

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

| | |
|--|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 4 |
| CONSOLIDATED STATEMENT OF ACTIVITIES | 5 |
| CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES | 6 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 7 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 8 |
| OTHER FINANCIAL INFORMATION | |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> AND THE <i>UNIFORM GRANT MANAGEMENT STANDARDS OF THE STATE OF TEXAS SINGLE AUDIT CIRCULAR</i> | 24 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE UNIFORM GRANT MANAGEMENT STANDARDS STATE OF TEXAS SINGLE AUDIT CIRCULAR | 26 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON FEDERAL AWARDS | 29 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 35 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 36 |
| SUPPLEMENTARY INFORMATION | |
| INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION | 38 |
| CONSOLIDATING STATEMENT OF FINANCIAL POSITION | 39 |
| CONSOLIDATING STATEMENT OF ACTIVITIES | 40 |



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Presbyterian Night Shelter of Tarrant County and Subsidiaries
Fort Worth, Texas

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Presbyterian Night Shelter of Tarrant County and Subsidiaries (the Shelter), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Presbyterian Night Shelter of Tarrant County and Subsidiaries, as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Presbyterian Night Shelter of Tarrant County and Subsidiaries ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Presbyterian Night Shelter of Tarrant County and Subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 opinion on the consolidated 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 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of The Presbyterian Night Shelter of Tarrant County and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Presbyterian Night Shelter of Tarrant County and Subsidiaries' 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited The Presbyterian Night Shelter of Tarrant County and Subsidiaries' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



CliftonLarsonAllen LLP

Fort Worth, Texas
September 29, 2022

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

| | 2021 | 2020 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 5,966,053 | \$ 4,995,006 |
| Government Grants Receivable | 1,477,711 | 1,241,834 |
| Other Receivables | 28,702 | 68,235 |
| Prepaid Insurance and Other Assets | 289,564 | 182,215 |
| Promises to Give - Long-Term Purposes, Net | 561,196 | 1,786,554 |
| Property and Equipment, Net | 30,771,182 | 30,245,681 |
| Long-Term Investments | 18,649,574 | 15,586,595 |
| | \$ 57,743,982 | \$ 54,106,120 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 394,996 | \$ 765,483 |
| Accrued Liabilities | 336,788 | 370,493 |
| Deferred Tenant Improvements | 633,224 | 863,028 |
| Deferred Revenue | 72,901 | 90,129 |
| Notes Payable | 2,127,813 | 2,080,000 |
| Total Liabilities | 3,565,722 | 4,169,133 |
| NET ASSETS | | |
| Without Donor Restrictions | | |
| Undesignated | 21,714,756 | 15,301,008 |
| Board Designated Endowment | 16,811,899 | 13,906,701 |
| Total Without Donor Restrictions | 38,526,655 | 29,207,709 |
| With Donor Restrictions | | |
| Purpose Restrictions | 3,149,974 | 7,810,926 |
| True Worth Place | 12,501,631 | 12,918,352 |
| Total With Donor Restrictions | 15,651,605 | 20,729,278 |
| Total Net Assets | 54,178,260 | 49,936,987 |
| Total Liabilities and Net Assets | \$ 57,743,982 | \$ 54,106,120 |

See accompanying Notes to Financial Statements.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

| | Without Donor Restrictions | With Donor Restrictions | 2021 | 2020 |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| SUPPORT AND REVENUE | | | | |
| Contributions | \$ 3,163,672 | \$ 2,292,145 | \$ 5,455,817 | \$ 3,771,827 |
| In-Kind Contributions | 67,406 | - | 67,406 | 345,104 |
| Government Grants | 5,993,927 | - | 5,993,927 | 4,483,886 |
| Other Grants | 351,495 | - | 351,495 | 311,301 |
| Program Fees | 3,036,204 | - | 3,036,204 | 3,364,330 |
| Rental Income | 505,232 | - | 505,232 | 517,566 |
| Investment Income, Net of Fees of \$143,609 | 223,045 | - | 223,045 | 218,751 |
| Special Events, Net of Expenses of \$79,628 | 228,278 | - | 228,278 | 179,064 |
| Net Realized and Unrealized Gain on Investments | 3,190,115 | - | 3,190,115 | 1,835,028 |
| Grant Revenue from CARES Act - See Note 15 | - | - | - | 1,278,308 |
| Miscellaneous Income | 180,564 | - | 180,564 | 118,079 |
| Oil and Gas Revenue | 1,636 | - | 1,636 | 764 |
| Net Assets Released From Restrictions: | | | | |
| Net Assets Released From Restrictions, | | | | |
| Depreciation | 416,721 | (416,721) | - | - |
| Satisfaction of Program Restrictions | 6,953,097 | (6,953,097) | - | - |
| Total Support and Revenue | <u>24,311,392</u> | <u>(5,077,673)</u> | <u>19,233,719</u> | <u>16,424,008</u> |
| EXPENSES | | | | |
| Program | 12,961,605 | - | 12,961,605 | 12,212,912 |
| General and Administrative | 1,167,697 | - | 1,167,697 | 882,213 |
| Fundraising | 863,144 | - | 863,144 | 818,398 |
| Total Functional Expenses | <u>14,992,446</u> | <u>-</u> | <u>14,992,446</u> | <u>13,913,523</u> |
| CHANGE IN NET ASSETS | 9,318,946 | (5,077,673) | 4,241,273 | 2,510,485 |
| Net Assets - Beginning of Year | <u>29,207,709</u> | <u>20,729,278</u> | <u>49,936,987</u> | <u>47,426,502</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 38,526,655</u></u> | <u><u>\$ 15,651,605</u></u> | <u><u>\$ 54,178,260</u></u> | <u><u>\$ 49,936,987</u></u> |

See accompanying Notes to Financial Statements.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

