

Family Gateway, Inc.

Financial Statements

December 31, 2009 and 2008

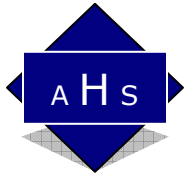
Family Gateway, Inc.

Financial Statements

December 31, 2009 and 2008

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position, December 31, 2009 and 2008	3
Statement of Activities, For the year ended December 31, 2009	4
Statement of Activities, For the year ended December 31, 2008	5
Statement of Functional Expenses, For the year ended December 31, 2009	6
Statement of Functional Expenses, For the year ended December 31, 2008	7
Statements of Cash Flows, For the years ended December 31, 2009 and 2008	8
Notes to Financial Statements	9
Supplemental Information: Not a Required Part of the Basic Financial Statements	
Schedule of Expenses – Center, Apartment and Retail Shop Funds, For the year ended December 31, 2009	18
Schedule of Expenses – Center, Apartment and Retail Shop Funds, For the year ended December 31, 2008	19
Schedule of Expenditures of Federal Awards, For the year ended December 31, 2009	20
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	21
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	23
Schedule of Findings and Questioned Costs, For the year ended December 31, 2009	25



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family Gateway, Inc.
2910 Swiss Avenue
Dallas, Texas 75204

We have audited the accompanying Statements of Financial Position of Family Gateway, Inc. (a non-profit organization), as of December 31, 2009 and 2008, and the related Statements of Activities, Cash Flows and Functional Expenses for the years then ended. These financial statements are the responsibility of Family Gateway, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

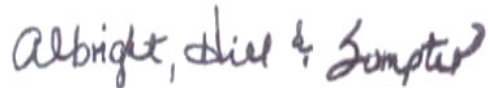
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Gateway, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Gateway, Inc., as of December 31, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2010, on our consideration of Family Gateway, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were made for the purpose of forming an opinion on the basic financial statements of Family Gateway, Inc. as a whole. The accompanying Schedule of Expenditures of Federal Awards of Family Gateway, Inc. is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. In addition, the Schedules of Expenses – Center, Apartment and Retail Shop Funds for 2009 and 2008 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Albright, Hill & Sumpter, PC
Certified Public Accountants

A handwritten signature in cursive script that reads "Albright, Hill & Sumpter".

April 23, 2010

Family Gateway, Inc.
 Statements of Financial Position
 December 31, 2009 and 2008

	<u>Assets</u>	
	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 497,441	\$ 218,564
Investments	1,653,059	1,909,713
Accounts receivable	-	25,110
Pledges receivable	10,000	24,016
Grants receivable	65,921	53,702
Prepaid expenses and deposits	24,487	21,919
Total current assets	<u>2,250,908</u>	<u>2,253,024</u>
Property and equipment		
Land	\$ 87,500	\$ 87,500
Buildings and improvements	2,583,845	2,577,678
Furniture, fixtures and equipment	395,311	384,196
Accumulated depreciation	<u>(2,458,866)</u>	<u>(2,360,407)</u>
Net property and equipment	<u>607,790</u>	<u>688,967</u>
Total assets	<u>\$ 2,858,698</u>	<u>\$ 2,941,991</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 101,757	\$ 116,455
Current portion of note payable	26,229	26,229
Total current liabilities	<u>127,986</u>	<u>142,684</u>
Note payable	78,687	104,916
Total liabilities	<u>206,673</u>	<u>247,600</u>
Net assets		
Unrestricted - operating	\$ 916,935	\$ 779,678
Unrestricted - Board designated funds	1,653,059	1,909,713
Temporarily restricted	82,031	5,000
Total net assets	<u>2,652,025</u>	<u>2,694,391</u>
Total liabilities and net assets	<u>\$ 2,858,698</u>	<u>\$ 2,941,991</u>

The accompanying notes are an integral part of these statements.

