



Resource Center Dallas and Subsidiaries

**Consolidated Financial Statements with Supplementary Information
and Compliance Reports
September 30, 2021 and 2020**

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, 2021 and 2020, 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 accounting principles generally accepted in the United States of America (GAAP); 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 auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Title Holding Corporation and Resource Center LGBTQ Health and Wellness Center, Inc. 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with GAAP.

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 GAAS. 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 14, 2022, 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.

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

A Limited Liability Partnership

Arlington, Texas
March 14, 2022

Resource Center Dallas and Subsidiaries
Consolidated Statements of Financial Position
September 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 3,984,087	\$ 4,054,247
Investments	3,106,967	1,285,158
Grants receivable	633,980	865,646
Unconditional promises to give, net	423,692	686,715
Accounts receivable	1,389,127	1,223,025
Other receivables	135,713	73,687
Prepaid expenses and other assets	127,459	74,697
Restricted cash	102,116	136,848
Loan receivable - new market tax credit	4,475,250	4,475,250
Assets restricted for capital expenditures:		
Unconditional promises to give, net	777,390	515,538
Property and equipment	592,568	162,936
Property and equipment, net	14,344,808	9,498,766
Endowment investments	1,566,261	1,379,021
Total assets	\$ 31,659,418	\$ 24,431,534
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 470,370	\$ 180,399
Accrued expenses	277,397	315,357
Deferred rent	75,383	72,575
Notes payable	3,650,778	-
Notes payable - new market tax credit	6,370,000	6,370,000
Total liabilities	10,843,928	6,938,331
Net assets:		
Without donor restrictions:		
Undesignated	13,863,537	13,739,121
Board designated reserve	2,999,295	1,018,155
Total net assets without donor restrictions	16,862,832	14,757,276
Net assets with donor restrictions	3,952,658	2,735,927
Total net assets	20,815,490	17,493,203
Total liabilities and net assets	\$ 31,659,418	\$ 24,431,534

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 1,902,944	\$ 1,276,983	\$ 3,179,927
Government grants	3,764,223	-	3,764,223
340B pharmacy revenue	11,334,712	-	11,334,712
Fees for services	391,311	-	391,311
Net investment income	425,621	187,239	612,860
Other income	146,609	-	146,609
Net assets released from restrictions	247,491	(247,491)	-
Total revenue and support	18,212,911	1,216,731	19,429,642
Expenses:			
Program:			
HIV services	6,659,728	-	6,659,728
LGBTQ services	6,097,966	-	6,097,966
Prevention services	1,759,815	-	1,759,815
Total program	14,517,509	-	14,517,509
Supporting services:			
Administrative	835,172	-	835,172
Fundraising	754,674	-	754,674
Total supporting services	1,589,846	-	1,589,846
Total expenses	16,107,355	-	16,107,355
Change in net assets	2,105,556	1,216,731	3,322,287
Net assets at beginning of year	14,757,276	2,735,927	17,493,203
Net assets at end of year	\$16,862,832	\$ 3,952,658	\$20,815,490

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 Functional Expenses
Year Ended September 30, 2021

	HIV Services	LGBTQ Services	Prevention Services	Total Program	Administrative	Fundraising	Total
Personnel	\$ 2,989,724	\$ 1,424,202	\$ 1,161,399	\$ 5,575,325	\$ 567,566	\$ 620,435	\$ 6,763,326
Facilities	425,469	101,412	222,476	749,357	77,158	17,641	844,156
Client payments	596,652	-	-	596,652	-	-	596,652
Pharmaceuticals	1,420,100	3,849,681	1,767	5,271,548	-	-	5,271,548
Other client services	882,065	342,547	308,285	1,532,897	80,898	59,224	1,673,019
General operations	177,212	148,510	37,398	363,120	109,550	50,137	522,807
Other	168,506	231,614	28,490	428,610	-	7,237	435,847
Total expenses by function	<u>\$ 6,659,728</u>	<u>\$ 6,097,966</u>	<u>\$ 1,759,815</u>	<u>\$14,517,509</u>	<u>\$ 835,172</u>	<u>\$ 754,674</u>	<u>\$16,107,355</u>