| | Night Shelter | True Worth Place | Social Enterprise Program | Total Programs | General and Administrative | Fund Raising | Total 2021 | Total 2020 |
|---|---------------|------------------|---------------------------|----------------|----------------------------|--------------|---------------|---------------|
| Salaries | \$ 3,297,962 | \$ 525,747 | \$ 2,314,745 | \$ 6,138,454 | \$ 644,014 | \$ 480,932 | \$ 7,263,400 | \$ 7,133,987 |
| Contract Labor | 41,215 | - | 379 | 41,594 | 2,253 | 1,931 | 45,778 | 31,067 |
| Payroll Taxes and Employee Benefits | 683,011 | 106,576 | 408,959 | 1,198,546 | 140,125 | 63,350 | 1,402,021 | 1,321,115 |
| Total Salaries and Related Expenses | 4,022,188 | 632,323 | 2,724,083 | 7,378,594 | 786,392 | 546,213 | 8,711,199 | 8,486,169 |
| Specific Assistance - Client Housing | 2,416,047 | 6,650 | - | 2,422,697 | - | - | 2,422,697 | 1,910,690 |
| Specific Assistance - Direct Services | 157,074 | 40,586 | - | 197,660 | - | - | 197,660 | 130,415 |
| Professional Fees | 9,968 | 5,456 | 4,272 | 19,696 | 48,557 | 167,032 | 235,285 | 276,856 |
| Office Expenses | 14,882 | 2,817 | 8,869 | 26,568 | 33,062 | 35,289 | 94,919 | 82,808 |
| Information Technology | 69,920 | 6,986 | 10,596 | 87,502 | 22,416 | 26,170 | 136,088 | 138,708 |
| Occupancy | 754,200 | 196,704 | 181,429 | 1,132,333 | 58,912 | 19,498 | 1,210,743 | 1,100,371 |
| Conferences, Meetings, and Travel | 18,293 | 259 | 1,536 | 20,088 | 2,423 | 4,063 | 26,574 | 27,938 |
| Interest | - | - | - | - | - | - | - | 4,560 |
| Depreciation | 739,012 | 389,839 | 87,567 | 1,216,418 | 56,099 | 21,658 | 1,294,175 | 1,158,148 |
| Insurance | 80,340 | 51,338 | 3,037 | 134,715 | 31,942 | - | 166,657 | 137,963 |
| Meals and Kitchen | 158,132 | - | 27,846 | 185,978 | 19 | 350 | 186,347 | 258,348 |
| Equipment Repairs and Maintenance | 4,588 | 3,170 | 989 | 8,747 | 39,695 | - | 48,442 | 42,652 |
| Vehicles | 20,494 | 1,814 | 78,409 | 100,717 | 2,983 | 6 | 103,706 | 42,652 |
| Training | 19,753 | 753 | 2,328 | 22,834 | 6,350 | 870 | 30,054 | 23,461 |
| Bad Debt Expense | - | - | - | - | 65,447 | - | 65,447 | 5,000 |
| Special Events | - | - | - | - | - | 79,628 | 79,628 | 36,354 |
| All Other | 6,758 | 300 | - | 7,058 | 13,400 | 41,995 | 62,453 | 86,784 |
| Subtotal | 4,469,461 | 706,672 | 406,878 | 5,583,011 | 381,305 | 396,559 | 6,360,875 | 5,463,708 |
| Total | 8,491,649 | 1,338,995 | 3,130,961 | 12,961,605 | 1,167,697 | 942,772 | 15,072,074 | 13,949,877 |
| Less: Expenses Netted with Revenue on the Statement of Activities | - | - | - | - | - | (79,628) | (79,628) | (36,354) |
| Total Expenses | \$ 8,491,649 | \$ 1,338,995 | \$ 3,130,961 | \$ 12,961,605 | \$ 1,167,697 | \$ 863,144 | \$ 14,992,446 | \$ 13,913,523 |

See accompanying Notes to Financial Statements.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 4,241,273 | \$ 2,510,485 |
| Adjustments to Reconcile Change in Net Assets to Net Cash | | |
| Provided by Operating Activities: | | |
| Depreciation Expense | 1,294,175 | 1,158,148 |
| Bad Debt Expense | 65,447 | 5,000 |
| Noncash Contribution of Property and Equipment | - | (262,661) |
| Noncash Contribution of Investment Securities | - | (43,975) |
| Contributions Restricted for Long-Term Purposes | (1,519,200) | (3,239,381) |
| Net Realized and Unrealized Gain on Investments | (3,190,115) | (1,835,028) |
| (Increase) Decrease in Operating Assets: | | |
| Government Grants Receivable | (235,877) | (292,369) |
| Other Receivables | (25,914) | (12,207) |
| Prepaid Insurance and Other Assets | (107,349) | (34,993) |
| Promises to Give | 1,225,358 | 3,854,625 |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable | (370,487) | 313,718 |
| Accrued Liabilities | (33,705) | (92,737) |
| Deferred Tenant Improvements | (229,804) | (229,803) |
| Deferred Revenue | (17,228) | 266 |
| Net Cash Provided by Operating Activities | 1,096,574 | 1,799,088 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale and Maturity of Long-Term Investments | 2,957,985 | 3,379,464 |
| Purchase of Long-Term Investments | (2,830,849) | (3,115,485) |
| Purchase of Property and Equipment | (1,819,676) | (5,099,643) |
| Net Cash Used by Investing Activities | (1,692,540) | (4,835,664) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Line of Credit | - | 296,000 |
| Proceeds from FHLB Forgivable Loan | - | 750,000 |
| Payments on Line of Credit | - | (296,000) |
| Proceeds from CDBG Renovation Loan | 47,813 | - |
| Proceeds from Contributions Restricted for Investment in Property and Equipment | 1,519,200 | 3,239,381 |
| Net Cash Provided by Financing Activities | 1,567,013 | 3,989,381 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 971,047 | 952,805 |
| Cash and Cash Equivalents - Beginning of Year | 4,995,006 | 4,042,201 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 5,966,053 | \$ 4,995,006 |
| SUPPLEMENTAL NONCASH INFORMATION | | |
| Interest Paid | \$ - | \$ 4,560 |

See accompanying Notes to Financial Statements.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

As the county's largest provider of services to Tarrant County's homeless, Presbyterian Night Shelter of Tarrant County (PNS) provides shelter and meals for homeless men, women, and children in Tarrant County, Texas. Guests are provided with access to counseling services to assist them in obtaining permanent housing, employment, financial assistance, and help with substance abuse. Through the Clean Slate Program, guests who want to work are provided with gainful employment and job skill development. PNS is supported primarily through individual donor contributions, government grants, private foundations, and area churches.

Lighthouse for the Homeless dba: True Worth Place, the only free area day shelter, is operated by Presbyterian Night Shelter. True Worth Place offers safe and clean day shelter and critical services to its guests including restroom and showers, laundry facilities, mailing address, telephones, computers, and temporary storage. As a central resource center for people experiencing homelessness, True Worth Place links guests with local service providers, providing access to health care, employment, education, mental health and substance abuse treatment, benefits, and critical documents including IDs, Social Security cards and birth certificates.

Presbyterian Night Shelter Security, LLC was formed in 2018 in order to allow the Shelter to manage its own security services. Formerly, outside security providers had been hired to provide these services.

Presbyterian Night Shelter Endowment Foundation was formed in 2018 to separately maintain and manage the Shelter's endowment fund. During 2019, the Shelter transferred approximately \$12 million worth of investments to this entity for this endowment management.

This summary of significant accounting policies of the Shelter is presented to assist in understanding the Shelter's consolidated financial statements. The consolidated financial statements and notes are representations of the Shelter's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements.

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of Presbyterian Night Shelter of Tarrant County (PNS), Lighthouse for the Homeless dba: True Worth Place (TWP), Presbyterian Night Shelter Security, LLC (Security), and Presbyterian Night Shelter Endowment Foundation (Foundation) (collectively, the Shelter) since they are under common control. PNS is the sole member of TWP and Security. Significant intercompany transactions and balances have been eliminated in the consolidation.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Shelter presents the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as Net Assets Released from Restrictions.

Use of Estimates

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

Cash and Cash Equivalents

The Shelter considers only cash in banks and on hand as cash and cash equivalents. These cash equivalents are financial instruments that potentially subject the Shelter to concentrations of credit risk. The Shelter places its cash with financial institutions and periodically maintains deposits in amounts that exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

Grants and Accounts Receivable

The Shelter's receivables consist principally of program service fees from governmental agencies. The Shelter utilizes the allowance method for recognition of bad debts. Based on management's assessment of the credit history of grantors, no allowance for doubtful accounts was deemed necessary as of December 31, 2021 and 2020. Bad debt expense was \$65,447 and \$5,000 respectively, for the years ended December 31, 2021 and 2020.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Received and Contributions Made

Contributions are recognized when unconditional commitments are received and recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional commitments, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Shelter'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 Shelter 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 statement of financial position. The Shelter received cost-reimbursable grants of \$7,587,465 and \$4,379,659 that have not been recognized at December 31, 2021 and 2020 because qualifying expenditures have not yet been incurred.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Property and Equipment

Expenditures for property and equipment in excess of \$5,000 and having a useful life of one year or more are capitalized and recorded on the Shelter's books at cost. Donations of significant property and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Shelter reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Shelter reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Estimated lives by assets class are as follows:

| | |
|----------------------------|-------------|
| Buildings and Improvements | 10-35 years |
| Machinery and Equipment | 3-10 years |
| Vehicles | 10 years |
| Furniture and Fixtures | 5-10 years |

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation of buildings and equipment is computed on the straight-line basis over their estimated useful lives. The estimated useful lives range from three to thirty five years. Depreciation expense for 2021 and 2020 amounted to \$1,294,175 and \$1,158,148, respectively, and is shown on the accompanying consolidated statement of functional expenses.

Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Income Taxes

The Shelter is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. This section exempts the Shelter from taxes on income. Accordingly, no provision for income taxes has been made in the consolidated financial statements. The Internal Revenue Service (IRS) has previously classified the Shelter as a public charity. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended December 31, 2021 and 2020.

PNS, TWP, and Foundation file as tax-exempt organizations. Security is a taxable entity, and its net income is subject to income tax. The tax returns are subject to review and examination by federal and state authorities.

Concentration of Credit Risk

Financial instruments which potentially subject the Shelter to concentrations of credit risk consist primarily of receivables from program services and amounts deposited in banks in excess of the Federal Deposit Insurance Corporation's insured limit.

The Shelter currently invests primarily in U.S. Government obligations, corporate stock and bonds, open and closed-end mutual funds, and investment partnerships. Management believes diversity within the portfolio avoids significant concentration of credit risk with respect to these investments.

Investments and Fair Value Measurements

The Shelter follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-320. Under this section, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated change in net assets.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements (continued)

FASB ASC No. 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Shelter uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The three levels of fair value hierarchy defined by FASB ASC No. 820-10 are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Shelter's needs.

Investments in foundations are carried at the audited net asset value of the investment. For certain investments in foundations which qualify as investment companies, the Shelter has elected to the use of NAV as a practical expedient for measurement of fair market value.

In-Kind Contributions and Donated Services

No amounts have been reflected in the consolidated financial statements for donated services since these services do not meet the requirements for recording under U.S. GAAP. However, a number of volunteers donate significant amounts of their time to the Shelter. In-kind gifts of materials, supplies and goods and gifts of real estate are also valued at their fair market value on the date of the donation.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Grants, Program Service Fees, and Leases

Client Rental Income

The Shelter receives a portion of client rent due to various apartment complexes from Shelter clients as part of its Housing Solutions (HOSO) grant. Client rent is collected in the month prior to the due date. As a result, amounts received are recorded as deferred revenue until the month rent is due, at which time revenue is recognized.

Social Enterprise Program Income (UpSpire)

The UpSpire social enterprise program is made up of three programs: janitorial, staffing, landscaping and litter pick-up. The Shelter provides employment opportunities to its clients through janitorial, staffing, landscaping and litter pick-up contracts with various local companies. Social Enterprise revenue is billed and recorded as income in the month that services are performed.

Bed and Locker Program Fee

The Shelter provides bed and locker rentals to its clients on an as needed basis. Revenue is recorded when payments are received which is typically in the same period the beds and lockers are used.

Vending Income

The Shelter makes available vending machines for use by its clients. Revenue is recorded when cash from the machines is collected and deposited on a weekly basis.

Lease Income

The Shelter leases out part of its building to JPS Hospital. Revenue is recognized over the term of the lease as it is earned.

Building Rental Income

The Shelter rents out space to various organizations in the area through short term rental agreements. Revenue is recognized over the term of the rental agreement as it is earned.

Functional Allocation of Expenses

The costs of providing program, fundraising, and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Shelter's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2020 consolidated financial statement information to conform to the current year presentation. These reclassifications had no effect on the change in net assets for 2020.

NOTE 2 DONATION OF TRUE WORTH PLACE

During the year ended December 31, 2017, a building called True Worth Place was donated by a local foundation to the subsidiary of which the Shelter is sole member. The value assigned to the building is based on the estimated FMV on the date of donation. The total value of the building at the date of gift is estimated at \$14,585,236.

The property transferred is subject to an initial deed restriction by Tarrant County Hospital District dba: JPS Health Network (JPS) which was carried over to the Shelter. These deed restrictions include the following:

- Construction of a central resource facility (True Worth Place) and related improvements and facilities on the property to serve the health and welfare needs of the homeless, indigent and medically underserved in Tarrant County.
- A lease for the JPS clinic at TWP within two years after all necessary governmental permits and approvals are issued for the construction and operation of TWP.
- TWP must be used solely for the following:
 - o Provide a central resource facility
 - o Serve the health and welfare needs of the homeless, indigent and medically underserved in Tarrant County
 - o House service agencies as necessary to provide for the health and welfare needs of the homeless, indigent and medically underserved in Tarrant County, including, but not limited to, the JPS Clinic.

As long as TWP continues to serve the homeless and lease its facilities to JPS as defined above, the land will not revert back to JPS. Due to the nature of the deed restriction, the property is considered to have donor restrictions.

As a condition to the assumption of deed and operations on True Worth Place, the Shelter also received a five year \$7.2 million operational pledge to support True Worth Place from the local foundation. Such receivable is to be net of certain rental proceeds received on the building and was fully received as of December 31, 2021.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 PROMISES TO GIVE

The Shelter recognizes unconditional promises to give as support in the period the promise to give is made and reports them as contributions in the consolidated statement of activities. Promises to give at December 31, 2021 are expected to be received as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|-------------------|
| 2022 | \$ 295,696 |
| 2023 | 225,500 |
| 2024 | 20,000 |
| 2025 | 20,000 |
| Total Pledges | <u>\$ 561,196</u> |

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|----------------------|----------------------|
| Land | \$ 532,731 | \$ 532,731 |
| Building and Improvements | 35,327,191 | 30,151,098 |
| Machinery and Equipment | 1,909,668 | 1,993,003 |
| Vehicles | 910,327 | 743,386 |
| Furniture and Fixtures | 1,556,289 | 1,233,538 |
| Construction in Process | 642,974 | 4,402,749 |
| Total Cost | <u>40,879,180</u> | <u>39,056,505</u> |
| Less Accumulated Depreciation | <u>(10,107,998)</u> | <u>(8,810,824)</u> |
| Property and Equipment, Net | <u>\$ 30,771,182</u> | <u>\$ 30,245,681</u> |

NOTE 5 LONG-TERM INVESTMENTS

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. Long-term investments consist of the following as of December 31:

| | <u>2021</u> | | <u>2020</u> | |
|-----------------------|----------------------|----------------------|----------------------|---------------------|
| | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> |
| Money Market Fund | \$ 572,307 | \$ 572,307 | \$ 572,226 | \$ 572,226 |
| Equities | 14,328,868 | 6,576,903 | 11,106,183 | 5,633,999 |
| Fixed Income | 2,550,726 | 2,506,255 | 2,696,970 | 2,564,982 |
| Community Trust Funds | 1,197,673 | 773,816 | 1,211,216 | 970,908 |
| Totals | <u>\$ 18,649,574</u> | <u>\$ 10,429,281</u> | <u>\$ 15,586,595</u> | <u>\$ 9,742,115</u> |

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 ENDOWMENT

The by-laws of the Shelter provide for the establishment of the Presbyterian Night Shelter Endowment Fund (the Endowment Fund) whereby gifts and bequests designated by the board for endowment are deposited to the Endowment Fund as well as undesignated gifts and bequests in the amount of \$1,000 or more. The net income of the Endowment Fund is available for use by the Shelter for operating purposes upon an approving vote by the board of directors.

