



Resource Center Dallas and Subsidiaries

**Consolidated Financial Statements with
Supplementary Information and Compliance Reports
September 30, 2020 and 2019**

Resource Center Dallas and Subsidiaries

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Independent Auditors' Report

To the Board of Directors of
Resource Center Dallas and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Resource Center Dallas and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The financial statements of Resource Center Dallas Foundation, Resource Center LGBTQ Health and Wellness Center and Resource Center Title Holding Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resource Center Dallas and Subsidiaries as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities of Resource Center Dallas, Resource Center Dallas Foundation, Resource Center Title Holding Corporation and Resource Center LGBTQ Health and Wellness Center, Inc. are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for the purpose of additional analysis and is 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 U.S. generally accepted auditing standards. In our opinion, such information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of Resource Center Dallas' 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 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 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 Resource Center Dallas' internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 8, 2021

Resource Center Dallas and Subsidiaries
Consolidated Statements of Financial Position
September 30, 2020 and 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,014,319 | \$ 1,843,944 |
| Investments | 1,285,158 | 1,008,734 |
| Grants receivable | 865,646 | 560,359 |
| Unconditional promises to give, net | 686,715 | 808,496 |
| Accounts receivable | 1,223,025 | 965,597 |
| Other receivables | 73,687 | 42,690 |
| Prepaid expenses and other assets | 74,697 | 80,800 |
| Assets restricted for capital expenditures: | | |
| Unconditional promises to give, net | 515,538 | 150,000 |
| Property and equipment | 162,936 | - |
| Restricted cash | 176,776 | 187,830 |
| Loan receivable - new market tax credit | 4,475,250 | 4,475,250 |
| Property and equipment, net | 9,498,766 | 9,527,132 |
| Endowment investments | 1,379,021 | 1,858,703 |
| Total assets | \$ 24,431,534 | \$ 21,509,535 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 180,399 | \$ 176,547 |
| Accrued expenses | 315,357 | 194,642 |
| Deferred rent | 72,575 | 64,781 |
| Notes payable - new market tax credit | 6,370,000 | 6,370,000 |
| Total liabilities | 6,938,331 | 6,805,970 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 13,779,049 | 11,015,600 |
| Board designated reserve | 978,227 | 720,766 |
| Total net assets without donor restrictions | 14,757,276 | 11,736,366 |
| Net assets with donor restrictions | 2,735,927 | 2,967,199 |
| Total net assets | 17,493,203 | 14,703,565 |
| Total liabilities and net assets | \$ 24,431,534 | \$ 21,509,535 |

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Activities
Year Ended September 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Revenue and support: | | | |
| Contributions | \$ 1,678,035 | \$ 437,264 | \$ 2,115,299 |
| Government grants | 2,731,468 | - | 2,731,468 |
| 340B pharmacy revenue | 10,446,513 | - | 10,446,513 |
| Fees for services | 424,602 | - | 424,602 |
| Special events, net of direct costs of \$35,212 | 273,899 | - | 273,899 |
| Net investment income (loss) | 92,177 | (261,941) | (169,764) |
| Other income | 416,114 | - | 416,114 |
| Net assets released from restrictions | 406,595 | (406,595) | - |
| Total revenue and support | 16,469,403 | (231,272) | 16,238,131 |
| Expenses: | | | |
| Program: | | | |
| HIV services | 6,071,347 | - | 6,071,347 |
| LGBTQ services | 4,667,188 | - | 4,667,188 |
| Prevention services | 1,490,315 | - | 1,490,315 |
| Total program | 12,228,850 | - | 12,228,850 |
| Supporting services: | | | |
| Administrative | 534,832 | - | 534,832 |
| Fundraising | 684,811 | - | 684,811 |
| Total supporting services | 1,219,643 | - | 1,219,643 |
| Total expenses | 13,448,493 | - | 13,448,493 |
| Change in net assets | 3,020,910 | (231,272) | 2,789,638 |
| Net assets at beginning of year | 11,736,366 | 2,967,199 | 14,703,565 |
| Net assets at end of year | \$ 14,757,276 | \$ 2,735,927 | \$ 17,493,203 |

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Activities
Year Ended September 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Revenue and support: | | | |
| Contributions | \$ 1,460,453 | \$ 415,144 | \$ 1,875,597 |
| Government grants | 3,229,456 | - | 3,229,456 |
| 340B pharmacy revenue | 7,710,642 | - | 7,710,642 |
| Fees for services | 322,169 | - | 322,169 |
| Special events, net of direct costs of \$59,947 | 398,721 | - | 398,721 |
| Net investment income | 44,955 | 37,145 | 82,100 |
| Other income | 81,431 | - | 81,431 |
| Net assets released from restrictions | 260,820 | (260,820) | - |
| Total revenue and support | 13,508,647 | 191,469 | 13,700,116 |
| Expenses: | | | |
| Program: | | | |
| HIV services | 5,209,297 | - | 5,209,297 |
| LGBTQ services | 3,923,712 | - | 3,923,712 |
| Prevention services | 1,646,159 | - | 1,646,159 |
| Total program | 10,779,168 | - | 10,779,168 |
| Supporting services: | | | |
| Administrative | 474,802 | - | 474,802 |
| Fundraising | 626,479 | - | 626,479 |
| Total supporting services | 1,101,281 | - | 1,101,281 |
| Total expenses | 11,880,449 | - | 11,880,449 |
| Change in net assets | 1,628,198 | 191,469 | 1,819,667 |
| Net assets at beginning of year | 10,108,168 | 2,775,730 | 12,883,898 |
| Net assets at end of year | \$ 11,736,366 | \$ 2,967,199 | \$ 14,703,565 |

