

Arrow Child & Family Ministries

Consolidated Financial Report

For the Year Ended June 30, 2023

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Independent Auditors' Report

To the Board of Directors of
Arrow Child & Family Ministries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arrow Child & Family Ministries, which comprise the consolidated statement of financial position as of June 30, 2023, 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 consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arrow Child & Family Ministries as of June 30, 2023, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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.

Other Matter

The consolidated financial statements of Arrow Child & Family Ministries for the year ended June 30, 2022 were audited by another auditor whose report dated November 21, 2022, included an emphasis-of-matter paragraph that described the change in the entity's method of recording leases discussed in Note 4 to the consolidated financial statements, and expressed an unmodified opinion on those statements.

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 Arrow Child & Family Ministries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

The Board of Directors of
Arrow Child & Family Ministries

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 generally accepted 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, 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 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 consolidated 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.

The Board of Directors of
Arrow Child & Family Ministries

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards are presented for purposes of additional analysis as required by the audit 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) and the Texas Grant Management Standards, which include the State of Texas Single Audit Circular (TxGMS), 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 other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Awards are 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 November 20, 2023 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 20, 2023

Arrow Child & Family Ministries
 Consolidated Statement of Financial Position
 June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 7,177,913	\$ 3,290,437
Cash equivalents	1,002,219	-
Program service receivables, net	4,850,671	5,708,803
Contributions and grants receivables	266,952	648,998
Other receivables	677,290	9,636
Prepaid expenses	557,480	407,995
Lease right of use assets, net		
Operating	4,546,632	3,406,550
Finance	1,294,710	1,135,532
Property, net		
Held for sale	4,026,285	4,092,229
In-service	2,765,802	6,071,620
TOTAL ASSETS	<u>\$ 27,165,954</u>	<u>\$ 24,771,800</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Foster care family support payable	\$ 946,303	\$ 963,419
Accounts payable	1,347,938	1,369,541
Accrued salaries and related expenses	2,072,568	1,628,611
Lease liabilities		
Operating	4,546,632	3,542,546
Finance	1,294,710	1,170,632
Notes payable, net	4,629,114	5,880,073
Interest rate swap	-	43,887
Refundable advances	1,104,407	-
Total liabilities	15,941,672	14,598,709
NET ASSETS		
Without donor restrictions	11,068,396	9,945,797
With donor restrictions	<u>155,886</u>	<u>227,294</u>
Total net assets	<u>11,224,282</u>	<u>10,173,091</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,165,954</u>	<u>\$ 24,771,800</u>

Arrow Child & Family Ministries
 Consolidated Statement of Activities
 For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Program service revenue	\$ 48,917,133	\$ -	\$ 48,917,133
Contributions and grants			
Government grants	- -	3,279,794	3,279,794
Other financial assets	694,133	216,679	910,812
Nonfinancial assets	237,689	- -	237,689
Other	94,846	- -	94,846
Net assets released from restrictions			
Program expenditures	<u>3,567,881</u>	<u>(3,567,881)</u>	-
Total revenues	53,511,682	(71,408)	53,440,274
EXPENSES			
Program services			
Child and family	27,550,867	- -	27,550,867
Specialized education	13,796,335	- -	13,796,335
Residential	<u>6,127,734</u>	<u>- -</u>	<u>6,127,734</u>
Total program services	47,474,936	- -	47,474,936
Supporting services			
Management and general	5,402,370	- -	5,402,370
Fundraising	<u>646,628</u>	<u>- -</u>	<u>646,628</u>
Total supporting services	<u>6,048,998</u>	<u>- -</u>	<u>6,048,998</u>
Total expenses	53,523,934	- -	53,523,934
OTHER CHANGES IN NET ASSETS			
Gain on disposal of assets	<u>1,134,851</u>	<u>- -</u>	<u>1,134,851</u>
CHANGE IN NET ASSETS	1,122,599	(71,408)	1,051,191
NET ASSETS, beginning of year	<u>9,945,797</u>	<u>227,294</u>	<u>10,173,091</u>
NET ASSETS, end of year	<u><u>\$ 11,068,396</u></u>	<u><u>\$ 155,886</u></u>	<u><u>\$ 11,224,282</u></u>

The Notes to the Consolidated Financial Statements
 are an integral part of these statements.

Arrow Child & Family Ministries
 Consolidated Statement of Activities
 For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Program service revenue	\$ 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	219,176	-	219,176
Other	347,606	-	347,606
Net assets released from restrictions			
Program expenditures	<u>2,190,701</u>	<u>(2,190,701)</u>	-
Total	47,525,224	(29,133)	47,496,091
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>-</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>-</u>	<u>629,846</u>
Total expenses	47,427,448	-	47,427,448
OTHER CHANGES IN NET ASSETS			
Insurance recovery	387,668	-	387,668
Gain on interest rate swap agreement	<u>83,355</u>	<u>-</u>	<u>83,355</u>
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	568,799	(29,133)	539,666
Loss on discontinued operations	<u>(342,167)</u>	<u>-</u>	<u>(342,167)</u>
CHANGE 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	<u>(193,318)</u>	<u>-</u>	<u>(193,318)</u>
NET ASSETS, end of year	<u><u>\$ 9,945,797</u></u>	<u><u>\$ 227,294</u></u>	<u><u>\$ 10,173,091</u></u>

The Notes to the Consolidated Financial Statements
 are an integral part of these statements.

Arrow Child & Family Ministries
 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2023

	Program Services				Supporting Services			
	Child and Family	Specialized Education	Residential	Total	Management and General	Fundraising	Total	
Salaries and benefits	\$ 10,849,698	\$ 9,593,229	\$ 3,816,410	\$ 24,259,337	\$ 3,232,121	\$ 446,442	\$ 27,937,900	
Foster family reimbursements	10,740,404	-	-	10,740,404	-	-	10,740,404	
Facilities maintenance and operations	1,308,533	1,349,663	600,164	3,258,360	373,184	1,240	3,632,784	
Contract labor	334,283	763,152	352,298	1,449,733	559,942	93,000	2,102,675	
Supplies	1,287,267	158,460	43,805	1,489,532	48,283	-	1,537,815	
Meetings, trainings, and travel	926,434	266,319	108,469	1,301,222	70,758	931	1,372,911	
Insurance	206,921	368,957	176,733	752,611	144,809	370	897,790	
Depreciation	104,575	88,916	62,775	256,266	403,308	-	659,574	
Information technology	418,047	299,775	132,478	850,300	19,320	8,075	877,695	
Food services	-	313,593	416,855	730,448	-	-	730,448	
Interest	114,156	146,924	77,105	338,185	463,345	-	801,530	
Professional services and fees	352,995	233,829	218,422	805,246	69,130	-	874,376	
Children's clothing and personal needs	743,097	139,782	100,167	983,046	-	-	983,046	
Marketing and communications	83,274	35,120	12,019	130,413	-	99	130,512	
Other	81,183	38,616	10,034	129,833	18,170	96,471	244,474	
TOTAL	\$ 27,550,867	\$ 13,796,335	\$ 6,127,734	\$ 47,474,936	\$ 5,402,370	\$ 646,628	\$ 53,523,934	

The Notes to the Consolidated Financial Statements
 are an integral part of these 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, trainings, 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	
	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 EXPENSES	\$ 25,354,713	\$ 10,927,811	\$ 5,985,647	\$ 42,268,171	\$ 4,529,431	\$ 629,846	\$ 47,427,448	

The Notes to the Consolidated Financial Statements
 are an integral part of these statements.