Family Gateway, Inc.
Statement of Activities
For the year ended December 31, 2009

	2009		
	Unrestricted	Temporarily Restricted	Total
Support and other revenues			
Contributions	\$ 1,733,841	\$ 80,000	\$ 1,813,841
Special events	32,467	-	32,467
Federal grants	524,479	-	524,479
Rental income	51,474	-	51,474
Interest and dividend income	34,481	-	34,481
Unrealized gain	326,259	-	326,259
Realized loss	(39,190)	-	(39,190)
Thrift store sales	51,203	-	51,203
Other income	5,106	-	5,106
Net assets released from restrictions	2,969	(2,969)	-
Total support and other revenues	2,723,089	77,031	2,800,120
Expenses			
Program services	2,286,301	-	2,286,301
Management and general	426,923	-	426,923
Fund raising	129,262	-	129,262
Total expenses	2,842,486	-	2,842,486
Change in net assets	(119,397)	77,031	(42,366)
Beginning net assets	2,689,391	5,000	2,694,391
Ending net assets	\$ 2,569,994	\$ 82,031	\$ 2,652,025

The accompanying notes are an integral part of this statement.

Family Gateway, Inc.
Statement of Activities
For the year ended December 31, 2008

	2008		
	Unrestricted	Temporarily Restricted	Total
Support and other revenues			
Contributions	\$ 2,037,620	\$ 5,000	\$ 2,042,620
Special events	219,062	-	219,062
Federal grants	510,932	-	510,932
Rental income	51,168	-	51,168
Interest and dividend income	82,384	-	82,384
Unrealized gain	(647,517)	-	(647,517)
Realized gain	7,757	-	7,757
Thrift store sales	44,972	-	44,972
Other income	32,805	-	32,805
Net assets released from restrictions	183,491	(183,491)	-
Total support and other revenues	2,522,674	(178,491)	2,344,183
Expenses			
Program services	2,634,371	-	2,634,371
Management and general	454,437	-	454,437
Fund raising	187,088	-	187,088
Total expenses	3,275,896	-	3,275,896
Change in net assets	(753,222)	(178,491)	(931,713)
Beginning net assets	3,442,613	183,491	3,626,104
Ending net assets	\$ 2,689,391	\$ 5,000	\$ 2,694,391

The accompanying notes are an integral part of this statement.

Family Gateway, Inc.
Statement of Functional Expenses
For the year ended December 31, 2009

	2009			
	Program Services	Management and General Services	Fund Raising	Total
Employee and other compensation	\$ 539,049	\$ 296,091	\$ 98,697	\$ 933,837
Retirement	1,165	567	210	1,942
Payroll taxes	41,273	25,570	8,523	75,366
Total employee and other compensation	581,487	322,228	107,430	1,011,145
Education and dues	44	3,190	-	3,234
Rent	260,925	-	-	260,925
Utilities	104,588	40,734	-	145,322
Insurance general	16,691	5,748	-	22,439
Repairs and maintenance	161,208	-	-	161,208
Security services	180,780	-	-	180,780
Mass feeding costs	35,436	-	-	35,436
Mass shelter costs	11,363	-	-	11,363
Transportation program	10,052	-	-	10,052
Office supplies and expenses	38,119	31,174	-	69,293
Expended goods and services	766,499	1,979	-	768,478
Accounting fees	2,000	6,900	-	8,900
Recruitment	18,743	-	-	18,743
Other	3,845	11,032	-	14,877
Fund raising (direct expense)	-	-	21,832	21,832
Depreciation	94,521	3,938	-	98,459
Total expenses	\$ 2,286,301	\$ 426,923	\$ 129,262	\$ 2,842,486

The accompanying notes are an integral part of this statement.

Family Gateway, Inc.
Statement of Functional Expenses
For the year ended December 31, 2008

	2008			
	Program Services	Management and General Services	Fund Raising	Total
Employee and other compensation	\$ 631,718	\$ 307,433	\$ 102,478	\$ 1,041,629
Retirement	12,619	6,141	2,271	21,031
Payroll taxes	69,468	6,228	1,860	77,556
Total employee and other compensation	713,805	319,802	106,609	1,140,216
Education and dues	304	4,016	-	4,320
Rent	316,653	-	-	316,653
Utilities	136,981	35,944	-	172,925
Insurance general	11,599	19,563	-	31,162
Repairs and maintenance	175,922	-	-	175,922
Security services	193,264	-	-	193,264
Mass feeding costs	30,717	-	-	30,717
Mass shelter costs	14,101	-	-	14,101
Transportation program	5,510	-	-	5,510
Office supplies and expenses	17,302	26,235	-	43,537
Expended goods and services	927,818	13,155	-	940,973
Accounting fees	1,000	7,500	-	8,500
Recruitment	-	-	-	-
Other	1,482	24,559	-	26,041
Fund raising (direct expense)	-	-	80,479	80,479
Depreciation	87,913	3,663	-	91,576
Total expenses	\$ 2,634,371	\$ 454,437	\$ 187,088	\$ 3,275,896

The accompanying notes are an integral part of this statement.

