

Arrow Child & Family Ministries

Consolidated Financial Statements
and Single Audit Reports
for the year ended June 30, 2022

Arrow Child & Family Ministries

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Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Arrow Child & Family Ministries:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arrow Child & Family Ministries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Arrow Child & Family Ministries as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Arrow Child & Family Ministries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of Lease Accounting Standard

As discussed in Note 4 to the financial statements, effective July 1, 2021, Arrow Child & Family Ministries adopted Accounting Standards Codification Topic 842, *Leases*, using a modified retrospective method recognizing the cumulative-effect on the date of adoption without restating any prior year amounts or disclosures. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that

an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arrow Child & Family Ministries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arrow Child & Family Ministries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended June 30, 2022 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 on our consideration of Arrow Child & Family Ministries' 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 Arrow Child & Family Ministries' 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 Arrow Child & Family Ministries' internal control over financial reporting and compliance.



November 21, 2022

Arrow Child & Family Ministries

Consolidated Statements of Financial Position as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 3,290,437	\$ 3,231,942
Program service receivables (<i>Note 3</i>)	5,708,803	5,687,323
Contributions and grants receivable	648,998	331,386
Other receivables	9,636	107,444
Prepaid expenses	407,995	341,898
Lease right-of-use assets, net (<i>Note 4</i>):		
Operating	3,406,550	
Finance	1,135,532	
Property, net (<i>Note 5</i>):		
Held for sale	4,092,229	
Held and used	<u>6,071,620</u>	<u>11,016,227</u>
TOTAL ASSETS	<u>\$ 24,771,800</u>	<u>\$ 20,716,220</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Foster care family support payable	\$ 963,419	\$ 994,424
Accounts payable	1,369,541	1,588,810
Accrued salaries and related expenses	1,628,611	1,235,822
Lease liabilities (<i>Note 4</i>):		
Operating	3,542,546	
Finance	1,170,632	
Notes payable, net (<i>Note 6</i>)	5,880,073	6,601,012
Interest rate swap agreement (<i>Note 6</i>)	<u>43,887</u>	<u>127,242</u>
Total liabilities	<u>14,598,709</u>	<u>10,547,310</u>
Commitments and contingencies (<i>Note 10</i>)		
Net assets:		
Without donor restrictions	9,945,797	9,912,483
With donor restrictions for program services	<u>227,294</u>	<u>256,427</u>
Total net assets	<u>10,173,091</u>	<u>10,168,910</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,771,800</u>	<u>\$ 20,716,220</u>

See accompanying notes to consolidated financial statements.

Arrow Child & Family Ministries

Consolidated Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Program service revenue (<i>Note 3</i>)	\$ 44,460,227		\$ 44,460,227
Contributions and grants:			
Government grants		\$ 1,336,004	1,336,004
Other financial assets	307,514	825,564	1,133,078
Nonfinancial assets (<i>Note 7</i>)	219,176		219,176
Other	<u>347,606</u>		<u>347,606</u>
Total revenue	45,334,523	2,161,568	47,496,091
Net assets released from restrictions:			
Program expenditures	<u>2,190,701</u>	<u>(2,190,701)</u>	
Total	<u>47,525,224</u>	<u>(29,133)</u>	<u>47,496,091</u>
EXPENSES:			
Program services:			
Child and family	25,354,713		25,354,713
Specialized education	10,927,811		10,927,811
Residential	<u>5,985,647</u>		<u>5,985,647</u>
Total program services	42,268,171		42,268,171
Supporting services:			
Management and general	4,529,431		4,529,431
Fundraising	<u>629,846</u>		<u>629,846</u>
Total expenses	<u>47,427,448</u>		<u>47,427,448</u>
OTHER INCREASES (DECREASES):			
Insurance recovery	387,668		387,668
Gain on interest rate swap agreement (<i>Note 6</i>)	<u>83,355</u>		<u>83,355</u>
CHANGES IN NET ASSETS FROM CONTINUING OPERATIONS	568,799	(29,133)	539,666
Loss on discontinued operation (<i>Note 9</i>)	<u>(342,167)</u>		<u>(342,167)</u>
CHANGES IN NET ASSETS	226,632	(29,133)	197,499
Net assets, beginning of year	9,912,483	256,427	10,168,910
Cumulative effect of new lease accounting standard (<i>Note 4</i>)	<u>(193,318)</u>		<u>(193,318)</u>
Net assets, end of year	<u>\$ 9,945,797</u>	<u>\$ 227,294</u>	<u>\$ 10,173,091</u>

See accompanying notes to consolidated financial statements.