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended September 30, 2020

| | HIV Services | LGBTQ Services | Prevention Services | Total Program | Administrative | Fundraising | Total |
|--|---------------------|---------------------|------------------------|----------------------|-------------------|-------------------|----------------------|
| Personnel | \$ 2,610,465 | \$ 1,279,884 | \$ 963,714 | \$ 4,854,063 | \$ 280,574 | \$ 526,344 | \$ 5,660,981 |
| Facilities | 327,051 | 42,777 | 233,574 | 603,402 | 143,352 | 77,125 | 823,879 |
| Client payments | 604,853 | - | - | 604,853 | - | - | 604,853 |
| Pharmaceuticals | 1,750,421 | 2,685,428 | - | 4,435,849 | - | - | 4,435,849 |
| Other client services | 559,797 | 313,541 | 230,721 | 1,104,059 | - | - | 1,104,059 |
| General operations | 107,185 | 114,046 | 28,283 | 249,514 | 107,627 | 45,141 | 402,282 |
| Other | 111,575 | 231,512 | 34,023 | 377,110 | 3,279 | 71,413 | 451,802 |
| Total expenses by function | 6,071,347 | 4,667,188 | 1,490,315 | 12,228,850 | 534,832 | 720,023 | 13,483,705 |
| Less: expenses included with revenues on the statement of activities - Special events | - | - | - | - | - | (35,212) | (35,212) |
| Total expenses included in the expense section on the statement of activities | \$ 6,071,347 | \$ 4,667,188 | \$ 1,490,315 | \$ 12,228,850 | \$ 534,832 | \$ 684,811 | \$ 13,448,493 |

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

| | HIV Services | LGBTQ Services | Prevention Services | Total Program | Administrative | Fundraising | Total |
|--|---------------------|---------------------|------------------------|----------------------|-------------------|-------------------|----------------------|
| Personnel | \$ 2,115,503 | \$ 984,138 | \$ 989,796 | \$ 4,089,437 | \$ 239,668 | \$ 433,302 | \$ 4,762,407 |
| Facilities | 324,983 | 104,846 | 262,665 | 692,494 | 31,975 | 114,305 | 838,774 |
| Client payments | 649,523 | - | - | 649,523 | 73,553 | 92,469 | 815,545 |
| Pharmaceuticals | 1,132,700 | 2,333,103 | - | 3,465,803 | - | - | 3,465,803 |
| Other client services | 676,072 | 377,840 | 262,762 | 1,316,674 | - | - | 1,316,674 |
| General operations | 148,609 | 52,068 | 47,115 | 247,792 | 116,698 | 56,570 | 421,060 |
| Other | 161,907 | 71,717 | 83,821 | 317,445 | 12,908 | 7,293 | 337,646 |
| Total expenses by function | <u>5,209,297</u> | <u>3,923,712</u> | <u>1,646,159</u> | <u>10,779,168</u> | <u>474,802</u> | <u>703,939</u> | <u>11,957,909</u> |
| Less: expenses included with revenues on the statement of activities - Special events | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(77,460)</u> | <u>(77,460)</u> |
| Total expenses included in the expense section on the statement of activities | <u>\$ 5,209,297</u> | <u>\$ 3,923,712</u> | <u>\$ 1,646,159</u> | <u>\$ 10,779,168</u> | <u>\$ 474,802</u> | <u>\$ 626,479</u> | <u>\$ 11,880,449</u> |

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 2,789,638 | \$ 1,819,667 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 367,401 | 363,097 |
| Provision for bad debt loss | 79,833 | - |
| Realized and unrealized loss on investments | 337,335 | 128,717 |
| Donated stock | - | (15,667) |
| Change in discount on unconditional promises to give | 83,585 | (11,524) |
| Contributions restricted for capital campaign | (569,052) | (150,000) |
| Changes in operating assets and liabilities: | | |
| Grants receivable | (305,287) | (27,580) |
| Accounts receivable | (257,428) | (80,478) |
| Unconditional promises to give | 7,225 | (112,014) |
| Other receivables | (30,997) | 31,187 |
| Prepaid expenses and other assets | 6,103 | (46,212) |
| Accounts payable | 3,852 | (399,393) |
| Accrued expenses | 120,715 | 21,427 |
| Deferred rent | 7,794 | 64,781 |
| Net cash provided by operating activities | 2,640,717 | 1,586,008 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (501,971) | (876,943) |
| Purchases of investments | (134,077) | (237,043) |
| Net cash used by investing activities | (636,048) | (1,113,986) |
| Cash flows from financing activities: | | |
| Collections of contributions for capital campaign | 154,652 | - |
| Net cash provided by financing activities | 154,652 | - |
| Increase in cash and cash equivalents | 2,159,321 | 472,022 |
| Cash and cash equivalents at beginning of year | 2,031,774 | 1,559,752 |
| Cash and cash equivalents at end of year | \$ 4,191,095 | \$ 2,031,774 |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 78,260 | \$ 80,857 |
| Reconciliation of cash and cash equivalents reported within the consolidated statements of financial position to the consolidated statements of cash flows: | | |
| Cash and cash equivalents | \$ 4,014,319 | \$ 1,843,944 |
| Restricted cash | 176,776 | 187,830 |
| Total cash and cash equivalents shown on the consolidated statements of cash flows | \$ 4,191,095 | \$ 2,031,774 |

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization

Resource Center Dallas, Inc. (RCD) is a Texas nonprofit corporation founded in 1983 with a mission to empower the lesbian, gay, bisexual, transgender and queer (LGBTQ) communities and all people affected by HIV through improving health and wellness, strengthening family and communities and providing transformative education and advocacy.