Family Gateway, Inc.
 Statements of Cash Flows
 For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (42,366)	\$ (931,713)
Adjustments to reconcile increase in net assets to net cash (used in) operating activities:		
Depreciation	98,459	91,576
Net realized and unrealized (gains) on investment activity	(287,070)	639,760
Reinvested interest and dividends	(31,277)	-
Principal forgiven on note payable	(26,229)	(26,229)
Decrease (increase) in receivables	26,907	(32,211)
(Increase) in prepaid expenses and deposits	(2,568)	(6,464)
(Decrease) increase in accounts payable and accrued expenses	<u>(14,698)</u>	<u>46,237</u>
Net cash (used in) operating activities	<u>(278,842)</u>	<u>(219,044)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(17,281)	(275,848)
Sale of investments	<u>575,000</u>	<u>150,457</u>
Net cash provided by (used in) investing activities	<u>557,719</u>	<u>(125,391)</u>
Increase (decrease) in cash and cash equivalents	278,877	(344,435)
Cash and cash equivalents - beginning of year	<u>218,564</u>	<u>562,999</u>
Cash and cash equivalents - end of year	<u>\$ 497,441</u>	<u>\$ 218,564</u>
Supplemental cash flow information:		
Donated goods and services	<u>\$ 969,799</u>	<u>\$ 1,209,595</u>
Income taxes paid	<u>N/A</u>	<u>N/A</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Family Gateway, Inc. (the Organization), a 501(c)(3) non-profit, provides supportive services to homeless families with children, up to the age of 18. These comprehensive services include temporary and transitional living facilities, food, job training, search and placement assistance, life skills classes, children's programming and community transition services. The programs the Organization offers are designed to restore dignity, stability and self-sufficiency to the family unit. These programs are primarily provided at three main facilities; a shelter, an apartment building and the Family Treasures retail store. The Organization is primarily supported through donor contributions and grants.

- A. The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue is recognized when the right to receipt exists and expenses are recognized when incurred.
- B. All financial transactions have been recorded and reported as either unrestricted or temporarily restricted net assets:

Unrestricted net assets consist of resources, including investments and otherwise unrestricted amounts, that are available for use in carrying out the mission of the Organization and include those expendable resources that have been designated for special use by the Organization's Board of Directors (the Board). The Board has designated investments to function as an endowment. These funds (while designated) remain unrestricted.

Temporarily restricted net assets represent those amounts that are donor restricted for special purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

- C. In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions. Under SFAS No. 116, the Organization reports donor restricted contributions as temporarily restricted support and then reclassifies to unrestricted net assets upon expiration of the related restrictions.

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

- D. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The major estimates are estimates of accrued expenses, the valuation of investments, lives used to depreciate fixed assets and allocations of functional expenses.
- E. The Organization maintains its cash in deposit accounts, which at times may exceed federally insured limits. In 2009 and 2008, total uninsured balances approximated \$0, respectively. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.
- F. Expenses are charged to each functional area based on direct expenditures incurred and on allocations of time spent by activity.
- G. The Organization is recognized as a tax-exempt entity for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes is reflected in the accompanying financial statements.
- H. The Statements of Cash Flows are presented using the "indirect method." For purposes of the Statement of Cash Flows, the Organization considers all deposit accounts available for current use with original maturities at acquisition of three months or less to be cash equivalents.
- I. Investments consist of exchange traded funds, mutual funds and certificates of deposit. Certificates of deposit are carried at cost which approximates their fair value. Exchange traded funds and mutual funds are recorded at quoted fair value and, accordingly, unrealized gains or losses and realized gains or losses are included in the change in net assets. While all investments are highly liquid and unrestricted, the Organization's intent is to utilize these investments in a manner similar to an endowment. Donated securities are sold immediately at their estimated fair value and converted to cash.
- J. Property and equipment is stated at cost of acquisition, or fair value, as of the date of donation.

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

- K. Depreciation is provided for under the straight-line method at rates sufficient to amortize the related costs over the estimated useful lives of the respective assets, which range from two to twenty years. Depreciation expense for the years ended December 31, 2009 and 2008 was \$98,459 and \$91,576, respectively.