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	<u>6,071,347</u>	<u>4,667,188</u>	<u>1,490,315</u>	<u>12,228,850</u>	<u>534,832</u>	<u>720,023</u>	<u>13,483,705</u>
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	<u>\$ 6,071,347</u>	<u>\$ 4,667,188</u>	<u>\$ 1,490,315</u>	<u>\$ 12,228,850</u>	<u>\$ 534,832</u>	<u>\$ 684,811</u>	<u>\$ 13,448,493</u>

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,322,287	\$ 2,789,638
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	406,113	367,401
Provision for bad debt loss	-	79,833
Realized and unrealized loss on investments	(549,679)	337,335
Donated stock	(9,869)	-
Change in discount on unconditional promises to give	(88,919)	83,585
Contributions restricted for capital campaign	(1,255,340)	(569,052)
Changes in operating assets and liabilities:		
Grants receivable	231,666	(305,287)
Accounts receivable	(166,102)	(257,428)
Unconditional promises to give	314,747	7,225
Other receivables	(62,026)	(30,997)
Prepaid expenses and other assets	(52,762)	6,103
Accounts payable	289,971	3,852
Accrued expenses	(37,960)	120,715
Deferred rent	2,808	7,794
Net cash provided by operating activities	2,344,935	2,640,717
Cash flows from investing activities:		
Purchases of property and equipment	(2,025,787)	(501,971)
Proceeds from sales from investments	512,517	-
Purchases of investments	(1,962,018)	(134,077)
Net cash used by investing activities	(3,475,288)	(636,048)
Cash flows from financing activities:		
Payments on note payable	(5,222)	-
Collections of contributions for capital campaign	1,030,683	154,652
Net cash provided by financing activities	1,025,461	154,652
Change in cash and cash equivalents	(104,892)	2,159,321
Cash and cash equivalents at beginning of year	4,191,095	2,031,774
Cash and cash equivalents at end of year	\$ 4,086,203	\$ 4,191,095
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 80,500	\$ 78,260
Noncash investing and financing activities:		
Donated stock	\$ 9,869	\$ -
Land acquired through issuance of debt	\$ 3,656,000	\$ -
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	\$ 3,984,087	\$ 4,054,247
Restricted cash	102,116	136,848
Total cash and cash equivalents shown on the consolidated statements of cash flows	\$ 4,086,203	\$ 4,191,095

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 accounting principles generally accepted in the United States of America (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, 2021, the Center had uninsured balances totaling \$3,633,360.

Restricted Cash

At September 30, 2021 and 2020, restricted cash represents funds held in a separate account to be used to pay interest as required by NMTC agreements.

Investments

Investments are carried at fair value with the related gains and losses included in the consolidated statements of activities.

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 or 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.

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.

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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Loan Receivable

The loan receivable – NMTC is collateralized by the membership interests related to the NMTC transaction (see Notes 5 and 9) 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 loan based on indicators such as collateralization and collection experience. As of September 30, 2021 and 2020, no allowance has been established.

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 a cost of \$5,000 or more and 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, 2021 and 2020.

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 \$2,198,889 that have not been recognized at September 30, 2021 because qualifying expenditures have not yet been incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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.

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 19,414 and 26,565 hours of time for the years ended September 30, 2021 and 2020, respectively. As of September 30, 2021, \$2,500 of donated services met the criteria to be recorded as revenue. As of September 30, 2020, 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 18% and 17% of its total revenue and support for the years ended September 30, 2021 and 2020, 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, 2021 and 2020, 340B program revenue comprised 59% and 64% 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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.

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. 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, 2021 or 2020, 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Center will be required to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

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

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.

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

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

	<u>2021</u>	<u>2020</u>
Money market funds and cash equivalents	\$ 238,613	\$ 138,985
Common stock	782,346	241,904
Exchange traded funds	503,946	198,052
Mutual funds:		
Growth and income	107,729	174,514
Index fund	2,798,561	1,198,286
Fixed income	242,033	712,438
	<u>\$ 4,673,228</u>	<u>\$ 2,664,179</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 109,041	\$ 197,365
Realized gain on investments	27,203	-
Unrealized gain (loss) on investments	522,476	(337,335)
Fees	(45,860)	(29,794)
	<u>\$ 612,860</u>	<u>\$ (169,764)</u>

4. Unconditional Promises to Give

Unconditional promises to give at September 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 815,159	\$ 603,957
One to five years	448,769	749,081
Subtotal	1,263,928	1,353,038
Less allowance for doubtful accounts	(42,340)	(41,360)
Less discount to present value	(20,506)	(109,425)
Unconditional promises to give, net	<u>\$ 1,201,082</u>	<u>\$ 1,202,253</u>

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

Unconditional promises to give beyond September 30, 2021 and 2020 are valued using a discount rate of 3.25%. At September 30, 2021, approximately 46% of promises to give were due from two donors. At September 30, 2020, approximately 49% of promises to give were due from four donors.