Resource Center Dallas Foundation (Foundation) is a Texas nonprofit corporation formed on July 20, 2011. The Foundation was formed exclusively for charitable purposes and is operated solely to support RCD. The board of directors of RCD appoints the board of directors of the Foundation.

Resource Center Title Holding Corporation is a Texas nonprofit corporation formed on June 7, 2016. The purpose of Resource Center Title Holding Corporation is to work with RCD to obtain New Market Tax Credit (NMTC) financing and hold title to RCD property. The board of directors of RCD elects the board of directors of Resource Center Title Holding Corporation.

Resource Center LGBTQ Health and Wellness Center, Inc. (Wellness Center) is a Texas nonprofit health organization formed on February 4, 2019. The Wellness Center was formed for the purpose of employing physicians to provide medical care. RCD is the sole member of the Wellness Center.

RCD, the Foundation, Resource Center Title Holding Corporation and the Wellness Center are collectively referred to herein as the Center.

The Center is supported primarily by government and private grants, contributions from the general public, and program revenue.

The Center conducts the following programs:

- HIV Services – The Center provides case management, food pantry, hot meals, health insurance premium and medication co-pay assistance, oral health care and empowerment and support groups to people with a diagnosis of HIV/AIDS and who have an income under 300% to 400% (for insurance assistance) of the Federal Poverty Level and reside in the Center’s service area.
- LGBTQ Services – The Center provides youth and senior programming, medical support, transgender care, primary medical care, education and advocacy for the LGBTQ community.
- Prevention – The Center provides comprehensive prevention services including outreach to at-risk communities, HIV testing and STI testing and treatment.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts and transactions of RCD, the Foundation, Resource Center Title Holding Corporation and the Wellness Center. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

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

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

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

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

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions with donor-imposed restrictions that are met in the same year as the contributions were received are reported as net assets without donor restrictions. In absence of donor restrictions to the contrary, restrictions on contributions of property or on assets restricted to acquire property expire when the property is placed into service.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

The Center considers highly liquid investments available for current use with original maturities of three months or less to be cash equivalents. The Center classifies cash and money market accounts held by external investment managers as investments as these funds are not readily available for operations. The Center places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. The Center has not experienced losses on such assets. At September 30, 2020, the Center had uninsured balances totaling \$3,847,759.

Restricted Cash

At September 30, 2020 and 2019, restricted cash represents funds held in a separate account to be used to pay interest as required by NMTC agreements.

Investments

Investment income and capital appreciation/depreciation earned on investments is reported in net assets without donor restrictions unless otherwise restricted by the donor or applicable law. All investments are carried at fair value with the related gains and losses included in the consolidated statements of activities.

The Center's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of investments to the Center's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Loan Receivable

The loan receivable – NMTC is collateralized by the membership interests related to the NMTC transaction (see Notes 5 and 8) and is stated at the principal amount. The Center has one class of financing receivables from a highly credible institution. Management assesses the credit quality of the NMTC note based on indicators such as collateralization and collection experience. As of September 30, 2020 and 2019, no allowance has been established.

Unconditional Promises to Give, Grants Receivable and Accounts Receivable

Unconditional promises to give are unsecured and are due from various donors. Grants receivable are unsecured and are due from government agencies under cost reimbursement grants. Accounts receivable are unsecured and are due from contract pharmacies.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Unconditional promises to give are recorded at the estimated fair value when made, grants receivable and accounts receivable are recorded based on the reimbursable amount incurred or at the invoiced amount. The collectability of the Center's receivables is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions. Grants and accounts receivable are expected to be collected within the next year and are fully collectible.

Property and Equipment

Property and equipment are stated at cost or, if acquired by gift, at the fair market value at the date of gift. The Center capitalizes expenditures for property and equipment with useful lives in excess of one year. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from five to forty years.

Impairment of Long-Lived Assets

The Center regularly evaluates its long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value. No impairment losses were recognized for the years ended September 30, 2020 and 2019.

Revenue Recognition

The Center recognizes contributions when cash, securities, or other assets or an unconditional promise to give is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Government grants are recognized as contract terms are fulfilled. Cost reimbursement grants are recognized as support when the allowable costs are incurred. The Center has been awarded cost-reimbursable grants of \$1,776,001 that have not been recognized at September 30, 2020 because qualifying expenditures have not yet been incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

The Center's costs incurred under its government grants are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Center.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Donated food and supplies are reflected as contributions at their estimated fair values at date of receipt.