Repairs and maintenance are charged to expense as incurred. Major improvements over \$500 are capitalized.

- L. Bad debts are accounted for using the direct write-off method. The results of using this method are not materially different from using the reserve method. Management periodically reviews accounts receivable on an account by account basis. Management considers the Organization's past history with the consumer, contact information and the size of the account. Accounts are written off when it appears collection efforts will not be successful. Management deemed all receivables were collectible as of December 31, 2009 and 2008. Bad debt expense in 2009 and 2008 was \$0.
- M. The Organization records unconditional promises to give as contributions in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend on are substantially met.
- N. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133; *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.
- O. The Organization derives the majority of its revenue from contributions. Continued funding from this source at the current level is dependent upon various factors. Such factors include economic conditions, donor satisfaction and public perception of mission effectiveness and relative importance.

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

NOTE 2 – INVESTMENTS

Investments at December 31, 2009 are as follows:

	Cost	Accumulated Unrealized Gain (Loss)	Estimated Fair Value
Exchange traded funds	\$ 1,861,590	\$ (208,813)	\$ 1,652,777
Money fund	282	-	282
	<u>\$ 1,861,872</u>	<u>\$ (208,813)</u>	<u>\$ 1,653,059</u>

Investments at December 31, 2008 are as follows:

	Cost	Accumulated Unrealized Gain (Loss)	Estimated Fair Value
Equities	\$ 1,371,260	\$ (420,223)	\$ 951,037
Fixed income	391,012	(119,833)	271,179
Certificates of deposit	687,497	-	687,497
	<u>\$ 2,449,769</u>	<u>\$ (540,056)</u>	<u>\$ 1,909,713</u>

Financial Accounting Standards Board (FASB) Statement No. 157, Fair Value Measurements, effective for financial statements for fiscal years beginning after November 15, 2007, establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted fair prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1– Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2– Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in inactive markets;

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual term), the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3– Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

- Money Market Funds:* Valued at the net asset value (NAV) per unit at year end.
- Equity Type Securities:* Quoted market prices.
- Debt Securities:* Valued using quoted prices for investments with similar yields and bond ratings.

The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at estimated fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 1,652,777	\$ -	\$ -	\$ 1,652,777
Money funds	282	-	-	282
	<u>\$ 1,653,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,653,059</u>

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

NOTE 3 – NOTE PAYABLE

Long-term debt at December 31, 2009 and 2008 consists of:

Non-interest bearing note payable for apartment rehabilitation, secured by a deed of trust lien on the apartment property. The entire amount of unpaid principal shall be due and payable in May 2013 provided, however, upon each annual anniversary date, the lender will forgive one fifteenth (1/15th) of the unpaid principal if the borrower has met certain conditions as specified in the agreement.

Amounts of long-term debt conditionally subject to write-off during the next five years are as follows:

	2010	\$	26,229
	2011		26,229
	2012		26,229
	2013		26,229
			104,916
Less: current maturities			(26,229)
		\$	78,687

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009 and 2008, temporarily restricted net assets are restricted for the following purposes:

	December 31, 2008	Additional Contribution	Utilized for Restricted Purpose	December 31, 2009
Capital improvements	\$ -	\$ 80,000	\$ -	\$ 80,000
Childcare program	5,000	-	(2,969)	2,031
	\$ 5,000	\$ 80,000	\$ (2,969)	\$ 82,031

NOTE 5 – COMMITMENTS

The Organization currently leases its downtown facility from the City of Dallas. The current lease expires September 27, 2016. The Organization pays a discounted rent of \$1 per year.

The Organization leases its retail facility pursuant to a lease which expires in April, 2010. Minimum rent is \$2,833 per month. Administrative offices are leased

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

pursuant to a lease agreement which expires in January, 2011. The landlord provides this space rent free.

The estimated fair value of discounted/in-kind rent is \$201,391. This amount is reflected in the financial statements as contributions and rent expense.

The remaining future minimum rentals to be paid are as summarized below:

2010 \$ 11,332

Rent expense charged to operations for 2009 and 2008 (including donated rent) totaled \$260,925 and \$316,653, respectively.