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 Loan. The balance due to the Center at September 30, 2021 and 2020 is \$4,475,250 (see Note 9).

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

2022	\$	-
2023		-
2024		-
2025		182,875
2026		184,704
Thereafter		<u>4,107,671</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, 2021 and 2020 and is included in other receivables on the consolidated statements of financial position.

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

6. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 7,392,287	\$ 2,494,391
Buildings and improvements	8,475,185	8,475,185
Furniture and equipment	690,239	652,442
Vehicles	356,212	173,016
Capitalized interest	205,297	72,031
Construction in progress	<u>592,568</u>	<u>162,936</u>
	17,711,788	12,030,001
Less accumulated depreciation	<u>(2,774,412)</u>	<u>(2,368,299)</u>
Property and equipment, net	<u><u>\$14,937,376</u></u>	<u><u>\$ 9,661,702</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, 2021) and matures on July 6, 2022. The line of credit is secured by equipment, inventory and receivables. No balance was outstanding on the line at September 30, 2021 and 2020.

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. The 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. On November 18, 2020, the Center received forgiveness of the entire amount of the PPP loan. The Center included the proceeds from the loan in other income on the statement of activities as of September 30, 2020.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

9. Notes Payable

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), 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.

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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Other Notes Payable

On November 12, 2020, RCD entered into a \$3,156,000 note payable to Veritex Bank to purchase a site for the new senior center. The note bears interest at 3.5% with interest payments due monthly in the amount of \$8,548 until maturity. The principal payment is due as a balloon payment upon maturity of the loan on November 12, 2022. The note is collateralized by certain real property. At September 30, 2021 the balance outstanding on the note totaled \$3,156,000.

On November 12, 2020, RCD entered into a \$500,000 note payable to The Real Estate Council Community Fund to purchase a parcel of land for future expansion. The note bears interest at 8% with interest payments due quarterly in the amount of \$10,000 until maturity. The principal payment is due as a balloon payment upon maturity of the loan on December 1, 2022. The note is collateralized by certain real property. At September 30, 2021, the balance outstanding on the note totaled \$494,778.

Principal amounts due on loans payable for the year ending September 30, 2021 total \$3,650,778.

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

2022	\$	-
2023		3,650,778
2024		-
2025		199,644
2026		202,151
Thereafter		<u>5,968,205</u>
		<u><u>\$ 10,020,778</u></u>

10. Board Designated Net Assets

Net assets without donor restrictions totaling \$2,999,295 and \$1,018,155 at September 30, 2021 and 2020, 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.

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

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:

	<u>2021</u>	<u>2020</u>
Time restricted pledges	\$ 423,692	\$ 686,715
Time restricted pledges for capital campaign	777,390	515,538
Capital campaign	1,185,315	154,652
Restricted in perpetuity	<u>1,566,261</u>	<u>1,379,022</u>
	<u>\$ 3,952,658</u>	<u>\$ 2,735,927</u>

12. Leases

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

2022	\$ 261,718
2023	266,823
2024	173,092
2025	98,331
2026	101,244
Thereafter	293,171

Rent expense related to facilities and equipment under non-cancelable operating lease agreements was approximately \$395,000 and \$406,000 for the years ended September 30, 2021 and 2020, 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 revenue and expense in the amounts of \$399,948 and \$156,978 for the years ended September 30, 2021 and 2020, respectively.

14. Related Party Transactions

Board members contributed \$73,807 and \$140,748 during the years ended September 30, 2021 and 2020, respectively.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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, 2021, the Center was awarded a COVID-related supplement to an existing cost-reimbursement grant totaling \$113,770, which is included in government grants revenue on the accompanying consolidated statement of activities. Management continues to 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. 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, 2021, 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 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 \$50,016 and \$77,215 for the years ended September 30, 2021 and 2020, respectively.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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, 2021 and 2020 is \$182,468.

