838 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration, and is part of the Coronavirus Aid, Relief and Economic Security Act, as amended by the Paycheck Protection Program Flexibility Act of 2020. The loan requires monthly payments of principal and interest at 1.00% starting in 2021. The PPP includes a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll and benefits, and if the Organization maintains its payroll levels. In accordance with GAAP, the PPP Loan is presented as a liability in the accompanying financial statements until legal forgiveness is obtained. On June 28, 2021, the Organization received legal forgiveness of the entire amount of the PPP Loan. Accordingly, the forgiveness of debt in the amount of \$319,838 is reported as non-operating income in the accompanying statement of activities for the year ended December 31, 2021.

On March 29, 2021, the Organization received a second PPP loan in the amount of \$281,083 under similar terms.

**11. Subsequent Events**

The Organization evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

**City House, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

Federal Grantor/Pass-through Grantor/Program Title	ALN #	Passthrough Grantor Contract #	Expenditures
<b>U.S. Department of Health and Human Services</b>			
<b>Direct Assistance:</b>			
Basic Center Grant (BCP-RHY)	93.623	90CY7229	\$ 223,390
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth (SOP-RHY)	93.557	90YO2401	165,597
Transitional Living for Homeless Youth (TLP-RHY)	93.550	90CX7116	147,946
Transitional Living for Homeless Youth (TLP-LGBTQ RHY)	93.550	90CX7358	<u>47,588</u>
<b>Total U.S. Department of Health and Human Services</b>			584,521
<b>U.S. Department of Housing and Urban Development</b>			
<b>Texas Department of Housing and Community Affairs:</b>			
Emergency Solutions Grant Program	14.231	42206000009	38,939
Emergency Solutions Grant Program	14.231	ESG CV1	<u>140,322</u>
<b>Total U.S. Department of Housing and Urban Development</b>			179,261
<b>U.S. Department of Homeland Security</b>			
<b>Direct Assistance:</b>			
Emergency Food and Shelter National Board Program	97.024	n/a	<u>87,500</u>
<b>Total expenditures of federal awards</b>			<u>\$ 851,282</u>

**City House, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**

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**1. Basis of Presentation**

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

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the ten percent de minimis indirect cost rate allowed under Uniform Guidance.

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

To the Board of Directors of  
City House, Inc

We have audited the financial statements of City House, Inc. which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2022. 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. The financial statements of Partnership Realty Services, LLC were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Partnership Realty Services, LLC.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City House's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City House's internal control. Accordingly, we do not express an opinion on the effectiveness of the City House's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City House’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 City House’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas  
June 22, 2022

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

To the Board of Directors of  
City House, Inc

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

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

We have audited City House'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 the City House's major federal programs for the year ended December 31, 2021. The City House's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

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

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

## ***Auditors' Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City House'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 City House's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City House'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 compliance,

such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas  
June 22, 2022

**City House, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major program:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported

Type of auditors' report issued on compliance for major program:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
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Assistance Listing Number/Name of Federal Program:

93.550 Transitional Living for Homeless Youth (TLP-RHY)

93.623 Basic Center Grant (BCP-RHY)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV – Schedule of Prior Audit Findings**

None