Arrow Child & Family Ministries

Consolidated Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Program service revenue (<i>Note 3</i>)	\$ 39,880,405		\$ 39,880,405
Contributions and grants:			
Government grants		\$ 6,923,389	6,923,389
Other financial assets	371,417	465,392	836,809
Nonfinancial assets (<i>Note 7</i>)	1,247,770		1,247,770
Other	<u>388,325</u>		<u>388,325</u>
Total revenue	41,887,917	7,388,781	49,276,698
Net assets released from restrictions:			
Program expenditures	7,318,065	(7,318,065)	
Capital expenditures	<u>23,000</u>	<u>(23,000)</u>	
Total	<u>49,228,982</u>	<u>47,716</u>	<u>49,276,698</u>
EXPENSES:			
Program services:			
Child and family	21,802,895		21,802,895
Specialized education	8,080,414		8,080,414
Residential	<u>8,056,859</u>		<u>8,056,859</u>
Total program services	37,940,168		37,940,168
Supporting services:			
Management and general	4,284,613		4,284,613
Fundraising	<u>454,247</u>		<u>454,247</u>
Total expenses	<u>42,679,028</u>		<u>42,679,028</u>
OTHER INCREASES (DECREASES):			
Gain on interest rate swap agreement (<i>Note 6</i>)	<u>64.767</u>		<u>64,767</u>
CHANGES IN NET ASSETS			
Net assets, beginning of year	6,614,721	47,716	6,662,437
Net assets, end of year	<u>3,297,762</u>	<u>208,711</u>	<u>3,506,473</u>
	<u>\$ 9,912,483</u>	<u>\$ 256,427</u>	<u>\$ 10,168,910</u>

See accompanying notes to consolidated financial statements.

Arrow Child & Family Ministries

Consolidated Statement of Functional Expenses for the year ended June 30, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES		
	CHILD AND FAMILY	SPECIALIZED EDUCATION	RESIDENTIAL	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 9,899,575	\$ 7,442,186	\$ 5,048,854	\$ 22,390,615	\$ 2,784,372	\$ 495,399	\$ 25,670,386
Foster family reimbursements	11,344,742			11,344,742			11,344,742
Facilities maintenance and operations	1,136,347	1,337,877	1,243,906	3,718,130	598,605	249	4,316,984
Contract labor	268,047	652,767	240,082	1,160,896	464,325		1,625,221
Supplies	1,186,799	287,200	82,516	1,556,515	10,480	3,128	1,570,123
Meetings, training, and travel	648,949	191,134	153,204	993,287	79,260	4,124	1,076,671
Insurance	145,786	342,082	371,088	858,956	107,541	552	967,049
Depreciation	84,068	96,518	302,278	482,864	285,952		768,816
Information technology	224,062	121,314	94,156	439,532	275,764	6,856	722,152
Food services	96	212,255	324,176	536,527			536,527
Interest		182	1,087	1,269	366,483		367,752
Professional services and fees	124,508	128,638	88,823	341,969	107,309		449,278
Children's clothing and personal needs	232,210	81,170	99,077	412,457	80		412,537
Marketing and communications	29,901	16,686	13,656	60,243	444	493	61,180
Other	29,623	17,802	10,983	58,408	28,582	119,045	206,035
Total expenses	25,354,713	10,927,811	8,073,886	44,356,410	5,109,197	629,846	50,095,453
Less expenses incurred in discontinued operation			(2,088,239)	(2,088,239)	(579,766)		(2,668,005)
Total	<u>\$ 25,354,713</u>	<u>\$ 10,927,811</u>	<u>\$ 5,985,647</u>	<u>\$ 42,268,171</u>	<u>\$ 4,529,431</u>	<u>\$ 629,846</u>	<u>\$ 47,427,448</u>

See accompanying notes to consolidated financial statements.