As of December 31, 2021, the Shelter's endowment fund consisted of equities, fixed income, and money market funds. These funds are designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

At the beginning of each fiscal year, upon recommendation by the Finance Committee and approval by the board, an amount not to exceed 4.5% of the five-year moving average of the market value of the investments, shall be available for the Shelter's operations. Excess amounts may be withdrawn for operations only upon the affirmative vote of 75% of the number of directors serving.

Composition and Activity of Endowment Funds

Endowment net assets are composed solely of board designated amounts at December 31, 2021 and 2020. The changes in the endowment net assets by net asset classification for the years ended December 31 are as follows:

| | <u>Without Donor Restrictions (Designated)</u> |
|---|--|
| Endowment Net Assets, December 31, 2019 | \$ 11,924,098 |
| Investment Income, Net of Expenses (Including Realized and Unrealized Gains and Losses) | 1,933,311 |
| Contributions | 403,869 |
| Appropriation of endowment assets for expenditure | <u>(354,577)</u> |
| Endowment Net Assets, December 31, 2020 | 13,906,701 |
| Investment Income, Net of Expenses (Including Realized and Unrealized Gains and Losses) | 3,169,514 |
| Contributions | 181,653 |
| Appropriation of Endowment Assets for Expenditure | <u>(445,969)</u> |
| Endowment Net Assets, December 31, 2021 | <u><u>\$ 16,811,899</u></u> |

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Endowment Fund's minimum real rate of return goal of the investment portfolio, adjusted for inflation, is CPI plus 3% net of expenses. It is also expected that the investment portfolio's return will compare favorably with portfolios of similar objectives and asset allocation and selected weighted marker indices. The preferred index is 70% S&P 500 Equity Index and 30% Lehman Aggregate.

The equity portion of the portfolio should range between a minimum of 30% and a maximum of 70% at market value. The fixed income portion should range between these parameters. Deviation from these ranges is subject to approval by the Finance Committee.

Strategies Employed for Achieving Objectives

The Endowment Fund utilizes the assistance of Luther King Capital Management and J.P. Morgan to manage and monitor investments and investment objectives, subject to governance review and approval.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

| <u>Purpose Restrictions</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Awesome Outings | \$ 2,462 | \$ 2,462 |
| Day of Service | 4,232 | - |
| Social Enterprise | - | 33,000 |
| Women and Children | 136,771 | 217,874 |
| Client Services | 5,008 | 4,713 |
| Safe Haven | 6,423 | 2,887 |
| Patriot House Renovations | - | 2,150 |
| Capital Campaign | 1,570,696 | 7,049,498 |
| Capital Campaign - Emergency Preparedness | 1,423,918 | - |
| True Worth - Foot Clinic | 464 | 464 |
| True Worth Operations | - | 497,878 |
| Total with Purpose Restrictions | <u>3,149,974</u> | <u>7,810,926</u> |
| <u>Restricted in Perpetuity</u> | | |
| <u>Land and Buildings Restricted to True Worth Place</u> | | |
| Operations | <u>12,501,631</u> | <u>12,918,352</u> |
| Total Restricted Funds | <u>\$ 15,651,605</u> | <u>\$ 20,729,278</u> |

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 FAIR VALUE MEASUREMENT OF INVESTMENTS

Investments as of December 31 are summarized below by their level in fair value hierarchy:

| | 2021 | | | Total |
|--|----------------------|---------------------|---------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Money Market Funds | \$ 572,307 | \$ - | \$ - | \$ 572,307 |
| Equity Securities | 13,775,515 | - | - | 13,775,515 |
| Fixed Income Securities | - | 2,550,726 | - | 2,550,726 |
| Community Trust Funds | - | - | 1,197,673 | 1,197,673 |
| Subtotal | 14,347,822 | 2,550,726 | 1,197,673 | 18,096,221 |
| Investments Measured at Net Assets Value | - | - | - | 553,353 |
| Total Investments | <u>\$ 14,347,822</u> | <u>\$ 2,550,726</u> | <u>\$ 1,197,673</u> | <u>\$ 18,649,574</u> |

| | 2020 | | | Total |
|--|----------------------|---------------------|---------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Money Market Funds | \$ 572,226 | \$ - | \$ - | \$ 572,226 |
| Equity Securities | 10,806,162 | - | - | 10,806,162 |
| Fixed Income Securities | - | 2,696,970 | - | 2,696,970 |
| Community Trust Funds | - | - | 1,211,216 | 1,211,216 |
| Subtotal | 11,378,388 | 2,696,970 | 1,211,216 | 15,286,574 |
| Investments Measured at Net Assets Value | - | - | - | 300,021 |
| Total Investments | <u>\$ 11,378,388</u> | <u>\$ 2,696,970</u> | <u>\$ 1,211,216</u> | <u>\$ 15,586,595</u> |

The Shelter accounts for certain interests in a local Presbyterian foundation fund using net asset value as a practical expedient. The fund seeks to invest in small U.S. companies allocated among managers with distinct growth, value, and core strategies. The funds may be redeemed or withdrawn at the request of the Shelter with no notice.

For the community trust funds held at level 3, approximately \$229,800 was sold as part of distributions annually from the Foundation's endowment. No significant purchases occurred in Level 3 investments during the year.

NOTE 9 LINE OF CREDIT AND NOTES PAYABLE

The Shelter maintains an open-ended line of credit with a bank which has a borrowing limit of \$1,000,000 and bears interest at a rate of LIBOR plus 1.90%. The line of credit matures in March of 2023. Borrowings on the balance up to \$250,000 may be done at management's discretion, while borrowings exceeding \$250,000 and up to \$750,000 must be approved by the Finance Committee. Any borrowings which cause the balance to exceed \$750,000 must have full board approval. The line of credit is secured by certain investments with fair values of \$18,649,574 and \$15,586,595, respectively, as of December 31, 2021 and 2020. There was no outstanding balance on the line of credit as of December 31, 2021 and 2020.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 LINE OF CREDIT AND NOTES PAYABLE (CONTINUED)

During 2021, the Shelter was awarded a conditional grant in the form of a forgivable loan of \$360,000 to assist with the renovation of the Kitchen Rehab Project. As of year-end, the Shelter had drawn down \$47,813 of costs incurred. During 2022, an amendment was made to add \$10,000 of funds. The forgiveness of the loan is contingent on the following provisions to take place over a performance period of 5 years beginning on the date that the certificate of occupancy is issued, or, another date that the city determines: 1) operate the kitchen to provide meal services to homeless individuals, 2) maintain a cumulative list of all unduplicated clients provided services by borrower, 3) certify that all clients served by borrower are income eligible clients, 4) comply with all applicable provisions of the CDBG regulations, and 4) meet the national objective. This loan has been recorded in notes payable in the consolidated statement of financial position.

During November 2019, the Shelter was awarded a contingent grant by the Federal Home Loan Bank in the form of a forgivable loan of \$750,000 to assist with the renovation of certain buildings on the main campus. The forgiveness of the loan is contingent on the following primary provisions: 1) project completion occurs within three years after the approval date 2) project meets the applicable eligibility standards set forth in Section 1291.5(c) of the AHP Regulations, 3) the project is maintained for 15 years after projection completion in accordance with the terms of the agreement. The agreement was signed and enforceable as of December 31, 2019, but was not funded until the year 2020. This loan has been recorded in notes payable in the consolidated statement of financial position.