Arrow Child & Family Ministries
 Consolidated Statement of Cash Flows
 For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,051,191	\$ 197,499
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	659,574	768,816
Amortization of debt issuance costs	19,943	8,298
Operating lease asset amortization	1,509,978	1,406,072
Financing lease asset amortization	528,722	270,216
Gain on interest rate swap agreement	-	(83,355)
Gain on sale of property	(1,134,851)	(35,965)
Changes in operating assets and liabilities		
Program service receivables	858,132	(21,480)
Contributions and grants receivable	382,046	(317,612)
Other receivable	(667,654)	97,808
Prepaid expenses	(149,485)	(66,097)
Foster care family support payable	(17,116)	(31,005)
Accounts payable	(21,603)	(219,269)
Accrued salaries and related expenses	443,957	392,789
Refundable advances	1,104,407	-
Operating lease liability	(1,645,974)	(1,406,072)
Net cash provided by operating activities	<u>2,921,267</u>	<u>960,643</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property	2,814,532	49,843
Purchases of property	<u>(33,259)</u>	<u>(99,539)</u>
Net cash provided by (used in) investing activities	<u>2,781,273</u>	<u>(49,696)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance leases payable	(563,822)	(288,936)
Principal payments on notes payable	<u>(249,023)</u>	<u>(563,516)</u>
Net cash used in financing activities	<u>(812,845)</u>	<u>(852,452)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>4,889,695</u>	<u>58,495</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,290,437</u>	<u>3,231,942</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 8,180,132</u>	<u>\$ 3,290,437</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash	\$ 7,177,913	\$ 3,290,437
Cash equivalents	<u>1,002,219</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 8,180,132</u>	<u>\$ 3,290,437</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 801,530</u>	<u>\$ 331,965</u>
Note payable paid off by sale of property	<u>\$ 1,065,766</u>	<u>\$ -</u>
Lease right of use assets financed by new lease liabilities		
Operating	<u>\$ 2,650,060</u>	<u>\$ 1,709,900</u>
Finance	<u>\$ 602,126</u>	<u>\$ 702,600</u>

The Notes to the Consolidated Financial Statements
 are an integral part of these statements.

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Activities

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 year ended June 30, 2022 and 2023:

- 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
 - Crossroads Transitional Living – Independence living for older female youth
 - Ascension Place – High intensity group home treating children ages 12 through 17.

Basis of Accounting

The consolidated financial statements of Arrow Child & Family Ministries have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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), 4Kids4Families (4Kids4Families) and Arrow Health Solutions, LLC (AHS). These affiliated entities are consolidated as required by Accounting Standards Codification (ASC) 958-810, Not-for-Profit Entities - Consolidation, due to the existence of common control and shared economic interest.

Financial Statement Presentation

Arrow Child & Family Ministries is required to report information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets and revenues, other support, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations.

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Accordingly, Arrow Child & Family Ministries' net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Represent resources that are available for the support of operations.

Net assets with donor restrictions – Include grants, contributions and other program income expendable only for purposes specified or approved by the grantor or donor. Amount also includes amounts to be invested or held in perpetuity. As of June 30, 2023 and 2022, Arrow Child & Family Ministries had no amounts in net assets with donor restrictions that are held in perpetuity.

Income Taxes

Arrow, Arrow Texas, 4Kids4Families 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 and Cash Equivalents

Cash and cash equivalents consists primarily of demand deposits held with several financial institutions, and money market accounts. The carrying value of cash and cash equivalents approximate fair value. At times, balances exceed the federally insured limit per depositor per institution.

Program Service Receivables and Revenue

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. There are no significant financing components or variable considerations that exist. Performance obligations are satisfied at point-in-time when services are performed. 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.

Management evaluates the adequacy of the allowance for doubtful accounts based on a review of individual accounts. Receivables are considered past due based on recently payments have been received. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts, and other specific information known to management that may affect collectability. Allowance for doubtful accounts is \$660,306 and \$19,290 as of June 30, 2023 and 2022, respectively.

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.

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Contributions and Grants Revenue and Receivables

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. Refundable advances of \$1,104,407 are recorded as of June 30, 2023.

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, 2023 and 2022 are due within one year.

Prepaid Expenses

Prepaid expenses consist of payments made in advance for expenses related to future periods.

Property and Equipment

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

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.

Contributions of Nonfinancial Assets

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 consolidated financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Expense Allocations

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.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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.

Concentrations

During year ended June 30, 2023, contributions from two donors made up 66% of contributions of financial assets.

Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 financial statement presentation. Such reclassifications had no effect on net assets or change in net assets.

Subsequent Events

Management has evaluated subsequent events through November 20, 2023, which is the date that the consolidated 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.

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.

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.

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

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>2023</u>	<u>2022</u>
Financial assets		
Cash	\$ 7,177,913	\$ 3,290,437
Cash equivalents	1,002,219	-
Program service receivables	4,850,671	5,708,803
Contributions and grants receivable	266,952	648,998
Other receivables	<u>677,290</u>	<u>9,636</u>
Total financial assets	13,975,045	9,657,874
Less net assets with donor restrictions	<u>(155,886)</u>	<u>(227,294)</u>
Financial assets available for general expenditure within one year	<u>\$ 13,819,159</u>	<u>\$ 9,430,580</u>

Note 3. Program Service Revenue and Receivables

Program service receivables at June 30 were due as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
State of Maryland child welfare and education agencies	\$ 1,972,704	\$ 3,138,230	\$ 2,833,085
State of Texas child welfare agencies	2,495,449	2,368,570	2,748,561
Medicaid	<u>382,518</u>	<u>202,003</u>	<u>105,677</u>
Total program service receivables	<u>\$ 4,850,671</u>	<u>\$ 5,708,803</u>	<u>\$ 5,687,323</u>

Program service revenue was recognized as follows during the year ended June 30, 2023:

	Arrow Texas	Arrow Maryland	AHS	Total
Child and family	\$ 20,172,528	\$ 2,648,387	\$ -	\$ 22,820,915
Specialized education	-	13,994,219	-	13,994,219
Residential	-	7,750,444	-	7,750,444
Medicaid	<u>1,210,174</u>	<u>1,379,957</u>	<u>1,761,424</u>	<u>4,351,555</u>
Total program service revenue	<u>\$ 21,382,702</u>	<u>\$ 25,773,007</u>	<u>\$ 1,761,424</u>	<u>\$ 48,917,133</u>