The Center receives a substantial amount of services donated by individuals interested in the Center's programs. Volunteers have contributed their time to the Center in the areas of the Food Pantry, Nelson-Tebedo Clinic, telephone hot-line, office, clerical support and fundraising.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. It is estimated that volunteers have contributed 26,565 and 37,012 hours of time for the years ended September 30, 2020 and 2019, respectively. No donated services were utilized that met the criteria to be recorded as revenue in the Center's consolidated financial statements.

Revenue related to 340B program revenue in the Center's health centers consists of the amount paid by contracted pharmacies, net of the amount the Center has contracted to pay the pharmacy for the dispensing of such drugs together with any associated administrative fees. Revenue is recognized when prescription drugs are dispensed, and is recorded in 340B pharmacy revenue on the consolidated statements of activities.

The Center received approximately 17% and 24% of its total revenue and support for the years ended September 30, 2020 and 2019, respectively, from U.S. Department of Health and Human Services grants passed through to the Center from the Texas Department of State Health Services or Dallas County Health and Human Services.

For the years ended September 30, 2020 and 2019, 340B program revenue comprised 64% and 56% of total revenue and support, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Costs are allocated between program services and support services based on space used, time and effort or direct relation to the program and support service benefited.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Income Taxes

RCD and the Foundation are nonprofit publicly supported organizations, as defined in Section 501(c)(3) of the Internal Revenue Service Code (IRC) that are exempt from federal income taxes under Section 509(a) of the IRC. Resource Center Title Holding Corporation is exempt from federal income taxes under IRC Section 501(c)(2). The Wellness Center is a Texas Corporation subject to federal income tax and files a Form 1120. The Center did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Center's tax returns and recognition of a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Center, and has concluded that as of September 30, 2020 or 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. Each entity's Federal and State tax filings are subject to examination by the IRS for three years from the date of filing.

New Accounting Pronouncements

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

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

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

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

Accounting Pronouncements Adopted

The Center adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective October 1, 2019, using the full retrospective method. Based on the Center's review of its

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption on this ASU had no impact on total beginning net assets.

The Center adopted the amendments of ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of this ASU had no impact on total beginning net assets but impacted the evaluation of revenue recognition of certain grants and contributions in the year ended September 30, 2020.

Reclassification

Certain items in the 2019 consolidated financial statements have been reclassified for comparative purposes to conform to the 2020 consolidated financial statements.

3. Fair Value of Financial Instruments

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

- Level 1 Inputs to the valuation methodology are quoted prices available in active markets;

- Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable

- Level 3 Inputs to the valuation methodology are unobservable inputs in which little or no market data exists, therefore requiring an entity to make its own assumptions.

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

Money market funds and cash equivalents: Valued using \$1 for the net asset value (NAV).

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and exchange traded funds: Valued at the NAV of shares held by the Center at year end. The NAV is a quoted price in an active market.

The investments held by the Center are measured using Level 1 inputs.

The following table presents the financial instruments carried at fair value as of September 30:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Money market funds and cash equivalents | \$ 138,985 | \$ 203,011 |
| Common stock | 241,904 | 186,442 |
| Exchange traded funds | 198,052 | - |
| Mutual funds: | | |
| Growth and income | 174,514 | 119,791 |
| Index fund | 1,198,286 | 1,408,844 |
| Fixed income | 712,438 | 949,349 |
| | <u>\$ 2,664,179</u> | <u>\$ 2,867,437</u> |

Investment income (loss) consists of the following for the years ended September 30:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|---------------------|------------------|
| Interest and dividend income | \$ 197,365 | \$ 239,899 |
| Realized loss on investments | - | (5,036) |
| Unrealized loss on investments | (337,335) | (123,681) |
| Fees | (29,794) | (29,082) |
| | <u>\$ (169,764)</u> | <u>\$ 82,100</u> |

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

4. Unconditional Promises to Give

Unconditional promises to give at September 30, 2020 and 2019 were as follows:

| | 2020 | 2019 |
|--------------------------------------|--------------|------------|
| Amounts due in: | | |
| Less than one year | \$ 603,957 | \$ 599,939 |
| One to five years | 749,081 | 384,397 |
| Subtotal | 1,353,038 | 984,336 |
| Less allowance for doubtful accounts | (41,360) | - |
| Less discount to present value | (109,425) | (25,840) |
| Unconditional promises to give, net | \$ 1,202,253 | \$ 958,496 |

Unconditional promises to give beyond September 30, 2020 and 2019 are valued using a discount rate 3.25% and 2.5%, respectively. At September 30, 2020, approximately 49% of promises to give were due from four donors. At September 30, 2019, approximately 16% of promises to give were due from one donor.

5. Loan Receivable - NMTC

The loan receivable – NMTC (loan) is due from Chase NMTC Resource Center Investment Fund, LLC (an unrelated party) with interest at 1% per annum until December 10, 2024; at which point interest and principal payments of \$227,628 will be due annually until maturity on December 1, 2045. The loan is collateralized by a security interest in the membership interests of the community development entity, DDF Juliet, LLC.

The Loan and regulatory agreement restricts the use of the funds to Resource Center Title Holding Corporation who qualifies as a qualified active low-income community business for the term of the note. The balance due to the Center at September 30, 2020 and 2019 is \$4,475,250 (see Note 9).