During 2017, the Shelter was awarded a conditional grant in the form of a forgivable loan of \$300,000 to assist with the renovation of the Lowdon Schutts Building. During 2018, an amendment was made to add \$30,000 of funds for the repair of the HVAC system in the Main Shelter building. The forgiveness of the loan is contingent of the following provisions to take place over a performance period of 5 years beginning on September 24, 2018: 1) The Lowdon Schutts Building located on the property that was rehabilitated must benefit homeless persons during the period of performance, 2) the Shelter must meet the CDBG requirements as outlined in the grant agreement during the performance period, 3) the Shelter must comply with the terms of the contract, the loan documents, and CDBG regulations. This loan has been recorded in notes payable in the consolidated statement of financial position.

During 2016, the Shelter was awarded a conditional grant by the Federal Home Loan Bank in the form of a forgivable loan of \$500,000 to assist with the renovation of the Women's Center/Lowden-Schutts Rehab. The forgiveness of the loan is contingent on the following provisions: 1) the project remains in the Shelter's position for 15 years beginning October 30, 2017 (the retention period), 2) in the event of a sale, the contingent grant must be repaid, 3) the rental units of the project must be occupied by individuals with income at or below certain income levels during the retention period. This loan has been recorded in notes payable in the consolidated statement of financial position.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 LINE OF CREDIT AND NOTES PAYABLE (CONTINUED)

During 2016, the Shelter was awarded a conditional grant by the Federal Home Loan Bank in the form of a forgivable loan of \$500,000 to assist with construction of a women and children's shelter. The forgiveness of the loan is contingent on the following provisions: 1) the project remains in the Shelter's position for 15 years beginning June 6, 2016 (the retention period), 2) in the event of a sale, the contingent grant must be repaid, 3) the rental units of the project must be occupied by individuals with income at or below certain income levels during the retention period. This loan has been recorded in notes payable in the consolidated statement of financial position.

NOTE 10 REVENUE RECOGNITION

The following table shows the Shelter's revenue disaggregated according to the timing of the transfer of goods or services:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Revenue Recognized at a Point in Time: | | |
| Social Enterprise Program Income (UpSpire) | \$ 2,758,349 | \$ 3,036,547 |
| Payphone and Vending Income | <u>59,387</u> | <u>74,027</u> |
| Total Revenue Recognized at a Point in Time | <u>\$ 2,817,736</u> | <u>\$ 3,110,574</u> |

NOTE 11 CONTRACT ASSETS AND CONTRACT LIABILITIES

The Shelter's contract assets and liabilities consist of:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Accounts Receivable: | | |
| Social Enterprise Program Income (UpSpire) | \$ 209,489 | \$ 413,010 |
| Total Accounts Receivable | <u>\$ 209,489</u> | <u>\$ 413,010</u> |

NOTE 12 EMPLOYEE BENEFIT PLAN

The Shelter sponsors a 401(k) plan for all qualified employees. At its discretion, the Shelter may match a portion of employee contributions, up to the maximum amounts set by the IRS. Employer contributions to the plan amounted to \$45,815 and \$22,508 during the years ended December 31, 2021 and 2020, respectively.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13 ECONOMIC DEPENDENCY AND CONCENTRATIONS

The Shelter receives a substantial amount of its support from federal and state government grants and contracts. These grants and contracts require fulfillment of certain conditions as set forth in the grant documents and contracts. Failure to fulfill the conditions could result in the return of funds to grantors or nonrenewal of contract.

Donors with total gifts exceeding 10% of the value of total contributions during the year are considered concentrated donors to the Shelter. There was one donor that comprised 18% and 10% of the value of total contributions as of December 31, 2021 and 2020, respectively.

NOTE 14 LEASES AND DEFERRED TENANT IMPROVEMENTS

True Worth leases a portion of its building to the Tarrant County Hospital District dba: JPS Health Network for a 10-year term ending in 2027. The following is a schedule by year of future minimum rentals under the lease at December 31, 2021:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2022 | \$ 195,977 |
| 2023 | 202,149 |
| 2024 | 208,322 |
| 2025 | 214,494 |
| 2026 | 220,666 |
| Thereafter | 55,553 |
| Total | <u>\$ 1,097,161</u> |

This agreement includes a tenant improvement reimbursement amount of \$1,724,931 that JPS paid in advance to True Worth. The conditions of the True Worth agreements stipulated that the money be held in a fund with North Texas Community Foundation (NTCF) to be paid out on a regular basis over the term of the lease. The balance held with NTCF at December 31, 2021 and 2020 amounted to \$1,197,673 and \$1,211,216, respectively. The balance in deferred revenue at December 31, 2021 and 2020 was \$633,224 and \$863,028.

NOTE 15 FEDERAL AWARDS UNDER THE CARES ACT

On April 13, 2020, the Shelter received proceeds in the amount of \$1,278,308 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. The Shelter has classified this loan as a conditional contribution for accounting purposes and is accounting for it in accordance with conditional gift guidance under ASC 958. As all conditions were met in 2020, the Shelter recognized the entire \$1,278,308 as revenue in 2020.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 15 FEDERAL AWARDS UNDER THE CARES ACT (CONTINUED)

On April 26, 2021, the SBA processed the Center's PPP Loan forgiveness application and notified Texas Capital Bank the PPP Loan qualified for full forgiveness. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Shelter's financial position.

NOTE 16 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 5,966,053 | \$ 4,995,006 |
| Government Grants Receivable | 1,477,711 | 1,241,834 |
| Other Receivables | 28,702 | 68,235 |
| Promises to Give - Long-Term Purposes, Net | 561,196 | 1,786,554 |
| Long-Term Investments | 18,649,574 | 15,586,595 |
| Less: Amounts with Donor Restrictions | (3,149,974) | (7,810,926) |
| Less: Board Designated Investments Amounts | (16,811,899) | (13,906,701) |
| Add: Estimated Distributions from Endowment | 496,000 | 418,000 |
| Total | <u>\$ 7,217,363</u> | <u>\$ 2,378,597</u> |

The Shelter regularly monitors the availability of resources required to meet its operating needs while also striving to maximize the investment of its available funds.

The endowment funds consist of funds designated by the board as endowments. The Shelter's board-designated endowment is subject to an annual spending rate of 4.5% in 2021 as described in Note 6. Although the Shelter does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Shelter receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions as well as support without donor restrictions. In addition, the Shelter also receives a significant amount of funding from federal and state grants primarily funded as cost reimbursement grants. Support without donor restrictions, distributions from endowment, government grants, rental income, and program revenue are used to fund operations. In addition to financial assets available to meet general expenditures over the next 12 months, the Shelter operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statement of cash flows which identifies the sources and uses of the Shelter's cash and shows positive cash generated by operations for the years ended 2021 and 2020.

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 17 FUNCTIONALIZED EXPENSE ALLOCATION METHODOLOGY

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, security, supplies, and campus wide expenses which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 18 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 29, 2022, the date on which the financial statements were available to be issued.