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

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

	Arrow Texas	Arrow Maryland	AHS	Total
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>

Note 4. Leases

Arrow Child & Family Ministries leases office space and equipment under long-term non-cancellable lease agreements. Arrow Child & Family Ministries determines if an arrangement is a lease at inception. Operating leases are included in operating leases right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. Financing leases are included in operating leases ROU assets and financing lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The ROU assets also include any lease pre-payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, Arrow Child & Family Ministries considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment. None of Arrow Child & Family Ministries' lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable lives of related leasehold improvements is based on the shorter of the useful life or the lease term. Arrow Child & Family Ministries has no sublease agreements, and performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable. Arrow Child & Family Ministries did not recognize an impairment expense associated with operating or financing lease assets during 2023 or 2022. Arrow Child & Family Ministries' lease payments may include rental payments adjusted for inflation or market rates, and lease terms with options to renew the lease when it is reasonably certain Arrow Child & Family Ministries will exercise such an option. The exercise of lease renewal options is generally at Arrow Child & Family Ministries' discretion. Payments based on a change in an index or market rate are not considered in the determination of lease payments for purposes of measuring the related lease liabilities.

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Arrow Child & Family Ministries adopted Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, 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, 2023 and 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, 2023 and 2022 are as follows:

	2023	2022
Finance lease costs		
Amortization of right of use assets	\$ 442,948	\$ 289,072
Interest on lease liabilities	54,172	44,714
Operating lease costs	1,509,978	1,542,068
Short-term lease costs	<u>32,582</u>	<u>84,600</u>
 Total lease costs	 <u>\$ 2,039,680</u>	 <u>\$ 1,960,454</u>

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

	2023	2022
Operating leases asset - amortization	\$ 1,509,978	\$ 1,406,072
Operating leases liability - operating cash outflows	1,645,974	1,406,072
 Finance leases		
Operating cash outflows	528,722	41,138
Financing cash outflows	563,822	288,636

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

The weighted-average term and discount rates for both operating and finance leases outstanding as of June 30, 2023:

	Operating	Finance
Weighted - average remaining lease term	46 months	37 months
Weighted - average discount rate	3.81%	5.40%

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

	Operating	Finance
Weighted - average remaining lease term	66 months	37 months
Weighted - average discount rate	3.81%	5.40%

Undiscounted cash flows related to operating and finance lease liabilities at June 30, 2023 are as follows:

	Operating	Finance
2024	\$ 1,276,251	\$ 517,115
2025	949,155	479,698
2026	759,287	318,357
2027	725,982	163,834
2028	611,916	854
Thereafter	<u>942,168</u>	-
 Total undiscounted cash flows	 5,264,759	 1,479,858
Less discount to present value	<u>(718,127)</u>	<u>(185,148)</u>
 Discount present value of lease liabilities	 <u>\$ 4,546,632</u>	 <u>\$ 1,294,710</u>

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

	Operating	Finance
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>	-
 Total undiscounted cash flows	 4,287,860	 1,189,741
Less discount to present value	<u>(745,314)</u>	<u>(19,109)</u>
 Discount present value of lease liabilities	 <u>\$ 3,542,546</u>	 <u>\$ 1,170,632</u>

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Note 5. Property

Property held and used consists of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 679,638	\$ 731,433
Buildings and improvement	3,513,387	7,898,388
Furnitures, equipment, and vehicles	<u>1,790,652</u>	<u>1,891,740</u>
 Total property held and used	 5,983,677	 10,521,561
Accumulated depreciation	<u>(3,217,875)</u>	<u>(4,449,941)</u>
 Property held and used, net	 <u>\$ 2,765,802</u>	 <u>\$ 6,071,620</u>

Total depreciation expense for years ended June 30, 2023 and 2022 were \$659,574 and \$768,816, respectively.

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

	<u>2023</u>	<u>2022</u>
Land	\$ 321,177	\$ 883,369
Buildings and improvement	7,340,646	7,032,073
Furnitures, equipment, and vehicles	<u>220,596</u>	<u>314,410</u>
 Total property held for sale	 7,882,419	 8,229,852
Accumulated depreciation	<u>(3,856,134)</u>	<u>(4,137,623)</u>
 Property held for sale, net	 <u>\$ 4,026,285</u>	 <u>\$ 4,092,229</u>

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Note 6. Line of Credit and Notes Payable

Arrow Child & Family Ministries maintained a revolving line of credit with a bank to access up to \$3.5 million of short-term liquidity as needed. Outstanding balances bore interest at the U. S. prime rate published in *The Wall Street Journal* plus 1.25%, which switched to Ameribor Term-30, plus margin (2.25%) in December 2022, and matured December 31, 2022. On May 1, 2023, this was amended to increase the borrowing base to \$6.5 million with a maturity date of March 31, 2024 and a comparable interest rate. There was no outstanding balance at June 30, 2022 or June 30, 2023. Notes payable of Arrow Child & Family Ministries as of June 30 is noted as follows:

	2023	2022
Note payable to a bank bearing variable interest, which is adjusted monthly (7.72% at June 30, 2023). Principal and interest due monthly through maturity in May 2028.	\$ 2,510,173	\$ 2,616,731
Note payable to a bank bearing variable interest, which is adjusted monthly (7.72% at June 30, 2023). Principal and interest due monthly through maturity in November 2027, net of unamortized debt issuance costs of \$38,242 at June 30, 2023 and \$46,901 at June 30, 2022.	2,173,163	2,277,905
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. Retired.	-	796,878
Various vehicle, furniture, and equipment notes bearing interest from 2.19% to 6.70%. Principal and interest due monthly through June 2024.	24,823	62,547
Note payable to a bank bearing variable interest at LIBOR plus 3.00%. Principal and interest due monthly through maturity in September 2024. Retired.	-	225,000
Notes payable	4,708,159	5,979,061
Less unamortized debt issuance costs	(79,045)	(98,988)
Notes payable, net of unamortized debt issuance costs	<u><u>\$ 4,629,114</u></u>	<u><u>\$ 5,880,073</u></u>

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Substantially all of Arrow Child & Family Ministries' property is pledged as collateral for notes payable to a financial institution are subject to financial covenants. The debt service requirements at June 30, 2023 are as follows:

2024	\$ 245,885
2025	233,006
2026	244,933
2027	257,475
2028	<u>3,726,860</u>
 Total notes payable	
<u>\$ 4,708,159</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 had a balance of \$43,887 as of June 30, 2022. This balance was paid off during year ended June 30, 2023.

During year ended June 30, 2022, 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.