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

Maturity of the note receivable is as follows for the years ending September 30:

| | | |
|------------|----|----------------------------|
| 2021 | \$ | - |
| 2022 | | - |
| 2023 | | - |
| 2024 | | - |
| 2025 | | 182,875 |
| Thereafter | | <u>4,292,375</u> |
| | | <u><u>\$ 4,475,250</u></u> |

The interest income on the loan receivable – NMTC is approximately \$44,750 per year. Accrued interest on the loan receivable – NMTC was \$33,565 at September 30, 2020 and 2019 and is included in other receivables on the consolidated statements of financial position.

6. Property and Equipment

Property and equipment consists of the following at September 30:

| | 2020 | 2019 |
|-------------------------------|----------------------------|----------------------------|
| Land | \$ 2,494,391 | \$ 2,399,391 |
| Buildings and improvements | 8,475,185 | 8,377,678 |
| Furniture and equipment | 652,442 | 626,249 |
| Vehicles | 173,016 | 52,681 |
| Capitalized interest | 72,031 | 72,031 |
| Construction in progress | <u>162,936</u> | <u>-</u> |
| | 12,030,001 | 11,528,030 |
| Less accumulated depreciation | <u>(2,368,299)</u> | <u>(2,000,898)</u> |
| Property and equipment, net | <u><u>\$ 9,661,702</u></u> | <u><u>\$ 9,527,132</u></u> |

7. Line of Credit

The Center has a line of credit with a bank allowing the Center to borrow up to \$700,000. The line of credit bears interest at the *Wall Street Journal* prime rate (3.25% at September 30, 2020) and matures on July 6, 2021. The line of credit is secured by equipment, inventory and receivables. No balance was outstanding on the line at September 30, 2020 and 2019.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

8. Paycheck Protection Program Loan

In May 2020, the Center received loan proceeds in the amount of \$390,085 from a financial institution under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan requires monthly payments of principal and interest at 1.00% starting in December 2020 and is due in April 2022. The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll and benefits, and if the Center maintains its payroll levels. The Center intends to seek loan forgiveness of the full loan amount in accordance with Small Business Administration (SBA) guidelines pursuant to the CARES Act. While the Center believes that its use of the loan meets the conditions for forgiveness, there is no assurance that the loan will be forgiven, in whole or in part. The Center included the proceeds from the loan in other income on the statement of activities. Repayment terms will be adjusted once the lending institution has processed the loan forgiveness application and determined the final loan amount. In the event the loan is not forgiven, \$228,060 will be due in the year ending September 30, 2021 and \$162,025 will be due in the year ending September 30, 2022.

9. Long-Term Debt

New Market Tax Credit Financing

On July 7, 2016, RCD entered into a NMTC financing transaction to partially fund the construction of a new community center and renovate an existing facility. As part of the transaction, RCD made a Loan of \$4,475,250 to Chase NMTC Resource Center Investment Fund, LLC (Investment Fund). The Loan is due December 1, 2045 and carries an annual interest rate of 1% (see Note 5).

In conjunction with RCD's Loan, Chase Community Equity, LLC (NMTC Investor), a Delaware corporation, contributed \$2,154,750 to the Investment Fund. The NMTC Investor receives tax credits in return for its investment in the Investment Fund. The Investment Fund used the collective proceeds from RCD and the NMTC Investor to fund a Community Development Entity (CDE), DDF Juliet, LLC.

Resource Center Title Holding Corporation entered into a \$6,370,000 note agreement with DDF Juliet, LLC. The note consists of two tranches, Note A in the amount of \$4,475,250 and Note B in the amount of \$1,894,750, both of which have an interest rate of 1.256% per annum. Interest payments are due and payable annually. Commencing on December 1, 2024, annual payments of principal and interest in the amount of \$279,651 are due in arrears until maturity. The note matures on December 1, 2050. The note is secured by a deed of trust, security agreement, assignment of rents and leases and financing statement on the community center and health campus properties.

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. After the seven-year NMTC compliance period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in the Investment Fund to RCD for \$1,000. If the NMTC Investor does not exercise that put option then the put and call agreement allows RCD to exercise a call option to purchase the interest in the Investment Fund at an appraised fair value. Immediately after the exit transactions are completed, RCD will be the holder of the Investment Fund’s note payable and, as such the Loan will be eliminated in the consolidated financial statements. It is anticipated that the note will be discharged.

Principal amounts due for the notes for the next five years ending September 30 and thereafter are as follows:

| | | |
|------------|----|-----------|
| 2021 | \$ | - |
| 2022 | | - |
| 2023 | | - |
| 2024 | | - |
| 2025 | | 199,644 |
| Thereafter | | 6,170,356 |
| | | 6,170,356 |
| | \$ | 6,370,000 |

10. Board Designated Net Assets

Net assets without donor restrictions totaling \$978,227 and \$720,766 at September 30, 2020 and 2019, respectively, are designated by the board of directors as a reserve fund. These funds may be utilized as needed in any year to fund costs of the Center, pursuant to a resolution of the board of directors to release these funds.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes or periods at September 30:

| | 2020 | 2019 |
|--|--------------|--------------|
| Time restricted pledges | \$ 686,715 | \$ 958,496 |
| Time restricted pledges for capital campaign | 515,538 | 150,000 |
| Capital campaign | 154,652 | - |
| Endowment earnings | - | 235,400 |
| Restricted in perpetuity | 1,379,022 | 1,623,303 |
| | \$ 2,735,927 | \$ 2,967,199 |

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

12. Leases

The Center leases facilities and equipment to conduct its programs under non-cancelable operating lease agreements expiring through 2029. The following are future minimum lease payments under these lease agreements for the years ending September 30:

| | |
|------------|------------|
| 2021 | \$ 187,621 |
| 2022 | 162,637 |
| 2023 | 167,742 |
| 2024 | 140,065 |
| 2025 | 98,331 |
| Thereafter | 394,415 |

Rent expense related to facilities and equipment under non-cancelable operating lease agreements was approximately \$406,000 and \$363,000 for the years ended September 30, 2020 and 2019, respectively.