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, 2021 and 2020 is \$1,383,793 and \$1,196,554, 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 as 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

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

- 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 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 as of September 30, 2020. 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. During the year ended September 30, 2021, the favorable market conditions returned the amount of the perpetual endowment funds to a level above the TUPMIFA requirements.

Changes in the endowment funds for the years ended September 30, 2021 and 2020 are as follows:

	2021		
	Accumulated Gains (Losses) and Other	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ -	\$ 1,379,022	\$ 1,379,022
Dividend and interest income	73,961	-	73,961
Net unrealized gain	84,651	187,239	271,890
Appropriations for expenditure	(158,612)	-	(158,612)
Endowment net assets at end of year	\$ -	\$ 1,566,261	\$ 1,566,261

Resource Center Dallas and Subsidiaries
Notes to Consolidated Financial Statements

	2020		
	Accumulated Gains (Losses) and Other	Restricted in Perpetuity	Total
Endowment net assets at 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

19. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year from the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	\$ 3,750,110	\$ 4,014,319
Investments	3,106,967	1,285,158
Grants receivable	633,980	865,646
Unconditional promises to give, net	1,201,082	1,202,253
Accounts receivable	1,389,127	1,223,025
Other receivables	135,713	73,687
Restricted cash	336,093	176,776
Endowment investments	1,566,261	1,379,021
Total financial assets	12,119,333	10,219,885
Less financial assets not available for general expenditures within one year:		
Unconditional promises to give restricted for capital campaign	(777,390)	(515,338)
Unconditional promises to give due in more than one year, net of capital campaign	(303,732)	(213,733)
Restricted cash for NMTC	(102,116)	(136,848)
Endowment investments	(1,566,261)	(1,379,021)
Board designated reserve	(2,999,295)	(1,018,155)
	(5,748,794)	(3,263,095)
Total financial assets available for general expenditure	\$ 6,370,539	\$ 6,956,790

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

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

As of September 30, 2021, the Center had reserves in cash and cash equivalents on hand to meet 4.5 months of normal operating expenses, which currently average approximately \$1,300,000 per month. 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 line of credit in the amount of \$700,000, which it could draw upon in the event of an unanticipated liquidity need.

20. Subsequent Events

Subsequent to year end, due to changes in the 340B program, the Center expects to see a decrease in revenue from this program. The full financial impact cannot be determined at this time.

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, 2021

	Resource Center Dallas	Resource Center Dallas Foundation	Resource Center Title Holding Corporation	Resource Center LGBTQ Health and Wellness Center, Inc.	Total	Eliminating Entries	Consolidated Balance
Assets:							
Cash and cash equivalents	\$ 3,976,753	\$ -	\$ -	\$ 7,334	\$ 3,984,087	\$ -	\$ 3,984,087
Investments	3,106,967	-	-	-	3,106,967	-	3,106,967
Grants receivable	633,980	-	-	-	633,980	-	633,980
Unconditional promises to give, net	396,423	27,269	-	-	423,692	-	423,692
Accounts receivable	1,389,127	-	-	-	1,389,127	-	1,389,127
Intercompany receivable	-	2,286,016	-	-	2,286,016	(2,286,016)	-
Other receivables	135,713	-	-	-	135,713	-	135,713
Prepaid expenses and other assets	127,459	-	-	-	127,459	-	127,459
Assets restricted for capital expenditures:							
Unconditional promises to give, net	-	777,390	-	-	777,390	-	777,390
Property and equipment	592,568	-	-	-	592,568	-	592,568
Restricted cash	-	-	102,116	-	102,116	-	102,116
Loan receivable - new market tax credit	4,475,250	-	-	-	4,475,250	-	4,475,250
Property and equipment, net	6,925,404	-	7,419,404	-	14,344,808	-	14,344,808
Endowment investments	1,566,261	-	-	-	1,566,261	-	1,566,261
Total assets	\$ 23,325,905	\$ 3,090,675	\$ 7,521,520	\$ 7,334	\$ 33,945,434	\$ (2,286,016)	\$ 31,659,418
Liabilities:							
Accounts payable	\$ 391,067	\$ 74,588	\$ -	\$ 4,715	\$ 470,370	\$ -	\$ 470,370
Accrued expenses	277,255	-	-	142	277,397	-	277,397
Deferred rent	75,383	-	-	-	75,383	-	75,383
Intercompany payable	1,638,926	-	396,814	250,276	2,286,016	(2,286,016)	-
Notes payable	3,650,778	-	-	-	3,650,778	-	3,650,778
Notes payable - new market tax credit	-	-	6,370,000	-	6,370,000	-	6,370,000
Total liabilities	6,033,409	74,588	6,766,814	255,133	13,129,944	(2,286,016)	10,843,928
Net assets (deficit)	17,292,496	3,016,087	754,706	(247,799)	20,815,490	-	20,815,490
Total liabilities and net assets	\$ 23,325,905	\$ 3,090,675	\$ 7,521,520	\$ 7,334	\$ 33,945,434	\$ (2,286,016)	\$ 31,659,418