Note 7. Contributed Nonfinancial Assets

Arrow Child & Family Ministries recognized contributed nonfinancial assets for the year ended June 30 as follows:

	<u>2023</u>	<u>2022</u>
Personal items	\$ 224,475	\$ 149,178
Consulting and testing services	13,214	36,075
Items auctioned in fundraising events	<u>-</u>	<u>33,923</u>
Total contributed nonfinancial assets	<u>\$ 237,689</u>	<u>\$ 219,176</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 administration. All values are based on comparable costs to purchase those items in the Houston, Texas market.

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

Note 8. Net Assets

Net assets with donor restrictions include those assets whose use has been restricted by the donor for a specified purpose.

Net assets with donor restrictions of \$155,886 and \$227,294 are restricted for program use as of June 30, 2023 and 2022.

Releases from restriction were as follows for year ended June 30:

	<u>2023</u>	<u>2022</u>
Program purposes - grants	\$ 3,279,794	\$ 1,336,004
Program purposes - other	<u>288,087</u>	<u>854,697</u>
Total release from restriction	<u><u>\$ 3,567,881</u></u>	<u><u>\$ 2,190,701</u></u>

Note 9. Grants

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.

Note 10. Discontinued Operations – 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, included 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 discounted operations	 <u>\$ (342,167)</u>

Arrow Child & Family Ministries

Notes to the Consolidated Financial Statements

As of June 30, 2022, 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. As of June 30, 2023, property held for sale includes \$1,367,219 related to Freedom Place and notes payable net of unamortized debt issuances includes \$2,134,921.

Note 11. Commitments and Contingencies

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 12. 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 \$144,460 to the Plan in 2023 and \$128,674 in 2022.

Health benefits – Arrow Child & Family Ministries has a self-funded health benefit plan, which is administered by a third party. Through April 30, 2023, Arrow Child & Family Ministries was 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. Effective May 1, 2023, Arrow Child & Family Ministries was primarily self-insured up to \$100,000 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.

Other Supplementary Information

Arrow Child & Family Ministries

Maryland Programs – Alternative Schedule of Functional Revenues and Expenses

For Accounting in Compliance with Purchase of Care Contracts

(Basis for All Supplementary Schedules and Rate Calculations)

For the Year Ended June 30, 2023

	Foster Care	Transitional Living	Ascension Place	Community Services	School	Supporting Services	Unallowable	Total
						Management and General	Fundraising and Development	
REVENUES								
Foster care payments	\$ 2,649,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,649,387
Transitional living	-	2,921,577	-	-	-	-	-	2,921,577
Ascension place	-	-	4,128,867	-	-	-	-	4,128,867
School revenue	-	-	-	-	11,418,968	-	-	11,418,968
Relate services income	-	-	-	-	2,575,253	-	-	2,575,253
Medicaid billing	-	-	-	148,045	1,388,518	-	-	1,536,563
Other income/ prior year adjustments	213,457	200,758	858,031	(3,348)	458,151	-	-	1,727,049
Contributions and grants	3,002	31,320	5,589	249,717	13,233	-	-	302,861
TOTAL REVENUES	2,865,846	3,153,655	4,992,487	394,414	15,854,123	-	-	27,260,525
EXPENSES								
Salaries and wages/contract labor	917,773	1,315,815	2,328,226	225,619	8,606,357	-	-	13,393,790
Payroll taxes	59,751	97,686	159,248	9,979	800,708	-	-	1,127,372
Fringe benefits	88,532	223,703	401,886	18,846	1,121,419	-	-	1,854,386
Staff development costs	11,748	16,319	35,044	5,290	-	-	-	68,401
Contracted services	67,971	74,319	291,676	23,105	529,266	-	-	986,337
Publicity	14,793	3,370	6,177	1,469	-	-	-	25,809
Food and food preparation	-	70,981	345,874	-	-	-	-	416,855
Foster care payments	962,754	-	-	-	-	-	-	962,754
Clothing	-	9,827	20,307	33	-	-	-	30,167
Recreation/special events	6,614	14,455	23,567	2,438	-	-	-	47,074
Personal needs and allowances	52	18,308	12,588	-	-	-	-	30,948
Travel and transportation	28,014	36,566	41,045	9,268	51,996	-	-	166,889
Occupancy	29,603	203,263	153,559	2,629	1,508,629	-	-	1,897,683
Utilities	6,419	23,127	76,718	146	-	-	-	106,410
Repairs and maintenance	7,319	39,248	77,782	326	-	-	-	124,675
Insurance and taxes	12,374	31,905	55,238	2,691	-	-	-	102,208
Supplies	5,952	21,514	23,538	1,754	552,138	-	-	604,896
Equipment rental and repair	1,604	16,934	25,438	75	38,950	-	-	83,001
Printing and advertising	-	-	-	-	130,539	-	-	130,539
Telephone	22,636	45,844	69,643	4,054	204,584	-	-	346,761
Postage and shipping	1,791	2,297	3,464	564	13,376	-	-	21,492
Conference and conventions	14,511	13,898	17,021	3,734	-	-	-	49,164
Membership and subscriptions	2,679	5,279	7,986	2,106	38,061	-	-	56,111
Educational experience	-	-	-	-	171,628	-	-	171,628
TOTAL EXPENSES	2,262,890	2,284,658	4,176,025	314,126	13,767,651	-	-	22,805,350

Arrow Child & Family Ministries

Maryland Programs – Alternative Schedule of Functional Revenues and Expenses
 For Accounting in Compliance with Purchase of Care Contracts
 (Basis for All Supplementary Schedules and Rate Calculations) - Continued
 For the Year Ended June 30, 2023

EXCESS (SHORTAGE) OF REVENUES OVER EXPENSES	602,956	868,997	816,462	80,288	2,086,472	-	-	-	4,455,175
TOTAL DIRECT EXPENSES	2,262,890	2,284,658	4,176,025	314,126	13,767,651	-	-	-	22,805,350
Allocation of management and general expenses	169,051	219,221	406,466	66,549	1,282,599	(2,143,886)	-	-	-
TOTAL ALLOWABLE EXPENSES ALLOCATED TO PROGRAMS	2,431,941	2,503,879	4,582,491	380,675	15,050,250	(2,143,886)	-	-	22,805,350
Allocation of net unallowable and functional expenses	70	90	168	27	75,348	-	(75,703)	-	-
TOTAL NET EXPENSES ALLOCATED TO PROGRAMS	2,432,011	2,503,969	4,582,659	380,702	15,125,598	(2,143,886)	(75,703)	-	22,805,350
EXCESS OF REVENUES OVER ALLOCATED EXPENSES	\$ 433,835	\$ 649,686	\$ 409,828	\$ 13,712	\$ 728,525	\$ -	\$ -	\$ -	\$ 2,235,586

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – Foster Care
 For the Year Ended June 30, 2023

