

Resource Center Dallas and Subsidiaries

**Consolidated Financial Statements
with Supplementary Information and Compliance Reports
September 30, 2023 and 2022**



Resource Center Dallas and Subsidiaries

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Independent Auditors' Report

To the Board of Directors of
Resource Center Dallas and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Resource Center Dallas and Subsidiaries (Center) (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Center as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Resource Center Dallas Foundation, Resource Center Title Holding Corporation, Resource Sadler Senior LLC and Resource Center LGBTQ Health and Wellness Center, Inc. were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Center changed its method of accounting for leases effective October 1, 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 presented for purposes 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 4, 2024, 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 the effectiveness of Resource Center Dallas' 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 Limited Liability Partnership

Arlington, Texas
March 4, 2024

Resource Center Dallas and Subsidiaries
Consolidated Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 2,052,124	\$ 2,509,021
Investments	2,885,127	2,882,357
Grants receivable	562,734	874,063
Unconditional promises to give, net	815,558	212,592
Accounts receivable, net	642,464	1,070,525
Other receivables	86,903	127,349
Prepaid expenses and other assets	276,782	154,429
Restricted cash	-	64,174
Loan receivable - new market tax credit	-	4,475,250
Loans receivable - Sadler Circle	6,951,139	-
Assets restricted for capital expenditures:		
Cash and cash equivalents	40,000	-
Unconditional promises to give, net	-	501,098
Property and equipment	-	1,169,989
Property and equipment, net	17,255,688	14,181,783
Right-of-use assets - operating leases, net	520,419	-
Endowment investments	1,539,670	1,365,470
Total assets	\$ 33,628,608	\$ 29,588,100
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 553,834	\$ 451,197
Accrued expenses	435,329	403,525
Deferred rent	-	73,145
Notes payable	5,844,854	3,645,885
Notes payable - new market tax credit	-	6,370,000
Right-of-use liabilities - operating leases	581,448	-
Total liabilities	7,415,465	10,943,752
Net assets:		
Net assets without donor restrictions	23,792,915	14,649,122
Net assets with donor restrictions	2,420,228	3,995,226
Total net assets	26,213,143	18,644,348
Total liabilities and net assets	\$ 33,628,608	\$ 29,588,100

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of financial assets	\$ 3,166,290	\$ 1,055,643	\$ 4,221,933
Contributions of nonfinancial assets	93,208	-	93,208
Government grants	9,074,147	-	9,074,147
340B pharmacy revenue	11,746,066	-	11,746,066
Fees for services	578,854	-	578,854
Net investment income	530,588	173,826	704,414
Other income, net	277,862	-	277,862
Net assets released from restrictions	2,804,467	(2,804,467)	-
Total revenue and support	28,271,482	(1,574,998)	26,696,484
Expenses:			
Program:			
HIV services	7,049,173	-	7,049,173
LGBTQ services	9,466,581	-	9,466,581
Prevention services	2,009,140	-	2,009,140
Total program	18,524,894	-	18,524,894
Supporting services:			
Administrative	1,512,759	-	1,512,759
Fundraising	984,786	-	984,786
Total supporting services	2,497,545	-	2,497,545
Total expenses	21,022,439	-	21,022,439
Non-operating income:			
Net gain on closing of New Market Tax Credit	1,894,750	-	1,894,750
Change in net assets	9,143,793	(1,574,998)	7,568,795
Net assets at beginning of year	14,649,122	3,995,226	18,644,348
Net assets at end of year	<u>\$23,792,915</u>	<u>\$ 2,420,228</u>	<u>\$26,213,143</u>

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of financial assets	\$ 2,981,044	\$ 457,370	\$ 3,438,414
Contributions of nonfinancial assets	41,008	-	41,008
Government grants	3,879,983	-	3,879,983
340B pharmacy revenue	11,118,128	-	11,118,128
Fees for services	515,655	-	515,655
Net investment loss	(738,499)	(200,792)	(939,291)
Other income, net	196,128	-	196,128
Net assets released from restrictions	214,010	(214,010)	-
Total revenue and support	18,207,457	42,568	18,250,025
Expenses:			
Program:			
HIV services	6,464,530	-	6,464,530
LGBTQ services	9,326,984	-	9,326,984
Prevention services	2,353,663	-	2,353,663
Total program	18,145,177	-	18,145,177
Supporting services:			
Administrative	1,422,929	-	1,422,929
Fundraising	853,061	-	853,061
Total supporting services	2,275,990	-	2,275,990
Total expenses	20,421,167	-	20,421,167
Change in net assets	(2,213,710)	42,568	(2,171,142)
Net assets at beginning of year	16,862,832	3,952,658	20,815,490
Net assets at end of year	<u>\$14,649,122</u>	<u>\$ 3,995,226</u>	<u>\$18,644,348</u>