13. In-kind Contributions

The Center receives various in-kind donations of supplies, food and facilities that are provided to clients in its programs or used in operations. The estimated fair market value of these items are reflected in the accompanying consolidated statements of activities as contributions and expense in the amounts of \$156,978 and \$203,894 for the years ended September 30, 2020 and 2019, respectively.

14. Related Party Transactions

Board members contributed \$140,748 and \$349,432 during the years ended September 30, 2020 and 2019, respectively.

15. COVID-19

On January 30, 2020, the Director-General of the World Health Organization (WHO), declared the novel coronavirus outbreak a public health emergency of international concern, WHO's highest level of alarm. On March 11, 2020, the WHO declared the novel coronavirus a global pandemic. The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Center will depend on certain developments, including the duration and spread of the outbreak. In addition, the Center depends on funds from contributions and grants which may decrease or not be available. During the year ended September 30, 2020, the Center was awarded a COVID-related supplement to an existing cost-reimbursement grant totaling \$68,409. Of the amount awarded, \$63,409 has not been recognized at September 30, 2020 because qualifying expenditures have not yet been incurred. Management continues to

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

monitor the impact the COVID-19 pandemic could potentially have on its operations and financial position.

16. 340B Program

In October 2015, the Center was approved as a covered entity in the 340B program, which is administered by the U.S. Department of Health and Human Services Health Resources and Services Administration (HRSA). As a covered entity, as defined in section 340B of the Public Health Service Act, the Center is authorized to purchase certain outpatient drugs at reduced prices. The Center provides this service through service agreements with pharmacies. As of September 30, 2020, the Center has contracts with three pharmacies: Walgreens, AVITA, and American Specialty Pharmacy. The Center purchases the drugs and the contracted pharmacies order and dispense the drugs to the Center's eligible clients. The pharmacy bills the insurance company for the prescription, receives payment from the insurance company, and retains a management fee. The remaining payment is submitted to the Center by the pharmacy. Under the 340B program, the Center is required to expend the excess funds to provide more services and better the organization as a whole.

17. Retirement Plans

The Center adopted a tax-deferred plan under Section 403(b) of the IRC effective September 1, 1994. The plan provides that employees who work at least 30 hours per week for 90 days after hire are eligible to participate. Contributions to the plan are funded entirely by participants.

The Center established a 457(b) and 457(f) plans for employees. These plans are available to eligible employees who choose to participate. Each year, participants may contribute up to an amount allowed by federal limits. The plan allows discretionary matching from the Center. The Center's contributions to the plans totaled \$77,215 for the year ended September 30, 2020.

18. Endowment Funds

The Center's endowment consists of two donor-restricted funds established for program purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

On April 15, 1996, the Center established The John Thomas Permanent Endowment Fund for the Foundation of Human Understanding (Fund). Distributions from the Fund generally shall not exceed annual earnings; however, the finance committee may make distributions in excess of annual earnings, but only upon the approval of the board of directors. The balance in the Fund as of September 30, 2020 and 2019 is \$182,468.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

On April 23, 2006, the Center received an endowment to establish the Clair and Bill MODEL Program Services Endowment Fund (MODEL Fund). The investment income may be used to pay for the Center's program services. The balance in the MODEL Fund as of September 30, 2020 and 2019 is \$1,196,554 and \$1,440,835, respectively.

Interpretation of Relevant Law

The board of directors of the Center has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that are not classified in net assets restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with the TUPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The Center's investment policies

Endowment Investment and Spending Policies

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets. The Center has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the charitable purposes of the Center. Distributions consist of net investment income and may, under certain conditions, include a portion of the cumulative realized and unrealized gains.

To achieve that objective, the Center has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

invested in a well-diversified asset mix, which may include money market fund shares, commercial paper, certificates of deposit, fixed income securities, equity-based securities and mutual funds. The Center expects its endowment funds, over time, to yield annual results of 4% plus inflation. Actual results in any given year may vary from this amount.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions and was \$158,446 and \$0 as of September 30, 2020 and 2019. These deficiencies are the result of unfavorable market conditions. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in net assets with donor restrictions.