Arrow Child & Family Ministries

Consolidated Statement of Functional Expenses for the year ended June 30, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES		
	CHILD AND FAMILY	SPECIALIZED EDUCATION	RESIDENTIAL	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 8,325,238	\$ 5,310,714	\$ 5,160,207	\$ 18,796,159	\$ 2,312,307	\$ 356,526	\$ 21,464,992
Foster family reimbursements	10,144,488			10,144,488			10,144,488
Facilities maintenance and operations	1,000,695	1,226,818	991,030	3,218,543	930,954	25	4,149,522
Contract labor	185,673	456,004	314,777	956,454	204,795		1,161,249
Supplies	768,730	124,197	104,033	996,960	9,030	192	1,006,182
Meetings, training, and travel	444,300	92,921	100,999	638,220	4,709	42	642,971
Insurance	233,312	262,983	340,140	836,435	81,605	457	918,497
Depreciation	58,813	92,907	319,851	471,571	331,891		803,462
Information technology	110,579	67,183	63,600	241,362	184,839	6,007	432,208
Food services	2,088	139,270	341,561	482,919			482,919
Interest	3,905	9,448	70,597	83,950	217,034		300,984
Professional services and fees	147,631	170,350	109,514	427,495			427,495
Children's clothing and personal needs	237,658	81,115	95,598	414,371			414,371
Marketing and communications	37,045	28,129	23,365	88,539	1,342	54	89,935
Other	102,740	18,375	21,587	142,702	6,107	90,944	239,753
Total expenses	<u>\$ 21,802,895</u>	<u>\$ 8,080,414</u>	<u>\$ 8,056,859</u>	<u>\$ 37,940,168</u>	<u>\$ 4,284,613</u>	<u>\$ 454,247</u>	<u>\$ 42,679,028</u>

See accompanying notes to consolidated financial statements.

Arrow Child & Family Ministries

Consolidated Statements of Cash Flows for the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 197,499	\$ 6,662,437
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributed property		(383,503)
Depreciation and amortization	1,047,330	821,700
Gain on interest rate swap agreement	(83,355)	(64,767)
Gain on sale of property	(35,965)	
Changes in operating assets and liabilities:		
Program service receivables	(21,480)	(1,263,493)
Contributions and grants receivable	(317,612)	(212,653)
Other receivables	97,808	5,164
Prepaid expenses	(66,097)	(26,589)
Payables and accrued expenses	142,515	916,125
Refundable advance – Paycheck Protection Program		<u>(4,256,000)</u>
Net cash provided by operating activities	<u>960,643</u>	<u>2,198,421</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property	49,843	
Purchases of property	<u>(99,539)</u>	<u>(265,413)</u>
Net cash provided (used) by investing activities	<u>(49,696)</u>	<u>(265,413)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on finance leases payable	(288,936)	
Principal payments on notes payable	<u>(563,516)</u>	<u>(569,125)</u>
Net cash used by financing activities	<u>(852,452)</u>	<u>(569,125)</u>
NET CHANGE IN CASH		
Cash, beginning of year	<u>3,231,942</u>	<u>1,868,059</u>
Cash, end of year	<u>\$ 3,290,437</u>	<u>\$ 3,231,942</u>

Supplemental disclosure of cash flow information:

Cash paid for interest	\$331,965	\$266,800
Lease right-of-use assets financed by new lease liabilities:		
Operating	\$1,709,900	
Finance	\$702,600	
Property financed by notes payable		\$95,750

See accompanying notes to consolidated financial statements.

Arrow Child & Family Ministries

Notes to Consolidated Financial Statements for the years ended June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Arrow Child & Family Ministries provides services that advance the well-being of children and families by promoting safety and stability through building trust-based relationships.