NOTE 6 – DONATED PROPERTY, SERVICES AND GOODS

Donations of property and equipment are recorded as support at their appraised or estimated fair value as of the date of the donation. Such donations are reported as unrestricted or restricted support depending on whether the donor restricted the donated asset to a specific purpose. A schedule of donated property, services and goods is presented below:

	<u>2009</u>	<u>2008</u>
Childcare services	\$ 434,616	\$ 434,616
Other program items	305,654	509,094
Rent	201,321	226,501
Office supplies	1,979	13,155
Total expense items	<u>943,570</u>	<u>1,183,366</u>
Debt forgiveness	26,229	26,229
Total	<u>\$ 969,799</u>	<u>\$ 1,209,595</u>

NOTE 7 – SPECIAL EVENTS

In 2009 and 2008, the Organization raised \$32,467 and \$219,062, respectively from special events and incurred direct expenses totaling \$21,832 and \$80,479 related to those special events. Special events included a luncheon, bowling event and a mailing campaign.

Family Gateway, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

NOTE 8 – SIMPLIFIED EMPLOYEE PENSION

The Organization has a simplified employee pension program. The Organization made contributions of 3% of participating employees' compensation to IRA's of employees held at a third party plan administrator, after the employee has two years of service. The employees vest immediately in their employer contributions. For the years ended December 31, 2009 and 2008, the Organization contributed \$1,942 and \$21,031, respectively.

NOTE 9 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 10 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to December 31, 2009 through the issue date of the financial statements, April 23, 2010. Based on this review, no events have occurred requiring disclosure.

This page left blank intentionally.

Family Gateway, Inc.
Schedule of Expenses - Center, Apartment and Retail Shop Funds
For the year ended December 31, 2009

	<u>Center</u>	<u>Apartments</u>	<u>Retail Shop</u>	<u>Total</u>
Employee and other compensation	\$ 759,714	\$ 89,698	\$ 84,425	\$ 933,837
Retirement	1,297	(14)	659	1,942
Payroll taxes	62,563	7,392	5,411	75,366
Total employee compensation	823,574	97,076	90,495	1,011,145
Education and dues	3,234	-	-	3,234
Rent	220,404	-	40,521	260,925
Utilities	71,656	61,618	12,048	145,322
Insurance general	14,209	6,173	2,057	22,439
Repairs and maintenance	82,310	71,906	6,992	161,208
Security services	95,168	85,542	70	180,780
Mass feeding costs	35,436	-	-	35,436
Mass shelter costs	11,171	192	-	11,363
Transportation program	10,052	-	-	10,052
Office supplies and expenses	59,816	7,220	2,257	69,293
Expended goods and services	705,037	51,289	12,152	768,478
Accounting fees	5,500	2,550	850	8,900
Recruitment	18,546	197	-	18,743
Other	13,599	-	1,278	14,877
Fund raising (direct expense)	21,832	-	-	21,832
Depreciation	14,869	83,590	-	98,459
	<u>\$ 2,206,413</u>	<u>\$ 467,353</u>	<u>\$ 168,720</u>	<u>\$ 2,842,486</u>

The accompanying notes are an integral part of this schedule.

Family Gateway, Inc.
Schedule of Expenses - Center, Apartment and Retail Shop Funds
For the year ended December 31, 2008

	<u>Center</u>	<u>Apartments</u>	<u>Retail Shop</u>	<u>Total</u>
Employee and other compensation	\$ 853,537	\$ 101,447	\$ 86,645	\$ 1,041,629
Retirement	20,431	300	300	21,031
Payroll taxes	27,236	22,915	27,405	77,556
Total employee compensation	901,204	124,662	114,350	1,140,216
Education and dues	4,320	-	-	4,320
Rent	277,291	-	39,362	316,653
Utilities	81,349	77,392	14,184	172,925
Insurance general	31,162	-	-	31,162
Repairs and maintenance	63,062	105,628	7,232	175,922
Security services	110,342	82,348	574	193,264
Mass feeding costs	30,717	-	-	30,717
Mass shelter costs	14,078	23	-	14,101
Transportation program	5,424	86	-	5,510
Office supplies and expenses	40,701	1,101	1,735	43,537
Expended goods and services	881,697	51,289	7,987	940,973
Accounting fees	8,500	-	-	8,500
Recruitment	-	-	-	-
Other	22,273	534	3,234	26,041
Fund raising (direct expense)	80,479	-	-	80,479
Depreciation	4,020	87,556	-	91,576
	<u>\$ 2,556,619</u>	<u>\$ 530,619</u>	<u>\$ 188,658</u>	<u>\$ 3,275,896</u>

The accompanying notes are an integral part of this schedule.