	Budget	Actual	Variance
EXPENSES			
Salaries and wages/contract labor	\$ 1,490,583	\$ 917,773	\$ 572,810
Payroll taxes	114,379	59,751	54,628
Fringe benefits	289,182	88,532	200,650
Staff development costs	39,685	11,748	27,937
Contracted services	55,119	67,971	(12,852)
Publicity	19,843	14,793	5,050
Foster care payments	1,630,500	962,754	667,746
Clothing, food and other personal needs	-	52	(52)
Recreation/ special events	11,024	6,614	4,410
Occupancy	52,102	29,603	22,499
Utilities	22,047	6,419	15,628
Repairs and maintenance	33,071	7,319	25,752
Insurance and taxes	23,150	12,374	10,776
Supplies	33,071	5,952	27,119
Equipment rental and repair	29,764	1,604	28,160
Printing and copying	5,512	-	5,512
Telephone	35,276	22,636	12,640
Postage and shipping	3,858	1,791	2,067
Membership and subscriptions	4,134	2,679	1,455
Conference and conventions	17,638	14,511	3,127
Travel and transportation	<u>66,142</u>	<u>28,014</u>	<u>38,128</u>
TOTAL EXPENSES	3,976,080	2,262,890	1,713,190
Allocation of management and general expenses	<u>441,062</u>	<u>169,051</u>	<u>272,011</u>
TOTAL ALLOWABLE EXPENSES	4,417,142	2,431,941	1,985,201
Allocation of net unallowable expenses	<u>-</u>	<u>70</u>	<u>(70)</u>
TOTAL EXPENSES ALLOCATED TO PROGRAM	<u>\$ 4,417,142</u>	<u>\$ 2,432,011</u>	<u>\$ 1,985,131</u>

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – Transitional Living
 For the Year Ended June 30, 2023

	Budget	Actual	Variance
EXPENSES			
Salaries and wages/contract labor	\$ 1,766,759	\$ 1,315,815	\$ 450,944
Payroll taxes	108,074	97,686	10,388
Fringe benefits	212,078	223,703	(11,625)
Staff development costs	27,474	16,319	11,155
Contracted services	34,699	74,319	(39,620)
Publicity	1,318	3,370	(2,052)
Food and Food Preparation	49,257	70,981	(21,724)
Clothing	22,305	9,827	12,478
Recreation/special events	9,195	14,455	(5,260)
Personal needs	19,331	18,308	1,023
Occupancy	190,212	203,263	(13,051)
Utilities	22,636	23,127	(491)
Repairs and maintenance	25,088	39,248	(14,160)
Insurance and taxes	26,106	31,905	(5,799)
Supplies	20,819	21,514	(695)
Equipment rental and repair	22,562	16,934	5,628
Printing and copying	279	-	279
Telephone	28,704	45,844	(17,140)
Postage and shipping	2,736	2,297	439
Membership and subscriptions	3,305	5,279	(1,974)
Conference and conventions	1,642	13,898	(12,256)
Travel and transportation	45,699	36,566	9,133
TOTAL EXPENSES	2,640,278	2,284,658	355,620
Allocation of management and general expenses	220,430	219,221	1,209
TOTAL ALLOWABLE EXPENSES	2,860,708	2,503,879	356,829
Allocation of net unallowable expenses	-	90	(90)
TOTAL EXPENSES ALLOCATED TO PROGRAM	\$ 2,860,708	\$ 2,503,969	\$ 356,739

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – Ascension Place
 For the Year Ended June 30, 2023

	Budget	Actual	Variance
EXPENSES			
Salaries and wages/contract labor	\$ 3,508,512	\$ 2,328,226	\$ 1,180,286
Payroll taxes	317,863	159,248	158,615
Fringe benefits	509,023	401,886	107,137
Staff development costs	42,273	35,044	7,229
Contracted services	108,380	291,676	(183,296)
Publicity	4,697	6,177	(1,480)
Food and food preparation	343,871	345,874	(2,003)
Clothing	35,391	20,307	15,084
Recreation/special events	32,770	23,567	9,203
Personal Needs	47,516	12,588	34,928
Occupancy	184,095	153,559	30,536
Utilities	63,573	76,718	(13,145)
Repairs and maintenance	114,694	77,782	36,912
Insurance and taxes	55,982	55,238	744
Supplies	58,439	23,538	34,901
Equipment rental and repair	28,248	25,438	2,810
Printing and copying	6,090	-	6,090
Telephone	64,447	69,643	(5,196)
Postage and shipping	5,680	3,464	2,216
Membership and subscriptions	9,023	7,986	1,037
Conference and conventions	13,632	17,021	(3,389)
Travel and transportation	64,316	41,045	23,271
TOTAL EXPENSES	5,618,515	4,176,025	1,442,490
Allocation of management and general expenses	625,808	406,466	219,342
TOTAL ALLOWABLE EXPENSES	6,244,323	4,582,491	1,661,832
Allocation of net unallowable expenses	-	168	(168)
TOTAL EXPENSES ALLOCATED TO PROGRAM	\$ 6,244,323	\$ 4,582,659	\$ 1,661,664

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – School Total
 For the Year Ended June 30, 2023

	Budget	Actual	Variance
EXPENSES			
Salaries and wages/contract labor	\$ 10,505,733	\$ 8,606,357	\$ 1,899,376
Fringe benefits	1,270,885	1,121,419	149,466
Payroll taxes	945,515	800,708	144,807
Professional/contract fees	746,024	529,266	216,758
Supplies and non-capital equipment	700,700	552,138	148,562
Phone/fax/internet	134,623	204,584	(69,961)
Postage and shipping	12,074	13,376	(1,302)
Occupancy	1,493,647	1,508,629	(14,982)
Rental/maintenance of equipment	84,036	38,950	45,086
Printing and advertising	35,017	130,539	(95,522)
Publications	13,682	-	13,682
Transportation	162,305	51,996	110,309
Educational experience	74,412	171,628	(97,216)
Dues	<u>47,325</u>	<u>38,061</u>	<u>9,264</u>
TOTAL EXPENSES	<u>16,225,978</u>	<u>13,767,651</u>	<u>2,458,327</u>
Allocation of management and general expenses	<u>1,189,180</u>	<u>1,282,599</u>	<u>(93,419)</u>
TOTAL ALLOWABLE EXPENSES	<u>17,415,158</u>	<u>15,050,250</u>	<u>2,364,908</u>
Allocation of net unallowable expenses	<u>-</u>	<u>75,348</u>	<u>(75,348)</u>
TOTAL EXPENSES ALLOCATED TO PROGRAMS	<u><u>\$ 17,415,158</u></u>	<u><u>\$ 15,125,598</u></u>	<u><u>\$ 2,289,560</u></u>