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended September 30, 2023

	HIV Services	LGBTQ Services	Prevention Services	Total Program	Administrative	Fundraising	Total
Personnel	\$ 2,911,248	\$ 2,377,363	\$ 1,514,518	\$ 6,803,129	\$ 803,125	\$ 791,432	\$ 8,397,686
Facilities	348,537	175,013	164,450	688,000	92,676	73,830	854,506
Client payments	686,765	149	-	686,914	-	-	686,914
Pharmaceuticals	2,234,263	6,274,288	-	8,508,551	-	-	8,508,551
Other client services	683,102	365,574	208,036	1,256,712	372,834	91,658	1,721,204
General operations	48,356	105,376	23,371	177,103	224,304	7,492	408,899
Other	1,085	1,338	783	3,206	156	161	3,523
Depreciation	135,817	167,480	97,982	401,279	19,664	20,213	441,156
Total expenses by function	\$ 7,049,173	\$ 9,466,581	\$ 2,009,140	\$18,524,894	\$ 1,512,759	\$ 984,786	\$21,022,439

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended September 30, 2022

	HIV Services	LGBTQ Services	Prevention Services	Total Program	Administrative	Fundraising	Total
Personnel	\$ 3,221,097	\$ 2,232,539	\$ 1,750,412	\$ 7,204,048	\$ 829,232	\$ 621,244	\$ 8,654,524
Facilities	373,646	84,036	267,734	725,416	150,936	81,061	957,413
Client payments	694,158	2,331	-	696,489	-	-	696,489
Pharmaceuticals	1,323,960	6,290,228	1,916	7,616,104	-	-	7,616,104
Other client services	676,425	400,726	239,134	1,316,285	157,101	23,242	1,496,628
General operations	135,987	119,495	40,081	295,563	216,765	35,951	548,279
Other	7,455	37,531	10,329	55,315	13,083	17,388	85,786
Depreciation	31,802	160,098	44,057	235,957	55,812	74,175	365,944
Total expenses by function	\$ 6,464,530	\$ 9,326,984	\$ 2,353,663	\$18,145,177	\$ 1,422,929	\$ 853,061	\$20,421,167

See notes to consolidated financial statements.

Resource Center Dallas and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 7,568,795	\$ (2,171,142)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	441,156	365,994
Amortization of right-of-use assets - operating leases	107,315	-
Provision for bad debt loss	-	(128,099)
Donated stock	(5,018)	-
Realized and unrealized loss (gain) on investments	(661,840)	985,831
Net gain on closing of New Market Tax Credit	(1,894,799)	-
Change in discount on unconditional promises to give	(16,695)	740
Change in allowance for accounts receivable	(12,446)	-
Contributions restricted for capital campaign	-	(455,457)
Changes in operating assets and liabilities:		
Grants receivable	311,329	(240,083)
Unconditional promises to give	(85,173)	253,697
Accounts receivable	440,507	404,361
Other receivables	40,446	8,364
Prepaid expenses and other assets	(122,353)	(26,970)
Loans receivable - Sadler Circle	(6,951,139)	-
Accounts payable	102,637	(19,173)
Accrued expenses	31,804	126,128
Deferred rent	-	(2,238)
Right-of-use liabilities - operating leases	(404,442)	-
Net cash used by operating activities	(1,109,916)	(898,047)
Cash flows from investing activities:		
Purchases of property and equipment	(2,345,073)	(780,390)
Proceeds from sales from investments	489,888	167,000
Purchases of investments	-	(727,430)
Net cash used by investing activities	(1,855,185)	(1,340,820)
Cash flows from financing activities:		
Payments on line of credit	(903,508)	-
Draws on line of credit	903,508	-
Payments on note payable	(6,962,031)	(4,893)
Proceeds from note payable	9,161,000	-
Collections of contributions for capital campaign	285,061	730,752
Net cash provided by financing activities	2,484,030	725,859
Net change in cash and cash equivalents	(481,071)	(1,513,008)
Cash and cash equivalents at beginning of year	2,573,195	4,086,203
Cash and cash equivalents at end of year	\$ 2,092,124	\$ 2,573,195
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 69,426	\$ 80,007
Right-of-use assets obtained in exchange of operating lease liabilities	\$ 627,734	\$ -
Noncash investing and financing activities:		
Donated stock	\$ 5,018	\$ -
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	\$ 2,052,124	\$ 2,509,021
Restricted cash and cash equivalents	40,000	64,174
Total cash and cash equivalents shown on the consolidated statements of cash flows	\$ 2,092,124	\$ 2,573,195