In January of 2022, the Shelter created a new entity called Journey Home Housing, LLC, as part of the newest phase of its moving home project. As part of this project land was purchased for approximately \$851,000 in August of 2022. part of the newest phase of its moving home project. As part of this project land was purchased for approximately \$851,000 in August of 2022. Journey Home Housing LLC was created as an expansion of the Presbyterian Night Shelter for the purpose of creating affordable housing for the homeless. 8.95 acres was purchased at a price of \$850,000 for the development of 72 units of affordable housing for disabled & chronically homeless single adults. This project is funded by a grant from the city of Fort Worth, and the cost of the land will be reimbursed by the city of Fort Worth.



**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***

Board of Directors
The Presbyterian Night Shelter of Tarrant County and Subsidiaries
Fort Worth, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Presbyterian Night Shelter of Tarrant County and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Presbyterian Night Shelter of Tarrant County and Subsidiaries internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Presbyterian Night Shelter of Tarrant County and Subsidiaries internal control. Accordingly, we do not express an opinion on the effectiveness of The Presbyterian Night Shelter of Tarrant County and Subsidiaries internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

The Presbyterian Night Shelter of Tarrant County and Subsidiaries' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the The Presbyterian Night Shelter of Tarrant County and Subsidiaries' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Presbyterian Night Shelter of Tarrant County and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

Fort Worth, Texas
September 29, 2022



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

Board of Directors
The Presbyterian Night Shelter of Tarrant County and Subsidiaries
Fort Worth, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries major federal programs for the year ended December 31, 2021. The Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries 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, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of The Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of The Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Presbyterian Night Shelter of Tarrant County and Subsidiaries 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-003, 2021-004, and 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on The Presbyterian Night Shelter of Tarrant County and Subsidiaries response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Presbyterian Night Shelter of Tarrant County and Subsidiaries response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-004 and 2021-005 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on The Presbyterian Night Shelter of Tarrant County and Subsidiaries response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Presbyterian Night Shelter of Tarrant County and Subsidiaries response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Fort Worth, Texas
September 29, 2022

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes none reported

Type of auditors’ report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516? X yes no

Identification of major programs:

CFDA Number(s)

14.231
21.023

Name of Federal Program or Cluster

Emergency Solutions Program
Emergency Rental Assistance

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

Auditee qualified as low-risk auditee? yes X no

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings

2021-001

Material Weakness in Internal Control over Financial Reporting

Condition: There is a lack of sufficient controls in place to ensure that the SEFA is accurate and complete.

Criteria or specific requirement: Proper controls over SEFA reporting are critical to reduce the risk that there are errors in amounts and information reported. Further, the risk of noncompliance is increased when federal awards are not properly identified. Internal controls procedures should be in place to ensure review of the SEFA.

Effect: Compiling an accurate and complete SEFA is critical to ensure proper reporting and identification of federal awards. There were a number of errors on the SEFA with the most significant being funding reported under the wrong assistance listing number.

Cause: Lack of review of the SEFA as well as not following up with grantors on source of funding.

Repeat Finding: No

Recommendation: CLA recommends that assistance listing numbers are determined when funding is received, if not explicit in grant agreement. The SEFA should be reviewed by someone other than the person preparing it.

Views of responsible officials and planned corrective actions: To ensure proper preparation and review of the SEFA in the future, management will engage in training specific to the reporting of federal funds for accounting and grant personnel, and will implement a control to ensure initial preparation of the SEFA by the VP of Finance is reviewed by personnel knowledgeable in federal awards and engaged in monitoring the organization's grant compliance.

2021-002

Significant Deficiency in Internal Control over Financial Reporting

Condition: There is a lack of sufficient controls in place to ensure that amounts entered from timesheets are accurately entered into the payroll system.

Criteria or specific requirement: Proper controls over payroll are critical to reduce the risk that fraud or errors will occur and go undetected and/or uncorrected, which could lead to misstatements not being identified and resolved in a timely matter. Internal control procedures should be in place related to proper review of payroll data in order to ensure payroll register amounts match what is on submitted timesheets.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Effect: Reviewing payroll data that is manually entered or calculated is critical to reduce the risk that fraud or errors will occur and go undetected/uncorrected. Lack of review caused an employee to be underpaid by 0.34 hours. While in this particular instance the employee was underpaid, errors of this nature could potentially result in overcharging federal grants for costs not actually incurred on programs or could result in improper use of donor restricted funding.

Cause: Lack of review or automatic control over the accuracy of data entered into the payroll system. The time clock system was having issues with calculating overtime pay correctly, resulting in a manual calculation being necessary to ensure proper overtime pay to employees. This resulted in a clerical error that went unnoticed when payroll was processed since there was no review of the amounts manually entered into the system after the timesheets were reviewed.

Repeat Finding: Yes, 2020-001

Recommendation: CLA recommends that PNS has someone review all manual payroll calculations for accuracy.

Views of responsible officials and planned corrective actions: Payroll hours during the FY2021 were being reviewed by supervisors under the appropriate time and effort requirements of the Uniform Guidance. The error that occurred due to a temporary need to manually calculate hours as part of the implementation of a new payroll system was corrected later in FY2021 after the system was fully implemented and fully functional. The identified exception in the finding above occurred before the notation of the prior audit finding in FY2020, and has since been fully corrected.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 003

Federal agency: U.S. Department of Treasury

Federal program title: Emergency Rental Assistance Round 1

Assistance Listing Number: 21.023

Pass-Through Agency: Texas Department of Housing and Community Affairs

Pass-Through Number(s): 20210000022

Award Period: September 1, 2021 – August 31, 2022

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria or specific requirement: The grant agreement requires reports to be submitted by the 6th of each month. Failure to do so results in withholding funding.

Condition: The organization does not have controls in place to ensure that the grantor is notified of any delays in reporting.

Questioned costs: None

Context: Errors were found during performance reporting testing. It was noted that all required reports for this grant in 2021 were filed after the due date.

Cause: The data needed to report to the grantor was not in the correct format within the HMIS system and required extensive formatting of the information in order to meet the guidelines of the grantor. The organization did not proactively notify the grantor of the delay or work with grantor towards an alternative solution or an extension of the deadline. While the organization had multiple conversations with the grantor in December regarding reporting issues, it did not notify the grantor prior to the due date to request an alternative solution or an extension of the deadline.

Effect: The grantor would not approve drawdown requests until the performance reports were submitted. Failure to submit reports on time is considered contractual non-compliance.

Repeat Finding: No

Recommendation: CLA recommends that the organization immediately notify the grantor when it determines that it will not be able to meet the required reporting deadlines in order to obtain an extension or determine another resolution.

Views of responsible officials: There is no disagreement with the audit finding.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

2021 – 004

Federal agency: U.S. Department of Treasury

Federal program title: Emergency Rental Assistance Round 1

Assistance Listing Number: 21.023

Pass-Through Agency: Texas Department of Housing and Community Affairs

Pass-Through Number(s): 20210000022

Award Period: September 1, 2021 – August 31, 2022

Type of Finding: Material Weakness in Internal Control over Compliance and Other Matters

Criteria or specific requirement: Review of the grant for the types of costs that are allowable and ensuring that controls are in place to review that expenses charged to the grant are allowable are critical to reduce the risk of noncompliance.

Condition: During 2021 there was a lack of sufficient controls in place to ensure costs charged to the grant are allowable, however, the organization's controls discovered the issue subsequent to year-end during 2022. Further, this grant was new to the organization in 2021 and there were issues with obtaining the grant agreement at the beginning of the program.