The following program services were provided by Arrow Child & Family Ministries during 2021 and 2022:

- Child and Family Services
 - Foster Care
 - Public Adoption
 - Community-Based Services
 - Durable Medical Equipment and Supplies
- Specialized, Non-Public Education Services
 - Arrow Center for Education – Riverside Campus – 4th through 12th Grade
 - Arrow Center for Education – Tangram Campus – Children with Autism
 - Arrow Center for Education – Cromwell Bridge Campus – 6th through 12th Grade
- Residential Programs
 - Freedom Place – Recovery from Child Sex Trafficking
 - Diagnostic Center – 90-day diagnostic evaluation program and day school to develop a comprehensive assessment to assist with future placement
 - Crossroads Transitional Living – Independence living for older female youth
 - Ascension Place – High intensity group home treating children ages 12 through 17

Basis of consolidation – The consolidated financial statements include the assets, liabilities, net assets and activities of the following entities: Arrow Child & Family Ministries (Arrow), Arrow Child & Family Ministries of Texas (Arrow Texas), Arrow Child & Family Ministries of Maryland, Inc. (Arrow Maryland), and Arrow Health Solutions, LLC (AHS). These organizations are collectively referred to as Arrow Child & Family Ministries. Balances and transactions between consolidated entities have been eliminated.

Federal income tax status – Arrow, Arrow Texas, and Arrow Maryland are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and are classified as public charities under §509(a)(2) and §170(b)(1)(A). AHS is a disregarded entity for federal income tax purposes as a single-member limited liability company.

Cash consists primarily of demand deposits held with several financial institutions. At times, balances exceed the federally insured limit per depositor per institution.

Property held and used is reported at cost, if purchased, or at fair value at the date of gift, if donated. Arrow Child & Family Ministries capitalizes property additions with a cost or fair value of \$5,000 or greater and an estimated useful life of more than one year. Arrow Child & Family Ministries provides for depreciation using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for furniture, equipment, and vehicles, and 15 to 39 years for buildings and improvements.

Property held for sale consists of two properties actively being marketed and is reported at cost net of accumulated depreciation which is less than estimated sales price.

Interest rate swap agreement – Arrow Maryland utilizes an interest rate swap agreement to hedge interest rate exposure on specific debt. The agreement is reported at fair value in the statement of financial position and changes in the fair value of the agreement are recognized in the statement of activities.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Program service revenue and receivables arise from contracts with government child welfare and Medicaid agencies in the States of Texas and Maryland for Arrow Child & Family Ministries to provide support and services for children in protective custody. Revenue is recognized in the month support and services are provided in an amount that reflects the consideration Arrow Child & Family Ministries expects to be entitled to receive based on level of care and placement authorization. Subsequent changes to estimated revenue are recorded to program service revenue when they are identified. Management does not believe the effect of unidentified adjustments would be material to revenue recognized.

Program service receivables reflect the amounts Arrow Child & Family Ministries expects to receive for support and services already provided. Amounts are generally collected one to two months after support and services are provided. Receivables are due from state agencies in Texas and Maryland and from Medicaid. Management believes balances will be fully collected and no allowance has been provided.

Contributions and grants revenue and receivable – Nonreciprocal promises to transfer cash or other assets are recognized as contributions and grants revenue at fair value when an unconditional commitment is received from the donor. Conditional contributions and grants are subject to one or more barriers that must be overcome before Arrow Child & Family Ministries is entitled to receive or retain funding. Conditional contributions and grants are recognized when the conditions are met. Funding received before conditions are met is reported as refundable advances.

Contributions and grants receivable are unconditional commitments expected to be collected in future years. Amounts expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to the present value of their future cash flows. Management believes balances will be fully collected and no allowance has been provided. Contributions and grants receivable at June 30, 2022 are due within one year.

Contributions of services are recognized at fair value when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recognized in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include solicitation of contributions of money, securities, materials, facilities, other assets, and volunteer time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted using an appropriate methodology based on activity, square footage of facilities used, or time and effort based on salary or on full-time equivalent counts. Allocations are reviewed annually as part of the annual budget cycle and adjusted as needed during the year for major changes in activities.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Arrow Child & Family Ministries regularly monitors liquidity required to meet its operating needs and other contractual commitments. Arrow Child & Family Ministries has various sources of liquidity at its disposal, including cash and credit facilities. To help manage unanticipated liquidity needs, Arrow Child & Family Ministries has a committed line of credit of \$3.5 million at June 30, 2022 available through maturity December 31, 2022.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Arrow Child & Family Ministries considers all expenditures related to its ongoing program activities of child and family service, residential programs, and specialized education programs, as well as the activities undertaken to support those programs, to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 3,290,437	\$ 3,231,942
Program service receivables	5,708,803	5,687,323
Contributions and grants receivable	648,998	331,386
Other receivables	<u>9,636</u>	<u>107,444</u>
Total financial assets	<u>\$ 9,657,874</u>	<u>\$ 9,358,095</u>