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – School
 Cromwell Bridge Location
 For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENSES			
Salaries and wages	\$ 1,575,734	\$ 1,453,711	\$ 122,023
Fringe benefits	199,286	181,972	17,314
Payroll taxes	141,816	138,746	3,070
Professional/contract fees	77,506	163,722	(86,216)
Supplies and non-capital equipment	152,240	142,778	9,462
Phone/fax/internet	21,400	33,309	(11,909)
Postage and shipping	2,674	3,189	(515)
Occupancy	165,440	184,316	(18,876)
Rental/maintenance of equipment	10,700	12,249	(1,549)
Printing and advertising	2,247	33,712	(31,465)
Travel and transportation	34,775	16,888	17,887
Educational experience	18,390	36,472	(18,082)
Dues	<u>12,740</u>	<u>7,900</u>	<u>4,840</u>
TOTAL EXPENSES	<u>2,414,948</u>	<u>2,408,964</u>	<u>5,984</u>
Allocation of management and general expenses	<u>172,492</u>	<u>233,233</u>	<u>(60,741)</u>
TOTAL ALLOWABLE EXPENSES	<u>2,587,440</u>	<u>2,642,197</u>	<u>(54,757)</u>
Allocation of net unallowable expenses	<u>-</u>	<u>8,410</u>	<u>(8,410)</u>
TOTAL EXPENSES ALLOCATED TO PROGRAMS	<u><u>\$ 2,587,440</u></u>	<u><u>\$ 2,650,607</u></u>	<u><u>\$ (63,167)</u></u>

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – School
 Riverside Location
 For the Year Ended June 30, 2023

	Budget	Actual	Variance
EXPENSES			
Salaries and wages/ contract labor	\$ 3,729,720	\$ 2,848,846	\$ 880,874
Fringe benefits	447,566	336,332	111,234
Payroll taxes	335,674	260,198	75,476
Professional/contract fees	451,617	163,158	288,459
Supplies and non-capital equipment	292,430	207,282	85,148
Phone/fax/internet	64,000	62,223	1,777
Postage and shipping	3,500	4,776	(1,276)
Occupancy	828,910	660,139	168,771
Rental/maintenance of equipment	44,996	12,874	32,122
Printing and advertising	10,500	52,606	(42,106)
Publications	13,682	-	13,682
Travel and transportation	64,750	13,646	51,104
Educational experience	32,502	61,041	(28,539)
Dues	<u>21,935</u>	<u>13,301</u>	<u>8,634</u>
TOTAL EXPENSES	<u>6,341,782</u>	<u>4,696,422</u>	<u>1,645,360</u>
Allocation of management and general expenses	<u>519,847</u>	<u>399,720</u>	<u>120,127</u>
TOTAL ALLOWABLE EXPENSES	<u>6,861,629</u>	<u>5,096,142</u>	<u>1,765,487</u>
Allocation of net unallowable expenses	<u>-</u>	<u>56,658</u>	<u>(56,658)</u>
TOTAL EXPENSES ALLOCATED TO PROGRAMS	<u><u>\$ 6,861,629</u></u>	<u><u>\$ 5,152,800</u></u>	<u><u>\$ 1,708,829</u></u>

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – School
 Ascension Place Location
 For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENSES			
Salaries and wages/contract labor	\$ 901,400	\$ 553,345	\$ 348,055
Fringe benefits	108,168	75,407	32,761
Payroll taxes	81,126	54,223	26,903
Professional/contract fees	26,331	54,571	(28,240)
Supplies and non-capital equipment	111,130	73,009	38,121
Phone/fax/internet	15,100	14,200	900
Postage and shipping	1,400	1,053	347
Occupancy	53,887	48,987	4,900
Rental/maintenance of equipment	8,340	2,285	6,055
Printing and advertising	4,000	8,112	(4,112)
Travel and transportation	23,380	6,913	16,467
Educational experience	6,540	14,745	(8,205)
Dues	<u>6,800</u>	<u>4,415</u>	<u>2,385</u>
TOTAL EXPENSES	<u>1,347,602</u>	<u>911,265</u>	<u>436,337</u>
Allocation of management and general expenses	<u>123,930</u>	<u>86,936</u>	<u>36,994</u>
TOTAL ALLOWABLE EXPENSES	<u>1,471,532</u>	<u>998,201</u>	<u>473,331</u>
Allocation of net unallowable expenses	<u>-</u>	<u>2,130</u>	<u>(2,130)</u>
TOTAL EXPENSES ALLOCATED TO PROGRAMS	<u><u>\$ 1,471,532</u></u>	<u><u>\$ 1,000,331</u></u>	<u><u>\$ 471,201</u></u>

Arrow Child & Family Ministries
 Maryland Programs – Comparison of Budgeted Expenses to
 Actual Expenses – School
 Tangram Location
 For the Year Ended June 30, 2023

	Budget	Actual	Variance
EXPENSES			
Salaries and wages/contract labor	\$ 4,298,879	\$ 3,750,455	\$ 548,424
Fringe benefits	515,865	527,708	(11,843)
Payroll taxes	386,899	347,541	39,358
Professional/contract fees	190,570	147,815	42,755
Supplies and non-capital equipment	144,900	129,069	15,831
Phone/fax/internet	34,123	94,852	(60,729)
Postage and shipping	4,500	4,358	142
Occupancy	445,410	615,187	(169,777)
Rental/maintenance of equipment	20,000	11,542	8,458
Printing and advertising	18,270	36,109	(17,839)
Travel and transportation	39,400	14,549	24,851
Educational experience	16,980	59,370	(42,390)
Dues	<u>5,850</u>	<u>12,445</u>	<u>(6,595)</u>
TOTAL EXPENSES	6,121,646	5,751,000	370,646
Allocation of management and general expenses	<u>372,911</u>	<u>562,710</u>	<u>(189,799)</u>
TOTAL ALLOWABLE EXPENSES	6,494,557	6,313,710	180,847
Allocation of net unallowable expenses	<u>-</u>	<u>8,150</u>	<u>(8,150)</u>
TOTAL EXPENSES ALLOCATED TO PROGRAMS	<u>\$ 6,494,557</u>	<u>\$ 6,321,860</u>	<u>\$ 172,697</u>

Arrow Child & Family Ministries
Maryland Programs – Schedule of Funding Sources
For the Year Ended June 30, 2023