Questioned costs: None

Context: Errors were found during allowable cost testing. Amounts related to the kitchen charge out were charged to the grant, however, these amounts included salaries and other types of costs to serve meals while the grant only allowed food costs. This was discovered by PNS in 2022; however the grantor was not notified of the error. CLA recalculated the full error that occurred in 2021 noting the amount over charged for food costs in 2021 was \$72,901. We were also able to determine that there are no questioned costs as the organization incurred allowable food costs in 2022 and did not overdraw amounts related to food costs within the period of performance. The overdrawn amounts were recorded by PNS in deferred revenue in 2021 until they are earned in 2022.

Cause: Lack of sufficient review during 2021 of the grant agreement for costs that are allowable.

Effect: While the kitchen charge out amounts charged to the grant in 2021 included costs that are not allowed under the grant, it also included allowable food costs. Further, it was determined that the shelter did not over draw on food costs within the full grant term. It was determined that \$72,901 was overdrawn in 2021 and therefore moved to deferred revenue to be recognized in 2022 when the allowable food costs were incurred. The organization discovered this error in 2022 however the grantor was not notified.

Repeat Finding: No

Recommendation: CLA recommends reviewing new grant agreements for the types of costs allowable. Further, we recommend that when errors are found the grantor be notified and overdrawn funds returned.

Views of responsible officials: There is no disagreement with the audit finding.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

2021 – 005

Federal agency: U.S. Department of Treasury

Federal program title: Emergency Rental Assistance Round 1

Assistance Listing Number: 21.023

Pass-Through Agency: Texas Department of Housing and Community Affairs

Pass-Through Number(s): 20210000022

Award Period: September 1, 2021 – August 31, 2022

Type of Finding: Material Weakness in Internal Control over Compliance and Other Matters

Criteria or specific requirement: There are four specific eligibility requirements under this grant that participants must meet in order to be eligible to receive services.

Condition: The organization does not have adequate controls in place to ensure that participants met all eligibility requirements and that documentation of the eligibility requirements are maintained.

Questioned costs: None

Context: CLA sampled 60 participants and found that each selection was missing documentation for at least one of the 4 eligibility criteria.

Cause: PNS received the grant agreement more than one month after it started enrolling participants in the program. Since there was no grant agreement, they decided to follow the HUD eligibility guidelines; however, these are different funding sources which require different eligibility criteria to be met. Upon receiving the grant agreement, the organization did not go back and obtain eligibility documentation for its files and continued to use the HUD eligibility requirements for this funding. Further, there is not a consistent review of the eligibility files as they are randomly selected for review on a weekly basis.

Effect: Ensuring that required eligibility determinations and redeterminations are performed and documentation properly maintained is critical to ensure that only those who meet the requirements are served.

Repeat Finding: No

Recommendation: CLA recommends that PNS obtain eligibility documentation support for all clients in the program and any clients that do not meet these requirements are removed from the program immediately. We also recommend reaching out to the grantor when the eligibility requirements are unknown due to not having a grant agreement, or going out to the website of the federal funding source to find the requirements.

Views of responsible officials: There is no disagreement with the audit finding.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

| Grantor/Program Title | Federal CFDA Number | Pass-Through Identifying Entity Number | Federal Expenditures |
|--|---------------------------|--|--|
| U.S. Department of Homeland Security | | | |
| Pass-Through Programs from: | | | |
| Federal Emergency Management Agency | | | |
| Emergency Food and Shelter National Board Program | 97.024 | - | \$ 150,000 |
| CARES Emergency Food and Shelter National Board Program | 97.024 | - | 120,000 |
| Total U.S. Department of Homeland Security | | | <u>270,000</u> |
| U.S. Department of Housing and Urban Development | | | |
| Direct Programs | | | |
| Continuum of Care Program | | | |
| Operations | 14.267 | TX0118L6T011912 TX0118L6T012013 TX0098L6T011912 TX0098L6T012013 | 118,584 22,586 16,384 12,475 |
| Administration | 14.267 | TX0118L6T011912 TX0118L6T012013 TX0098L6T011912 TX0098L6T012013 | 10,262 4,275 44,594 12,293 |
| Supporting Services | 14.267 | TX0118L6T011912 TX0118L6T012013 TX0098L6T011912 TX0098L6T012013 | 32,521 917 273,538 55,386 |
| Housing Solutions | 14.267 | TX0098L6T011912 TX0098L6T012013 | 908,626 213,768 |
| Total Direct Programs | | | <u>1,726,209</u> |
| Pass-Through Programs from: | | | |
| City of Fort Worth | | | |
| Emergency Shelter Grants Program | 14.231 | 54921 56613 54920 56612 | 86,811 49,184 134,845 56,813 |
| CARES Emergency Solutions Grants Program - CV | 14.231 | 54256 54236 54268 | 11,229 311,362 22,154 |
| CARES Emergency Solutions Grants Program - CV2 | 14.231 | 54963 54965 54958 54970 | 157,861 406,283 155,106 130,072 |
| Community Development Block Grants (cluster) | 14.218 | 54936 54313 56614 | 109,899 83,892 35,863 |
| Community Development Block Grants Kitchen Renovation | | 55617 | 47,813 |
| Community Development Block Grants LSB Renovation | | 48743 | 330,000 |
| COVID-19 Rapid Exit/Employment Services | 21.019 | 54050/54050-A2 | 174,995 |
| Tarrant County | | | |
| Emergency Shelter Grants Program | 14.231 | E-21-UC-48-0001 E-20-UC-48-0001 | 10,017 42,000 |
| CARES Emergency Solutions Grants Program - CV Hazard Pay | 14.231 | E-20-UC-48-0001-CV | 75,150 |
| CARES Emergency Solutions Grants Program | 14.231 | E-20-UW-48-0001-CV | 187,440 |
| Continuum of Care - Tenant Based Leasing Assistance | 14.267 | TX0113L6T012013 | 38,394 |
| State of Texas - TDHCA | | | |
| CARES Emergency Solutions Grants Program - CV1 Rapid Rehousing | 14.231 | 43206010017 | 298,751 |
| Total Pass Through Programs | | | <u>2,955,934</u> |
| Total U.S. Department of Housing and Urban Development | | | |
| | | | <u>4,682,143</u> |
| Total - Emergency Shelter Grant Program | 14.231 | | 2,135,078 |
| Total - Community Block Development Grant (cluster) | 14.218 | | 607,467 |
| Total - Continuum of Care | 14.267 | | 1,764,603 |
| Total - Coronavirus Relief Funds | 21.019 | | <u>174,995</u> |
| U.S. Department of Health and Human Services | | | |
| Pass-Through Programs from: | | | |
| MHMR of Tarrant County | | | |
| COVID-19 Block Grants for Community Mental Health Services | 93.958 | HHS001108400024 | 29,625 |
| Total U.S. Department of Health and Human Services | | | <u>29,625</u> |
| U.S. Department of the Treasury | | | |
| Pass-Through Programs from: | | | |
| TX Department of Housing and Community Affairs | | | |
| Emergency Rental Assistance Round 1 | 21.023 | 20210000022 | 377,890 |
| Total U.S. Department of the Treasury | | | <u>377,890</u> |
| U.S. Department of Veterans' Affairs | | | |
| Pass-Through Programs from: | | | |
| Texas Veterans Commission | | | |
| Homeless Providers Grant and Per Diem Program | 64.024 | PNST591-1466-549-PD-21 | 365,849 |
| Total U.S. Department of Veteran Affairs | | | <u>365,849</u> |
| Total Federal and State Awards | | | <u>\$ 5,725,507</u> |

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Presbyterian Night Shelter of Tarrant County and Subsidiaries 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 Regulators Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the Generally Accepted Accounting Principles basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 SUBRECIPIENTS

Of the federal expenditures presented in the schedule, The Presbyterian Night Shelter of Tarrant County and Subsidiaries provided no federal awards to subrecipients.