NOTE 3 – PROGRAM SERVICE REVENUE AND RECEIVABLES

Program service revenue from continuing operations was recognized as follows during the year ended June 30, 2022:

	<u>ARROW TEXAS</u>	<u>ARROW MARYLAND</u>	<u>AHS</u>	<u>TOTAL</u>
Child and family	\$ 20,992,149	\$ 2,846,393		\$ 23,838,542
Specialized education		11,646,422		11,646,422
Residential		5,299,313		5,299,313
Medicaid	<u>1,208,169</u>	<u>777,207</u>	<u>\$ 1,690,574</u>	<u>3,675,950</u>
Total program service revenue	<u>\$ 22,200,318</u>	<u>\$ 20,569,335</u>	<u>\$ 1,690,574</u>	<u>\$ 44,460,227</u>

Program service revenue was recognized as follows during the year ended June 30, 2021:

	<u>ARROW TEXAS</u>	<u>ARROW MARYLAND</u>	<u>AHS</u>	<u>TOTAL</u>
Child and family	\$ 17,843,447	\$ 2,726,766		\$ 20,570,213
Specialized education		10,363,262		10,363,262
Residential	1,586,647	5,090,775		6,677,422
Medicaid	<u>594,988</u>	<u>456,507</u>	<u>\$ 1,218,013</u>	<u>2,269,508</u>
Total program service revenue	<u>\$ 20,025,082</u>	<u>\$ 18,637,310</u>	<u>\$ 1,218,013</u>	<u>\$ 39,880,405</u>

Program service receivables at June 30 were due as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
State of Maryland child welfare and education agencies	\$ 3,138,230	\$ 2,833,085	\$ 2,297,888
State of Texas child welfare agencies	2,368,570	2,748,561	1,955,795
Medicaid	<u>202,003</u>	<u>105,677</u>	<u>170,147</u>
Total program service receivables	<u>\$ 5,708,803</u>	<u>\$ 5,687,323</u>	<u>\$ 4,423,830</u>

NOTE 4 – LEASES

Arrow Child & Family Ministries adopted Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2021, using a modified retrospective method recognizing the cumulative effect on the date of adoption without restating any prior year amounts or disclosures. A one-time cumulative effect adjustment of \$193,318 was made to beginning net assets for the year ended June 30, 2022. The following accounting policy elections were made in connection with implementation of the new standard:

- *Short-term leases* – Arrow Child & Family Ministries has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – Arrow Child & Family Ministries elected to use its incremental borrowing rate as the discount rate when the rate implicit in a lease is not readily determinable.
- *Lease and non-lease components* – Arrow Child & Family Ministries elected the practical expedient to choose whether to separate non-lease components from lease components by class of underlying assets or account for them as a single lease component. Arrow Child & Family Ministries elected not to separate lease and non-lease components for copier leases and elected to separate lease and non-lease components for other leases.

At June 30, 2022, operating lease right-of-use assets and lease liabilities included real estate leases for office and program space in Texas and Maryland. Finance lease right-of-use assets and lease liabilities included computer and copier equipment, furnishings, and vehicles. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

The components of lease costs for the year ended June 30, 2022 are as follows:

Finance lease costs:

Amortization of right-of-use assets	\$ 289,072
Interest on lease liabilities	44,714
Operating lease costs	1,542,068
Short-term lease costs	<u>84,600</u>
Total lease costs	<u><u>\$ 1,960,454</u></u>

Lease costs recognized during the year ended June 30, 2021, prior to adoption of the new accounting standard, were \$1,488,600.