Maryland Department of Human Services - Foster Care	\$ 2,649,387
Maryland Department of Human Services - Ascension Place	4,128,867
Maryland Department of Human Services - Transitional Living	2,921,577
Maryland State Department of Education - Cromwell Bridge	1,913,399
Maryland State Department of Education - Riverside	4,395,028
Maryland State Department of Education - Ascension Place School	958,862
Maryland Department of Juvenile Services - Ascension Place School	84,629
Maryland State Department of Education - Tangram	<u>4,067,050</u>
Subtotal Contract Revenue	21,118,799
Maryland Department of Mental Health - Community Services (PRP)*	148,045
Maryland Department of Mental Health - Cromwell Bridge	156,576
Maryland Department of Mental Health - Riverside	492,908
Maryland Department of Mental Health - Ascension Place School	4,048
Maryland Department of Mental Health - Tangram	<u>734,986</u>
Subtotal Medicaid Reimbursement	1,536,563
(adjusted for MSDE 20% allowed retainage; Cromwell Bridge \$31,315; Riverside \$98,582; Ascension Place \$810; Tangram \$146,997)*	
Maryland State Department of Education - Cromwell Bridge	250,303
Maryland State Department of Education - Riverside	602,131
Maryland State Department of Education - Ascension Place School	36,710
Maryland State Department of Education - Tangram	<u>1,686,109</u>
Subtotal Related Services Revenue	2,575,253
Treatment Foster Care	213,457
Ascension Place	858,031
Transitional Living	200,758
Arrow Center for Education - Cromwell Bridge	373,863
Arrow Center for Education - Riverside	(38,667)
Arrow Center for Education - Ascension Place School	104,349
Arrow Center for Education - Tangram	18,606
Community Services (PRP)*	<u>(3,348)</u>
Subtotal Other Income	1,727,049
Treatment Foster Care	3,002
Ascension Place	5,589
Transitional Living	31,320
Arrow Center for Education - Cromwell Bridge	380
Arrow Center for Education - Riverside	9,890
Arrow Center for Education - Ascension Place School	2,176
Arrow Center for Education - Tangram	787
Community Services (PRP)	<u>249,717</u>
Subtotal Donations*	<u>302,861</u>
Total Funding, all sources	\$ 27,260,525
Less: Revenue not subject to IRC overpayment calculations*	<u>(1,264,140)</u>
Total Funding, subject to IRC Overpayment Calculations	<u>\$ 25,996,385</u>

Arrow Child & Family Ministries
 Maryland Programs – Reconciliation of Revenue and Cash Receipts
 For the Year Ended June 30, 2023

	Receivable, ending June 30, 2022	Accrual Basis Revenue	Cash Receipts & Other Adjs.	Receivable, ending June 30, 2023
Marlyand Department of Human Services - Foster Care	\$ 268,892	\$ 2,649,387	\$ 2,628,497	\$ 289,782
Child Specific - Foster Care	6,489	-	-	6,489
Marlyand Department of Human Services - Transitional Living	231,724	2,921,577	2,928,609	224,692
Marlyand Department of Human Services - Ascension Place	597,351	4,128,867	4,452,936	273,282
Marlyand Department of Human Services - Diagnostic Center	47,390	-	9,208	38,182
Marlyand Department of Human Services - Diagnostic Type III School	55,977	-	65,752	(9,775)
Maryland State Department of Education - School (including related services)	<u>1,526,523</u>	<u>13,994,221</u>	<u>14,306,821</u>	<u>1,213,923</u>
Subtotal contract revenue	<u><u>\$ 2,734,346</u></u>	<u><u>\$ 23,694,052</u></u>	<u><u>\$ 24,391,823</u></u>	<u><u>\$ 2,036,575</u></u>

Arrow Child & Family Ministries

Maryland Programs – Computation of Rate Determination for the Actual Cost of Care For the Year Ended June 30, 2023

	Days	Payment Rate / Day	Daily Rate Payments	Days	Payment Rate / Day	Daily Rate Payments	Total Payments	Other, Medicaid & Other Related Services	Total Payments Received	Total Allowable Costs	Estimated Over/ (Under) Payments to Actual Costs	
FOSTER CARE												
Department of Human Services												
Service Days/ Approved Rate	15,763	\$ 168.08	\$ 2,649,387	\$ -	\$ -	\$ -	\$ 2,649,387	\$ 51,495	\$ 2,700,882	\$ 2,431,941	\$ 268,941	
Department of Juvenile Services												
Service Days/Approved Rate	-	-	-	-	-	-	-	-	-	-	-	
ASCENSION PLACE												
Department of Human Services												
Service Days/ Approved Rate	6,516	633.62	4,128,867	-	-	-	4,128,867	669,573	4,798,440	4,582,491	215,949	
Department of Juvenile Services												
Service Days/Approved Rate	-	-	-	-	-	-	-	-	-	-	-	
TRANSITIONAL LIVING												
Department of Human Services												
Service Days/ Approved Rate	6,710	435.42	2,921,577	-	-	-	2,921,577	12,300	2,933,877	2,503,879	429,998	
Department of Juvenile Services												
Days Serviced/Allowed Per Diem	-	-	-	-	-	-	-	-	-	-	-	
SCHOOL												
State Department of Education (Cromwell Bridge)	6,764	282.86	1,913,399	-	-	-	1,913,399	749,427	2,662,826	2,642,197	20,629	
State Department of Education (Riverside)	9,372	360.38	3,853,327	1,320	410.38	541,701	4,395,028	957,790	5,352,818	5,096,142	256,676	
State Department of Education (Ascension Place)	3,301	290.45	958,862	-	-	-	958,862	144,297	1,103,159	917,245	185,914	
Department of Juvenile Services (Ascension Place)	190	445.41	84,629	-	-	-	84,629	-	84,629	80,956	3,673	
State Department of Education (Tangram)	9,182	442.94	4,067,050	-	-	-	4,067,050	2,292,704	6,359,754	6,313,710	46,044	
TOTAL CONTRACT REVENUE			<u>\$ 20,577,098</u>				<u>\$ 541,701</u>	<u>\$ 21,118,799</u>	<u>\$ 4,877,586</u>	<u>\$ 25,996,385</u>	<u>\$ 24,568,561</u>	<u>\$ 1,427,824</u>