NOTE 4 NONCASH ASSISTANCE

The Shelter did not receive any noncash assistance from federal awards for the year ended December 31, 2021.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

NOTE 5 LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS

the Shelter received the following funding through forgivable loans. Loan documents require compliance with program regulations until the end of the period of performance. The loan balances outstanding at December 31, 2021 are included in the accompanying schedule of expenditures of federal awards and are as follows:

| | Loan Number | Outstanding Loan Balance |
|---|----------------|-----------------------------|
| U.S. Department of Housing and Urban Development | | |
| Pass-through Programs from: | | |
| City of Fort Worth | | |
| Community Development Block Grants Kitchen Renovation | 55617 | 47,813 |
| Community Development Block Grants LSB Renovation | 48743 | 330,000 |
| Total | | 377,813 |

NOTE 6 INDIRECT COST RATES

The Shelter has not elected to use the 10% de minimus indirect cost rate, and continues to use the rates negotiated individually with its grantors.



INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

The Board of Directors
The Presbyterian Night Shelter of Tarrant County and Subsidiaries
Fort Worth, Texas

We have audited the consolidated financial statements of The Presbyterian Night Shelter of Tarrant County and Subsidiaries as of and for the year ended December 31, 2021, and have issued our report thereon date September 29, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for the purpose of additional analysis and are 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 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
September 29, 2022

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

| ASSETS | PNS | TWP | Security | Foundation | Eliminating Entries | Consolidated Totals |
|---|----------------------|----------------------|-------------|----------------------|------------------------|------------------------|
| Cash and Cash Equivalents | \$ 5,671,080 | \$ 239,729 | \$ - | \$ 55,244 | \$ - | \$ 5,966,053 |
| Government Grants Receivable | 1,357,890 | 119,821 | - | - | - | 1,477,711 |
| Other Receivables | (3,749) | - | - | 32,451 | - | 28,702 |
| Related Party Receivable | 211,258 | 497,878 | - | - | (709,136) | - |
| Prepaid Insurance and Other Assets | 248,223 | 44,894 | - | - | (3,553) | 289,564 |
| Promises to Give - Long-Term Purposes | 561,196 | - | - | - | - | 561,196 |
| Property and Equipment, Net | 18,195,941 | 12,575,241 | - | - | - | 30,771,182 |
| Long-Term Investments | 553,353 | 1,892,919 | - | 16,203,302 | - | 18,649,574 |
| Total Assets | \$ 26,795,192 | \$ 15,370,482 | \$ - | \$ 16,290,997 | \$ (712,689) | \$ 57,743,982 |
| LIABILITIES AND NET ASSETS | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 375,232 | \$ 19,764 | \$ - | \$ - | \$ - | \$ 394,996 |
| Related Party Payable | 497,878 | 211,258 | - | - | (709,136) | - |
| Accrued Liabilities | 315,928 | 20,860 | - | - | - | 336,788 |
| Deferred Tenant Improvements | - | 633,224 | - | - | - | 633,224 |
| Deferred Revenue | 76,454 | - | - | - | (3,553) | 72,901 |
| Notes Payable | 2,127,813 | - | - | - | - | 2,127,813 |
| Total Liabilities | 3,393,305 | 885,106 | - | - | (712,689) | 3,565,722 |
| NET ASSETS | | | | | | |
| Without Donor Restrictions | | | | | | |
| Undesignated | 19,699,023 | 1,983,282 | - | 32,451 | - | 21,714,756 |
| Board Designated Endowment | 553,353 | - | - | 16,258,546 | - | 16,811,899 |
| Total Without Donor Restrictions | 20,252,376 | 1,983,282 | - | 16,290,997 | - | 38,526,655 |
| With Donor Restrictions | | | | | | |
| Purpose Restrictions | 3,149,511 | 463 | - | - | - | 3,149,974 |
| True Worth Place | - | 12,501,631 | - | - | - | 12,501,631 |
| Total Without Donor Restrictions | 3,149,511 | 12,502,094 | - | - | - | 15,651,605 |
| Total Net Assets | 23,401,887 | 14,485,376 | - | 16,290,997 | - | 54,178,260 |
| Total Liabilities and Net Assets | \$ 26,795,192 | \$ 15,370,482 | \$ - | \$ 16,290,997 | \$ (712,689) | \$ 57,743,982 |

THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

| | PNS | TWP | Security | Foundation | Eliminating Entries | Consolidated Totals |
|--|----------------------|----------------------|----------------|----------------------|------------------------|------------------------|
| SUPPORT AND REVENUE | | | | | | |
| Contributions | \$ 5,424,821 | \$ 30,996 | \$ - | \$ - | \$ - | \$ 5,455,817 |
| In-Kind Contributions | 67,406 | - | 213,075 | - | (213,075) | 67,406 |
| Government Grants | 5,390,027 | 603,901 | - | - | - | 5,993,928 |
| Other Grants | 251,094 | 100,401 | - | - | - | 351,495 |
| Program Fees | 3,036,204 | - | - | - | - | 3,036,204 |
| Rental Income | 94,508 | 419,608 | - | - | (8,884) | 505,232 |
| Investment Income, Net of Fees of \$143,609 | 35,354 | 21,671 | - | 166,020 | - | 223,045 |
| Special Events, Net of Expenses of \$79,628 | 228,278 | - | - | - | - | 228,278 |
| Related Party Management Fees | 339,705 | - | - | - | (339,705) | - |
| Net Realized and Unrealized Gain on Investments | 67,328 | 194,553 | - | 2,928,234 | - | 3,190,115 |
| Distributions from Foundation | 445,969 | - | - | - | (445,969) | - |
| Miscellaneous Income | 180,564 | - | - | - | - | 180,564 |
| Oil and Gas Revenue | 1,636 | - | - | - | - | 1,636 |
| Total Support and Revenue | <u>15,562,894</u> | <u>1,371,130</u> | <u>213,075</u> | <u>3,094,254</u> | <u>(1,007,633)</u> | <u>19,233,720</u> |
| EXPENSES | | | | | | |
| Program | 11,512,208 | 1,562,632 | 185,633 | - | (298,868) | 12,961,605 |
| General and Administrative | 1,126,281 | 163,534 | 14,915 | 445,969 | (583,002) | 1,167,697 |
| Fundraising | 776,111 | 200,269 | 12,527 | - | (125,763) | 863,144 |
| Total Functional Expenses | <u>13,414,600</u> | <u>1,926,435</u> | <u>213,075</u> | <u>445,969</u> | <u>(1,007,633)</u> | <u>14,992,446</u> |
| CHANGE IN NET ASSETS | 2,148,294 | (555,305) | - | 2,648,285 | - | 4,241,274 |
| Net Assets - Beginning of Year | <u>21,253,593</u> | <u>15,040,681</u> | <u>-</u> | <u>13,642,712</u> | <u>-</u> | <u>49,936,986</u> |
| NET ASSETS - END OF YEAR | <u>\$ 23,401,887</u> | <u>\$ 14,485,376</u> | <u>\$ -</u> | <u>\$ 16,290,997</u> | <u>\$ -</u> | <u>\$ 54,178,260</u> |