Cash paid for amounts included in the measurement of lease liabilities during the year ended June 30, 2022:

Operating leases – operating cash outflows	\$1,406,072
Finance leases:	
Operating cash outflows	\$41,138
Financing cash outflows	\$288,636

The weighted-average term and discount rates for both operating and finance leases outstanding as of June 30, 2022:

	<u>OPERATING</u>	<u>FINANCE</u>
Weighted-average remaining lease term	46 months	37 months
Weighted-average discount rate	3.81%	5.40%

Undiscounted cash flows related to operating and finance lease liabilities at June 30, 2022 are as follows:

	<u>OPERATING</u>	<u>FINANCE</u>
2023	\$ 1,389,954	\$ 420,063
2024	1,040,786	351,984
2025	680,987	273,277
2026	479,105	131,140
2027	425,889	13,277
Thereafter	<u>271,139</u>	<u> </u>
Total undiscounted cash flows	4,287,860	1,189,741
Less discount to present value	<u>(745,314)</u>	<u>(19,109)</u>
Discounted present value of lease liabilities	<u>\$ 3,542,546</u>	<u>\$ 1,170,632</u>

NOTE 5 – PROPERTY

Property held and used consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 731,433	\$ 1,614,802
Buildings and improvements	7,898,388	14,856,703
Furniture, equipment, and vehicles	1,891,740	2,480,572
Construction in progress	<u> </u>	<u>73,759</u>
Total property held and used	10,521,561	19,025,836
Accumulated depreciation	<u>(4,449,941)</u>	<u>(8,009,609)</u>
Property held and used, net	<u>\$ 6,071,620</u>	<u>\$ 11,016,227</u>

Property held for sale at June 30, 2022 consists of the following:

	<u>2022</u>
Land	\$ 883,369
Buildings and improvements	7,032,073
Furniture, equipment, and vehicles	<u> </u>
Total property held for sale	314,410
Accumulated depreciation	<u> </u>
Property held for sale, net	<u>8,229,852</u>
	<u>(4,137,623)</u>
	<u>\$ 4,092,229</u>

NOTE 6 – LINE OF CREDIT AND NOTES PAYABLE

Line of credit – Arrow Child & Family Ministries maintains a revolving line of credit with a bank to access up to \$3.5 million of short-term liquidity as needed. Outstanding balances bear interest at the U. S. prime rate published in *The Wall Street Journal* plus 1.25% and matures December 31, 2022. There was no outstanding balance at June 30, 2022 or 2021.

Notes payable – Notes payable consist of the following:

	<u>2022</u>	<u>2021</u>
Note payable to a bank bearing variable interest, which is adjusted monthly (3.70% at June 30, 2022). Principal and interest due monthly through maturity in May 2028, net of unamortized debt issuance costs of \$49,102 at June 30, 2022 and \$57,400 at June 30, 2021.	\$ 2,567,629	\$ 2,660,273

Note payable to a bank bearing variable interest, which is adjusted monthly (3.70% at June 30, 2022). Principal and interest due monthly through maturity in November 2027, net of unamortized debt issuance costs of \$46,901 at June 30, 2022 and \$55,560 at June 30, 2021.	2,231,004	2,322,424
Note payable to a bank bearing underlying variable interest fixed at 7.80% by interest rate swap agreement. Principal and interest due monthly through maturity in April 2026, net of unamortized debt issuance costs of \$2,985 at June 30, 2022 and \$4,265 at June 30, 2021.	793,893	925,090
Various vehicle, furniture, and equipment notes bearing interest from 2.19% to 6.70%. Principal and interest due monthly through June 2023.	62,547	368,225
Note payable to a bank bearing variable interest at LIBOR plus 3.00% (4.45% at June 30, 2022). Principal and interest due monthly through maturity in September 2024.	<u>225,000</u>	<u>325,000</u>
Notes payable, net of unamortized debt issuance costs	<u>\$ 5,880,073</u>	<u>\$ 6,601,012</u>

Substantially all of Arrow Child & Family Ministries' property is pledged as collateral for notes payable.

Notes payable mature as follows:

2023	\$ 525,225
2024	533,726
2025	463,197
2026	472,186
2027	257,475
Thereafter	<u>3,727,253</u>
Total notes payable	<u>\$ 5,979,062</u>

Interest rate swap agreement – Arrow Maryland is party to an interest rate swap agreement with a bank that effectively converts a variable rate note to a fixed rate. The swap agreement has a notional amount of \$753,351 at June 30, 2022 and extends through April 15, 2026. Under the terms of the agreement, Arrow Maryland pays an effective interest rate of 7.80% on the notional amount.