Changes in the endowment funds for the years ended September 30, 2020 and 2019 are as follows:

| | 2020 | | |
|---|--|-----------------------------|--------------|
| | Accumulated Gains (Losses) and Other | Restricted in Perpetuity | Total |
| Endowment net assets, beginning of year | \$ 235,400 | \$ 1,623,303 | \$ 1,858,703 |
| Dividend and interest income | 173,747 | - | 173,747 |
| Net unrealized loss | (191,407) | (244,281) | (435,688) |
| Appropriations for expenditure | (217,740) | - | (217,740) |
| Endowment net assets at end of year | \$ - | \$ 1,379,022 | \$ 1,379,022 |
| | 2019 | | |
| | Accumulated Gains (Losses) and Other | Restricted in Perpetuity | Total |
| Endowment net assets, beginning of year | \$ 158,364 | \$ 1,782,408 | \$ 1,940,772 |
| Dividend and interest income | 217,741 | - | 217,741 |
| Net unrealized loss | (21,491) | (159,105) | (180,596) |
| Appropriations for expenditure | (119,214) | - | (119,214) |
| Endowment net assets at end of year | \$ 235,400 | \$ 1,623,303 | \$ 1,858,703 |

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

19. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year from the years ended September 30, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 4,014,319 | \$ 1,843,944 |
| Investments | 1,285,158 | 1,008,734 |
| Grants receivable | 865,646 | 560,359 |
| Unconditional promises to give, net | 1,202,253 | 958,496 |
| Accounts receivable | 1,223,025 | 965,597 |
| Other receivables | 73,687 | 42,690 |
| Restricted cash | 176,776 | 187,830 |
| Endowment investments | <u>1,379,021</u> | <u>1,858,703</u> |
| Total financial assets | 10,219,885 | 7,426,353 |
| Less financial assets not available for general expenditures within one year: | | |
| Unconditional promises to give restricted for capital campaign | (515,338) | (150,000) |
| Unconditional promises to give due in more than one year, net of capital campaign | (213,733) | (234,397) |
| Restricted cash | (176,776) | (187,830) |
| Endowment investments | (1,379,021) | (1,858,703) |
| Board designated reserve | <u>(978,227)</u> | <u>(720,766)</u> |
| | <u>(3,263,095)</u> | <u>(3,151,696)</u> |
| Total financial assets available for general expenditure | <u>\$ 6,956,790</u> | <u>\$ 4,274,657</u> |

The Center's cash flow originates from reimbursable government grants, 340B pharmacy revenue, private fundraising, and fees for services.

As of September 30, 2020, the Center had reserves in cash and cash equivalents on hand to meet 90 days of normal operating expenses, which currently averages approximately \$3,000,000. This includes board-designated net assets without donor restrictions that, while the Center does not intend to utilize for operations, could be made available for operations if necessary. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center also has a committed line of credit in the amount of \$700,000, which it could draw upon in the event of an unanticipated liquidity need.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

20. Subsequent Events

Subsequent to year end, the Center purchased land totaling \$4,900,000 for affordable senior housing and to acquire property adjacent to the community center. The Center secured notes payable totaling \$3,356,000 for the purchase of the land and construction of the new affordable housing development.

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

Resource Center Dallas
Consolidating Statement of Financial Position
September 30, 2020

| | Resource Center Dallas | Resource Center Dallas Foundation | Resource Center Title Holding Corporation | Resource Center LGBTQ Health and Wellness Center | Total | Eliminating Entries | Consolidated Balance |
|---|---------------------------|---|--|---|----------------------|------------------------|-------------------------|
| Assets: | | | | | | | |
| Cash and cash equivalents | \$ 4,007,372 | \$ - | \$ - | \$ 6,947 | \$ 4,014,319 | \$ - | \$ 4,014,319 |
| Investments | 1,285,158 | - | - | - | 1,285,158 | - | 1,285,158 |
| Grants receivable | 865,646 | - | - | - | 865,646 | - | 865,646 |
| Unconditional promises to give, net | 655,726 | 30,989 | - | - | 686,715 | - | 686,715 |
| Accounts receivable | 1,223,025 | - | - | - | 1,223,025 | - | 1,223,025 |
| Intercompany receivable | - | 1,148,995 | - | - | 1,148,995 | (1,148,995) | - |
| Other receivables | 73,687 | - | - | - | 73,687 | - | 73,687 |
| Prepaid expenses and other assets | 74,697 | - | - | - | 74,697 | - | 74,697 |
| Assets restricted for capital expenditures: | | | | | | | |
| Unconditional promises to give, net | - | 515,538 | - | - | 515,538 | - | 515,538 |
| Property and equipment | 162,936 | - | - | - | 162,936 | - | 162,936 |
| Restricted cash | 39,928 | - | 136,848 | - | 176,776 | - | 176,776 |
| Loan receivable - new market tax credit | 4,475,250 | - | - | - | 4,475,250 | - | 4,475,250 |
| Property and equipment, net | 1,933,561 | - | 7,565,205 | - | 9,498,766 | - | 9,498,766 |
| Endowment investments | 1,379,021 | - | - | - | 1,379,021 | - | 1,379,021 |
| Total assets | \$ 16,176,007 | \$ 1,695,522 | \$ 7,702,053 | \$ 6,947 | \$ 25,580,529 | \$ (1,148,995) | \$ 24,431,534 |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 167,318 | \$ 8,401 | \$ - | \$ 4,680 | \$ 180,399 | \$ - | \$ 180,399 |
| Accrued expenses | 312,794 | - | - | 2,563 | 315,357 | - | 315,357 |
| Deferred rent | 72,575 | - | - | - | 72,575 | - | 72,575 |
| Intercompany payable | 562,752 | - | 351,347 | 234,896 | 1,148,995 | (1,148,995) | - |
| Notes payable - new market tax credit | - | - | 6,370,000 | - | 6,370,000 | - | 6,370,000 |
| Total liabilities | 1,115,439 | 8,401 | 6,721,347 | 242,139 | 8,087,326 | (1,148,995) | 6,938,331 |
| Net assets (deficit) | 15,060,568 | 1,687,121 | 980,706 | (235,192) | 17,493,203 | - | 17,493,203 |
| Total liabilities and net assets | \$ 16,176,007 | \$ 1,695,522 | \$ 7,702,053 | \$ 6,947 | \$ 25,580,529 | \$ (1,148,995) | \$ 24,431,534 |