Arrow Child & Family Ministries

Maryland Programs – Calculation of Overpayment / Underpayment

For the Year Ended June 30, 2023

	Total Net Actual Allowable Costs	Payment Received/Billed	Overpayment/ (Underpayment)	Maximum Amount up to 10% Excess Allowed to Retain	Actual Amounts Over 10% Subject to Repayment	2023 Increase/ (Decrease) Retained Earnings	2022 Increase (Decrease)	Planned Use of Retained Earnings
FOSTER CARE								
State Department of Human Services	\$ 2,431,941	\$ 2,700,882	\$ 268,941	\$ 270,088	\$ -	\$ 268,941	\$ 165,471	N/A
Department of Juvenile Services	-	-	-	-	-	-	-	N/A
Total Foster Care	2,431,941	2,700,882	268,941	270,088	-	268,941	165,471	
ASCENSION PLACE								
Department of Human Services	4,582,491	4,798,440	215,949	479,844	-	215,949	(725,915)	N/A
Department of Juvenile Services	-	-	-	-	-	-	-	N/A
Total Ascension Place	4,582,491	4,798,440	215,949	479,844	-	215,949	(725,915)	
DIAGNOSTIC TYPE III SCHOOL								
State Department of Human Services	-	-	-	-	-	-	(185,238)	N/A
Department of Juvenile Services	-	-	-	-	-	-	-	N/A
Total Diagnostic Type III	-	-	-	-	-	-	(185,238)	
TRANSITIONAL LIVING								
State Department of Human Services	2,503,879	2,933,877	429,998	293,388	136,610	293,388	(180,518)	(A)
Department of Juvenile Services	-	-	-	-	-	-	-	N/A
Total Transitional Living	2,503,879	2,933,877	429,998	293,388	136,610	293,388	(180,518)	
SCHOOL								
State Department of Education (Cromwell Bridge)	2,642,197	2,662,826	20,629	266,283	-	20,629	(262,681)	N/A
State Department of Education (Riverside)	5,096,142	5,352,818	256,676	535,282	-	256,676	287,736	N/A
State Department of Education (Ascension Place)	917,245	1,103,159	185,914	110,316	75,598	110,316	(112,812)	(A)
Department of Juvenile Services (Ascension Place)	80,956	84,629	3,673	8,463	-	3,673	(20,369)	N/A
State Department of Education (Tangram)	6,313,710	6,359,754	46,044	635,975	-	46,044	26,504	N/A
Total School	15,050,250	15,563,186	512,936	1,556,319	75,598	437,338	(81,622)	
TOTAL ALL PROGRAMS	\$ 24,568,561	\$ 25,996,385	\$ 1,427,824	\$ 2,599,639	\$ 212,208	\$ 1,215,616	\$ (1,007,822)	

Planned Use of Retained Earnings:

- (A) To defray prior or future years' operating expenses
- (B) To expand services based on licensing requirements
- (C) To offset the per client cost rate increases in subsequent years
- (D) To expand services in response to users' group needs
- (E) Other, project specific purpose

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Federal and State Awards

Arrow Child & Family Ministries
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

FEDERAL GRANTOR/ PASSED THROUGH GRANTOR/ PROGRAM TITLE	Federal Assistance Listing Number	Contract Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
Passed through Texas Governor's Criminal Justice Division			
COVID-19:Coronavirus State and Local Fiscal Recovery Funds	21.027	4197902	\$ 884,568
TOTAL U.S. DEPARTMENT OF TREASURY			884,568
U.S. DEPARTMENT OF JUSTICE			
Passed through Texas Governor's Criminal Justice Division			
Crime Victims Assistance - Statewide Foster Care & Therapeutic Services	16.575	4197901	184,078
TOTAL U.S. DEPARTMENT OF JUSTICE			184,078
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Department of Family and Protective Services			
COVID - 19 - Tobacco Prevention and Control Legal Technical Assistance	93.465	2393465	260,122
Passed through Texas Department of Family and Protective Services			
Temporary Assistance for Needy Families	93.558	N/A	203,250
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			463,372
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,532,018</u>

The Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

Arrow Child & Family Ministries
 Schedule of Expenditures of State Awards
 Year Ended June 30, 2023

STATE GRANTOR/ PASSED THROUGH GRANTOR/ PROGRAM TITLE	Contract Number	State Expenditures
OFFICE OF THE GOVERNOR		
Office of the Governor, Public Safety Office Criminal Justice Division - Child Sex Trafficking Unit		
Community-Based Services for Child Victims of Sex Trafficking	4197801	\$ 42,579
TOTAL OFFICE OF THE GOVERNOR		42,579
TEXAS DEPARTMENT OF FAMILY & PROTECTIVE SERVICES		
Passed through St. Francis Ministries		
Capacity Building in Region 1	RES2022-28	125,036
Direct Funding		
Foster Care Capacity Expansion	7400023	495,666
State General Revenue - 4K4F Start-Up Funds	SC-400	851,319
TOTAL TEXAS DEPARTMENT OF FAMILY & PROTECTIVE SERVICES		1,472,021
TOTAL EXPENDITURES OF STATE AWARDS		\$ 1,514,600

The Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

Arrow Child & Family Ministries

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards (the Schedules) include the federal and state grant activity of Arrow Child & Family Ministries (Arrow) under programs of the federal and state government for the year ended June 30, 2023. The information in the Schedule of Expenditures of Federal Awards 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). The information in the Schedule of Expenditures of State Awards is presented in accordance with the requirements of the Texas Grant Management Standards (TxGMS). Because the Schedules present only a selected portion of the operations of Arrow Child & Family Ministries, they are not intended to and do not present the financial position, changes in net assets, or cash flows of Arrow.

The Schedules are presented using the accrual basis of accounting. The expenditures are reported based on Arrow's year-end. Expenditure reports to funding agencies are prepared based on award periods. See Note 1 of the Notes to the Consolidated Financial Statements for Arrow's significant accounting policies.

Note 2. Indirect Cost Rate

Uniform Guidance allows non-federal entities, such as Arrow, to elect to charge a de minimis rate of ten percent of modified direct costs as its indirect cost rate that may be used indefinitely. Arrow chose to utilize the de minimis rate.



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

To the Board of Directors of
Arrow Child & Family Ministries

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 consolidated financial statements of Arrow Child & Family Ministries (Arrow), which comprise the Statement of Financial Position as of June 30, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related Notes to the Consolidated Financial Statements, and have issued our report thereon dated November 20, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arrow's consolidated 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 consolidated 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 Board of Directors of
Arrow Child & Family Ministries

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 20, 2023



**Independent Auditor's Report on Compliance for Each
Major Federal and State Program and Report on Internal Control
Over Compliance in Accordance with the Uniform Guidance
and Texas Grant Management Standards**

To the Board of Directors of
Arrow Child & Family Ministries

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Arrow Child & Family Ministries' (Arrow) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the Texas Grant Management Standards that could have a direct and material effect on each of Arrow's major federal and state programs for the year ended June 30, 2023. Arrow's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Arrow 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 and state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State 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 (*Government Auditing Standards*); 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*), and the Texas Grant Management Standards (TxGMS). Our responsibilities under those standards, the *Uniform Guidance* and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Arrow 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 and state program. Our audit does not provide a legal determination of Arrow's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Arrow's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Arrow's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and TxGMS 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's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and TxGMS, 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's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Arrow's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of Arrow's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state 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 and state 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.

The Board of Directors of
Arrow Child & Family Ministries

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 20, 2023

Arrow Child & Family Ministries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
• Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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Identification of major programs:

Federal Assistance Listing Number:

21.027 COVID-19: Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? Yes No

Arrow Child & Family Ministries
Schedule of Findings and Questioned Costs – Continued
Year Ended June 30, 2023

State 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 auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with TxGMS?

Yes No

Identification of major programs:

State General Revenue – 4K4F Start-up Funds

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

Arrow Child & Family Ministries
Schedule of Findings and Questioned Costs – Continued
Year Ended June 30, 2023

Section II – Financial Statement Findings

None noted.

Section III – Federal and State Award Findings and Questioned Costs

None noted.

Section IV – Summary Schedule of Prior Audit Findings

None noted.