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 pursue societal equity by proudly offering LGBTQIA+ affirming resources designed to improve health and wellness, strengthen families and communities, and provide 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.

On February 19, 2021, RCD created Resource Sadler Senior LLC (RSS) which holds a 0.005% partnership interest in Sadler Circle Senior Apartments LLC (Sadler Circle), a partnership formed to construct, own and operate a project for low-income residents in Dallas, Texas (Project). RCD is the sole member of RSS. RSS is considered a disregarded entity.

RCD, the Foundation, Resource Center Title Holding Corporation, Wellness Center and RSS 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 0% to 400% (for insurance assistance) of the Federal Poverty Level and reside in the Center's service area.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

- LGBTQ Services – The Center provides youth and senior programming, medical support, adult 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.

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts and transactions of RCD, the Foundation, Resource Center Title Holding Corporation, Wellness Center and RSS. 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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.

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, 2023, the Center had uninsured balances totaling \$1,574,267.

Restricted Cash

At September 30, 2023, restricted cash represents funds held to be used for capital expenditure. At September 30, 2022, 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 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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. Allowance for doubtful accounts totaled \$17,688 and \$30,134 at September 30, 2023 and 2022, respectively.

Loans 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, 2022, no allowance has been established. The loan receivable – NMTC was forgiven during the year ended September 30, 2023 when the Center exercised the purchase option.

The loans receivable – Sadler Circle were made to finance a portion of the Project, as referenced in Note 1. See Note 6 for additional details.

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, 2023 and 2022.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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 \$2,016,831 that have not been recognized at September 30, 2023 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.

Donated food and supplies are reflected as contributions of nonfinancial assets 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 of nonfinancial assets 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 31,316 and 27,365 hours of time for the years ended September 30, 2023 and 2022, respectively. For the year ended September 30, 2023, \$8,900 of donated services met the criteria to be recorded as revenue. For the year ended September 30, 2022, 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

The Center received approximately 14% and 21% of its total revenue and support for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, 340B program revenue comprised 41% and 61% 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.

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, 2023 or 2022, 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Reclassification

Certain items in the 2022 consolidated financial statements have been reclassified to conform to current year classifications, specifically, depreciation expense in the statement of functional expenses. Such reclassifications had no effect on previously reported changes in net assets.

Accounting Pronouncement Adopted

The Center adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Center elected to adopt the transition relief provisions from ASU 2016-02 and recorded the impact of adoption as of October 1, 2022, using the modified retrospective method resulting in the recording of right-of-use (ROU) assets and liabilities totaling \$627,734 and \$689,646, respectively. No changes were required to net assets as of October 1, 2022.

New Accounting Pronouncements

In 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, to replace the incurred loss model with the expected loss model. Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This standard is effective for fiscal years beginning after December 15, 2022.

Resource Center Dallas and Subsidiaries

Notes to 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).

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.

At September 30, 2023 the Center had investments in one individual mutual fund that comprised approximately 24% of the balance of total investments. At September 30, 2022 the Center had no significant concentrations of investments.

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:

	2023	2022
Money market funds and cash equivalents	\$ 17,220	\$ 264,476
Common stock	759,244	835,183
Exchange traded funds	1,067,168	1,093,460
Mutual funds:		
Growth and income	-	39,658
Index fund	2,581,165	1,869,063
Fixed income	-	145,987
	<u>\$ 4,424,797</u>	<u>\$ 4,247,827</u>

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

	2023	2022
Interest and dividend income	\$ 89,137	\$ 110,587
Realized and unrealized gain (loss) on investments	661,840	(985,831)
Fees	(46,563)	(64,047)
	<u>\$ 704,414</u>	<u>\$ (939,291)</u>

4. Unconditional Promises to Give

Unconditional promises to give were as follows at September 30:

	2023	2022
Amounts due in:		
Less than one year	\$ 794,202	\$ 437,988
One to five years	25,907	296,948
Subtotal	820,109	734,936
Less discount to present value	(4,551)	(21,246)
Unconditional promises to give, net	<u>\$ 815,558</u>	<u>\$ 713,690</u>

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Unconditional promises to give beyond September 30, 2023 are valued using a discount rate of 3.25%. Unconditional promises to give at September 30, 2022 are valued using a discount rate between 3.25% and 6.25%. At September 30, 2023, approximately 77% of promises to give were due from two donors. At September 30, 2022, approximately 50% of promises to give were due from two donors.