Family Gateway, Inc.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2009

Federal Grantor	Program Name	Federal CFDA Number	Federal Grant Number/Contract Number	Federal Expenditures
Department of Housing and Urban Development				
	Apartments:			
HUD	Supportive Housing	14.235	TX01B700014/TX50436	\$ 111,096
HUD	Supportive Housing	14.235	TX0058B6/T000801	45,989
	22 Bedroom Program:			
HUD	Supportive Housing	14.235	TX01B700015/TX54250	143,833
HUD	Supportive Housing	14.235	TX0048B6/T000801	49,370
	8 Bedroom Program:			
HUD	Supportive Housing	14.235	TX1B700016/TX54250	3,543
HUD	Supportive Housing	14.235	TX0049B6/T000801	38,896
	Homelessness Prevention and Rapid Re-Housing Program			
HUD		14.257		
HPRP				21,691 (1)
Federal Emergency Management Agency				
FEMA	Emergency Food and Shelter	97.24		33,639
Department of Housing and Urban Development Passed-Through:				
Texas Department of Housing and Community Affairs	Emergency Shelter Grants Program	14.231		<u>73,474</u>
Total				521,531
City of Dallas	Home Investment Partnership Program	14.231	97-M-4863769-NC	<u>104,916</u> *
Total Federal Awards				<u>626,447</u>
Other Governmental Grants				<u>2,948</u>
Total Governmental Grants				<u>\$ 629,395</u>

* Loan balance at December 31, 2009.

(1) These funds were made available through the American Recovery and Reinvestment Act of 2009.

The accompanying notes are an integral part of this schedule.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Board of Directors
Family Gateway, Inc.
2910 Swiss Avenue
Dallas, Texas 75204

We audited the financial statements of Family Gateway, Inc., as of and for the year ended December 31, 2009, and have issued our report thereon dated April 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Gateway, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Gateway, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

To the Board of Directors
Family Gateway, Inc.

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*.

This report is intended solely for the information and use of the Audit Committee, management, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Albright, Hill & Sumpter, PC
Certified Public Accountants

A handwritten signature in dark ink that reads "Albright, Hill & Sumpter". The signature is written in a cursive, flowing style.

April 23, 2010



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the Board of Directors
Family Gateway, Inc.
2910 Swiss Avenue
Dallas, Texas 75204

Compliance

We have audited the compliance of Family Gateway, Inc. with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular *A-133 Compliance Supplement* and State of Texas Single Audit Circular (STSAC) that are applicable to each of its major federal programs for the year ended December 31, 2009. Family Gateway, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Family Gateway, Inc.'s management. Our responsibility is to express an opinion on Family Gateway, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Gateway, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Family Gateway, Inc.'s compliance with those requirements. In our opinion, Family Gateway, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

12160 North Abrams Road
Suite 412
Dallas, Texas 75243
972.270.5452
972.686.4216 Fax

To the Board of Directors
Family Gateway, Inc.

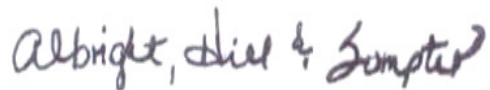
Internal Control Over Compliance

The management of Family Gateway, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Family Gateway, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that could be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Audit Committee, management, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Albright, Hill & Sumpter, PC
Certified Public Accountants

A handwritten signature in blue ink that reads "Albright, Hill & Sumpter". The signature is written in a cursive, flowing style.

April 23, 2010

Family Gateway, Inc.
Schedule of Findings and Questioned Costs
For the year ended December 31, 2009

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Family Gateway, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the management comment letter.
3. No instances of noncompliance material to the financial statements of Family Gateway, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the State of Texas Audit Circular.
5. The auditor's report on compliance for the major federal award programs for Family Gateway, Inc. expresses an unqualified opinion.
6. Audit findings relative to major federal and state award programs for Family Gateway, Inc. are reported in Part C of this schedule.
7. The program tested as a major program:
CFDA # 14.235 Supportive Housing Program
8. The threshold for determining Type A and B programs was \$300,000.
9. Family Gateway, Inc. was determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Awards Programs

None

D. Schedule of Prior Year Audit Findings

None