Resource Center Dallas
Consolidating Statement of Activities
Year Ended September 30, 2021

	Resource Center Dallas	Resource Center Dallas Foundation	Resource Center Title Holding Corporation	Resource Center LGBTQ Health and Wellness Center, Inc.	Total	Eliminating Entries	Consolidated Total
Revenue and support:							
Contributions	\$ 1,884,912	\$ 1,295,015	\$ -	\$ -	\$ 3,179,927	\$ -	\$ 3,179,927
Government grants	3,764,223	-	-	-	3,764,223	-	3,764,223
340B pharmacy revenue	11,334,712	-	-	-	11,334,712	-	11,334,712
Fees for services	391,311	-	-	-	391,311	-	391,311
Net investment income	571,804	41,047	9	-	612,860	-	612,860
Other income	146,609	-	-	-	146,609	-	146,609
Total revenue and support	18,093,571	1,336,062	9	-	19,429,642	-	19,429,642
Expenses:							
Program:							
HIV services	6,659,728	-	-	-	6,659,728	-	6,659,728
LGBTQ services	6,097,966	-	-	-	6,097,966	-	6,097,966
Prevention services	1,759,815	-	-	-	1,759,815	-	1,759,815
Total program	14,517,509	-	-	-	14,517,509	-	14,517,509
Supporting services:							
Administrative	589,460	7,096	226,009	12,607	835,172	-	835,172
Fundraising	754,674	-	-	-	754,674	-	754,674
Total supporting services	1,344,134	7,096	226,009	12,607	1,589,846	-	1,589,846
Total expenses	15,861,643	7,096	226,009	12,607	16,107,355	-	16,107,355
Change in net assets	2,231,928	1,328,966	(226,000)	(12,607)	3,322,287	-	3,322,287
Net assets (deficit) at beginning of year	15,060,568	1,687,121	980,706	(235,192)	17,493,203	-	17,493,203
Net assets (deficit) at end of year	\$ 17,292,496	\$ 3,016,087	\$ 754,706	\$ (247,799)	\$ 20,815,490	\$ -	\$ 20,815,490

Resource Center Dallas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</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	2019-004-6844-10-A00-A/B/R-I-2021-22	\$ 2,124,159
COVID - HIV Emergency Relief Project Grants	93.914	2019-004-6844-10-A00-A/B/R-I-2021-22	113,770
HIV Care Formula Grants	93.917	2019-004-6844-10-A00-A/B/R-I-2021-22	41,221
Texas Department of State Health Services:			
HIV Prevention Activities Health Department Based	93.940	HHS000077800027	<u>1,101,521</u>
Total U.S. Department of Health and Human Services			3,380,671
U.S. Department of Agriculture:			
Texas Department of Agriculture via North Texas Food Bank:			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	245,117
Department of Homeland Security:			
Texas Division of Emergency Management via North Texas Food Bank:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	<u>65,399</u>
Total expenditures of federal awards			<u>\$ 3,691,187</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, 2021

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.

3. Non-cash Federal Awards

The Center received non-cash awards in the form of food commodities totaling \$310,516 for the year ended September 30, 2021.

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, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 14, 2022. 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. 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 14, 2022

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, 2021. 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 accounting principles generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2021.

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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 14, 2022

Resource Center Dallas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

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>Assistance Listing Number</u>	<u>Name of Federal Program</u>
93.914	HIV Emergency Relief Project Grants

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