The interest rate swap agreement is reported at fair value using valuation models created by the issuer which include cash inflow analysis, credit spread and benchmark rate curves. These inputs can be derived from or corroborated by observable market data at the reporting date and fall in Level 2 of the fair value hierarchy. The change in fair value of the derivative agreement resulted in a gain of \$83,355 during 2022 and a gain of \$64,767 during 2021.

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

Arrow Child & Family Ministries recognized contributed nonfinancial assets as follows:

	<u>2022</u>	<u>2021</u>
Personal items	\$ 149,178	\$ 182,088
Consulting and testing services	36,075	
Items auctioned in fundraising events	33,923	
Property improvements and renovations	<u>1,065,682</u>	
Total contributed nonfinancial assets	<u>\$ 219,176</u>	<u>\$ 1,247,770</u>

Arrow Child & Family Ministries receives clothing, school supplies, blankets, bicycles, and other personal items for distribution to participants in residential and foster care programs. Personal items are recognized as contributions based on their estimated cost and are recognized as expenses when distributed to participants. Contributed auction items are valued at the gross selling price received. Donors contributing auction items have restricted the proceeds from sale to support of programs to aid sexually exploited youth. Consulting and testing services are valued at the cost to purchase those services and are used in programs and administration. Property improvements and renovations to administrative and program headquarters were valued based on the contractor's estimated price for providing similar services.

NOTE 8 – CONDITIONAL CONTRIBUTIONS AND GRANTS

Contributions and grants include revenue from cost-reimbursable federal and state grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures are incurred in compliance with specific contract or grant provisions. Arrow Child & Family Ministries has been awarded federal and state grants of approximately \$288,000 at June 30, 2022 which have not yet been recognized because qualifying expenditures have not yet been incurred.

NOTE 9 – DISCONTINUED OPERATION – FREEDOM PLACE

Since 2012, Arrow Child & Family Ministries has operated *Freedom Place*, a safe, peaceful residential campus where survivors of commercial sexual exploitation were provided the services and opportunities they needed to heal and to regain educational skills lost to trauma. The regulatory environment has produced great challenges impacting residential care and the decision has been made to close *Freedom Place* and sell the property.

For several years, Arrow Child & Family Ministries has been developing and expanding its Restoration Foster Care program which trains and equips families to serve children with high levels of complex trauma. Where possible residents of *Freedom Place* were transitioned from congregate care to foster families supported by behavioral health services to support the children in their healing and provide essential coping skills and therapeutic services.

Activities related to *Freedom Place* during the year ended June 30, 2022, include the following:

Revenue:	
Program service revenue	\$ 872,136
Contributions and grants	1,415,399
Other	<u>38,303</u>
Total revenue	2,325,838
Expenses incurred	<u>2,668,005</u>
Loss on discontinued operations	\$ <u>(342,167)</u>

Property held for sale includes \$1,367,219 related to *Freedom Place* and notes payable includes debt net of unamortized debt issuance costs of \$2,231,004.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Non-cancellable agreements – Arrow Child & Family Ministries has non-cancellable agreements to provide office space and equipment which do not qualify as leases. Rent expense recognized for such agreements was \$84,600 during the year ended June 30, 2022 and \$1,488,600 during the year ended June 30, 2021, prior to adoption of new lease accounting guidance.

Future minimum rental payments under these agreements are due as follows:

2023	\$ 32,582
2024	<u>8,185</u>
Total	<u>\$ 40,767</u>

Contract compliance – Arrow Child & Family Ministries is party to vendor contracts and other agreements with federal, state and local governmental agencies and with private agencies which require fulfillment of certain provisions and are subject to review and audit by those agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds in the event of noncompliance by Arrow Child & Family Ministries. Management believes such disallowances, if any, would not be material to Arrow Child & Family Ministries' financial position or changes in net assets.

NOTE 11 – EMPLOYEE BENEFIT PLANS

Retirement benefits – Arrow Child & Family Ministries maintains a tax-deferred retirement plan (the Plan) qualified under §403(b) of the Internal Revenue Code. The Plan covers full-time and part-time employees of Arrow Child & Family Ministries. Employees, at their sole discretion, may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Service. Arrow Child & Family Ministries may make discretionary contributions to the Plan. Currently, Arrow Child & Family Ministries matches 50% of employee contributions to the Plan up to 3%. New hires are automatically enrolled at a 1% contribution rate. Arrow Child & Family Ministries contributed \$128,674 to the Plan in 2022 and \$126,467 in 2021.