Resource Center Dallas
Consolidating Statement of Activities
Year Ended September 30, 2020

| | Resource Center Dallas | Resource Center Dallas Foundation | Resource Center Title Holding Corporation | Resource Center LGBTQ Health and Wellness Center | Total | Eliminating Entries | Consolidated Total |
|--|---------------------------|---|--|---|----------------------|------------------------|-----------------------|
| Revenue and support: | | | | | | | |
| Contributions | \$ 1,546,225 | \$ 569,074 | \$ - | \$ - | \$ 2,115,299 | \$ - | \$ 2,115,299 |
| Government grants | 2,731,468 | - | - | - | 2,731,468 | - | 2,731,468 |
| 340B pharmacy revenue | 10,446,513 | - | - | - | 10,446,513 | - | 10,446,513 |
| Fees for services | 424,602 | - | - | - | 424,602 | - | 424,602 |
| Special events, net of direct costs of \$35,212 | 273,899 | - | - | - | 273,899 | - | 273,899 |
| Net investment income (loss) | (203,107) | 33,570 | (227) | - | (169,764) | - | (169,764) |
| Other | 416,114 | - | - | - | 416,114 | - | 416,114 |
| Total revenue and support | 15,635,714 | 602,644 | (227) | - | 16,238,131 | - | 16,238,131 |
| Expenses: | | | | | | | |
| Program: | | | | | | | |
| HIV services | 6,071,347 | - | - | - | 6,071,347 | - | 6,071,347 |
| LGBTQ services | 4,667,188 | - | - | - | 4,667,188 | - | 4,667,188 |
| Prevention services | 1,490,315 | - | - | - | 1,490,315 | - | 1,490,315 |
| Total program expense | 12,228,850 | - | - | - | 12,228,850 | - | 12,228,850 |
| Supporting services: | | | | | | | |
| Administrative | 132,637 | 17,665 | 226,308 | 158,222 | 534,832 | - | 534,832 |
| Fundraising | 684,811 | - | - | - | 684,811 | - | 684,811 |
| Total supporting services | 817,448 | 17,665 | 226,308 | 158,222 | 1,219,643 | - | 1,219,643 |
| Total expenses | 13,046,298 | 17,665 | 226,308 | 158,222 | 13,448,493 | - | 13,448,493 |
| Change in net assets | 2,589,416 | 584,979 | (226,535) | (158,222) | 2,789,638 | - | 2,789,638 |
| Net assets (deficit) at beginning of year | 12,471,152 | 1,102,142 | 1,207,241 | (76,970) | 14,703,565 | - | 14,703,565 |
| Net assets (deficit) at end of year | \$ 15,060,568 | \$ 1,687,121 | \$ 980,706 | \$ (235,192) | \$ 17,493,203 | \$ - | \$ 17,493,203 |

Resource Center Dallas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>CFDA #</u> | <u>Expenditures</u> |
|--|---------------|----------------------------|
| U.S. Department of Health and Human Services: | | |
| Texas Department of State Health Services via Dallas County Health and Human Services: | | |
| HIV Emergency Relief Project Grants | 93.914 | \$ 1,808,198 |
| COVID - HIV Emergency Relief Project Grants | 93.914 | 5,000 |
| HIV Care Formula Grants | 93.917 | 129,807 |
| Texas Department of State Health Services: | | |
| HIV Prevention Activities Health Department Based | 93.940 | <u>785,963</u> |
| Total expenditures of federal awards | | <u><u>\$ 2,728,968</u></u> |

See notes to schedule of expenditures of federal awards.

Resource Center Dallas
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. The Center has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

Report of Independent Auditors 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
Resource Center Dallas

We have audited the consolidated financial statements of Resource Center Dallas and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 8, 2021. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Resource Center Dallas Foundation, Resource Center Title Holding Corporation and Resource Center LGBTQ Health and Wellness Center were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Resource Center Dallas Foundation, Resource Center Title Holding Corporation or Resource Center LGBTQ Health and Wellness Center.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Resource Center Dallas' 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 determination of the consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



A Limited Liability Partnership

Arlington, Texas
March 8, 2021

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

To the Board of Directors of
Resource Center Dallas

Report on Compliance for Each Major Federal Program

We have audited Resource Center Dallas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Resource Center Dallas' major federal programs for the year ended September 30, 2020. Resource Center Dallas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Resource Center Dallas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Resource Center Dallas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Resource Center Dallas' compliance.

Opinion on Major Federal Program

In our opinion, Resource Center Dallas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of Resource Center Dallas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Resource Center Dallas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Resource Center Dallas' internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Sutton Frost Lang".

A Limited Liability Partnership

Arlington, Texas
March 8, 2021

Resource Center Dallas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

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

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies identified? | None reported |
| Type of auditors’ report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|---|
| 93.940 | HIV Prevention Activities Health Department Based |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

None