Health benefits – Arrow Child & Family Ministries has a self-funded health benefit plan, which is administered by a third party. Arrow Child & Family Ministries is primarily self-insured up to \$75,000 per employee for health benefits with additional third-party coverage provided by an aggregate stop-loss policy, which limits the maximum individual and aggregate losses. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not yet reported and are reported on an undiscounted basis.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Arrow Child & Family Ministries

Schedule of Expenditures of Federal Awards for the year ended June 30, 2022

<u>FEDERAL GRANTOR</u>	<u>Assistance Listing Number</u>	<u>Contract Number or Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Grantor</u>			
<u>Program Title & Period</u>			
 U. S. DEPARTMENT OF JUSTICE			
Passed through Texas Office of the Governor – Criminal Justice Division:			
#1	Crime Victim Assistance Freedom Place VA18 PY20 Residential and Community-Based Services for Victims of Commercial Sexual Exploitation of Children 10/01/19 – 09/30/21	16.575	2648306 \$ 202,686
#2	Crime Victim Assistance Freedom Place VA20 PY21 Residential and Community-Based Services for Victims of Commercial Sexual Exploitation of Youth 10/01/21 – 09/30/22	16.575	2648307 775,916
#3	Crime Victim Assistance Foster Care and Community Therapeutic Services – Amarillo VA19 PY20 General Direct Services 10/01/20 – 09/30/21	16.575	2549707 75,282
#4	Crime Victim Assistance FY22 Victim Assistance, General Victim Assistance Direct Services Program (VOCA) 10/01/21 – 09/30/22	16.575	4197901 930,307
Total U. S. Department of Justice			<u>1,984,191</u>
 U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through Texas Department of Family and Protective Services:			
COVID-19 – Tobacco Prevention and Control Legal Technical Assistance			
#5	01/01/20 – 11/30/21	93.465	N/A 15,000
#6	03/01/20 – 12/31/20	93.465	N/A 60,000
#7	01/01/22 – 11/30/22	93.465	N/A 60,000
Subtotal Assistance Listing #93.465			<u>135,000</u>
Direct federal funding:			
COVID-19 – Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution			
#8	03/01/20 – 12/31/20	93.498	N/A 704,940
Total U. S. Department of Health & Human Services			<u>839,940</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,824,131</u>

See accompanying note to schedule of expenditures of federal awards.

Arrow Child & Family Ministries

Note to Schedule of Expenditures of Federal Awards for the year ended June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards (the schedule) is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of Arrow Child & Family Ministries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Arrow Child & Family Ministries.

Federal expenditures include allowable costs funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs recognized in Arrow Child & Family Ministries' financial statements in conformity with generally accepted accounting principles. Arrow Child & Family Ministries utilizes the 10% de minimus cost rate for indirect costs and does not have any subrecipients.

Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
Arrow Child & Family Ministries:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arrow Child & Family Ministries, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arrow Child & Family Ministries' 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 Arrow Child & Family Ministries' internal control. Accordingly, we do not express an opinion on the effectiveness of Arrow Child & Family Ministries' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



November 21, 2022

Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
Arrow Child & Family Ministries:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Arrow Child & Family Ministries' 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 Arrow Child & Family Ministries' major federal programs for the year ended June 30, 2022. Arrow Child & Family Ministries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Arrow Child & Family Ministries 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 June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Arrow Child & Family Ministries 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 Arrow Child & Family Ministries' 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 Arrow Child & Family Ministries' 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 Arrow Child & Family Ministries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than

for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Arrow Child & Family Ministries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Arrow Child & Family Ministries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Arrow Child & Family Ministries' 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 Arrow Child & Family Ministries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

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

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



November 21, 2022

Arrow Child & Family Ministries

Schedule of Findings and Questioned Costs for the year ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified qualified adverse disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors’ report issued on compliance for major programs: unmodified qualified adverse disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? yes no

Identification of major programs:

Assistance

Listing Number

Name of Program or Cluster

93.498 COVID-19 – Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution

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

Auditee qualified as a low-risk auditee? yes no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a).