5. Loan Receivable - NMTC

The loan receivable – NMTC (Loan) is due from Chase NMTC Resource Center Investment Fund, LLC (Chase NMTC Fund) with interest that was due at 1% per annum until December 10, 2024; at which point interest and principal payments were 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. During the year ended September 30, 2023, the Center exercised its option to purchase the interest in the Chase NMTC Fund (as described in Note 9), at which time the Loan was forgiven in full.

6. Loans Receivable – Sadler Circle

On December 7, 2023, RCD provided a loan to Sadler Circle totaling \$5,000,000 (ARPA Loan). The note was funded from proceeds of a grant received by RCD from the American Rescue Plan Act totaling \$5,000,000. The ARPA Loan bears no interest and principal payments are contingent on available cash flow of the Project. The ARPA Loan is subordinate to the Sadler Circle's construction and permanent loan agreement payable to a commercial bank.

On January 27, 2023, RCD entered into a leasehold deed of trust and security agreement with Sadler Circle in order to lend funds for the construction of the Project in an amount of \$1,951,139 (Sponsor Loan). The Sponsor Loan bears no interest and principal payments are contingent on available cash flow of the Project. The Sponsor Loan is subordinate to the Sadler Circle's construction and permanent loan agreement payable to a commercial bank.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

7. Property and Equipment

Property and equipment consists of the following at September 30:

	2023	2022
Land	\$ 5,006,364	\$ 7,392,287
Buildings and improvements	14,427,269	8,526,284
Furniture and equipment	711,941	711,941
Vehicles	356,211	356,212
Capitalized interest	335,465	335,465
Construction in progress	-	1,169,989
	20,837,250	18,492,178
Less accumulated depreciation	(3,581,562)	(3,140,406)
Property and equipment, net	<u>\$17,255,688</u>	<u>\$15,351,772</u>

Depreciation expense totaled \$441,156 and \$365,994 for the years ended September 30, 2023 and 2022, respectively.

8. 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 (8.50% at September 30, 2023) and matures on July 6, 2024. The line of credit is secured by equipment and receivables. No balance was outstanding on the line of credit at September 30, 2023 and 2022.

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 originally matured on December 1, 2045 and had 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 Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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 had an interest rate of 1.256% per annum. Interest and principal payments were due and payable annually until maturity. The note originally matured 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. After exercising its option to purchase the interest in the Chase NMTC Fund, the Center opted to unwind the NMTC during the year ended September 30, 2023.

As a result of the NMTC closing, Resource Center Title Holding Corporation transferred \$7,114,200 of property and equipment to the Center. The Center realized a net loss of \$4,475,250 on the forgiveness of debt from the NMTC unwind and Resource Center Holding Corporation realized a net gain of \$6,370,000. The total net gain recognized for the NMTC unwind totaled \$1,894,750.

Other Notes Payable

On July 24, 2023, RCD entered into a \$7,000,000 note payable to Veritex Bank to acquire a new building for health services. The note bears interest at 8.25% with interest payments due monthly commencing on August 24, 2023 until maturity at which point all unpaid and accrued interest and the principal payment are due at maturity of the loan on July 24, 2024. The note is collateralized by certain real property. At September 30, 2023, the balance outstanding on the note totaled \$5,844,854.

On November 12, 2020, RCD entered into a \$3,156,000 note payable to Veritex Bank to purchase a site for new senior housing. The note bears interest at 3.25% 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, 2022, the balance outstanding on the note totaled \$3,156,000. The loan was paid off during the year ended September 30, 2023.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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, 2022, the balance outstanding on the note totaled \$489,885. The note was paid off during the year ended September 30, 2023.

10. Board Designated Net Assets

Net assets without donor restrictions totaling \$3,158,627 and \$3,403,388 at September 30, 2023 and 2022, 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:

	2023	2022
Time restricted pledges	\$ 815,558	\$ 713,690
Capital campaign	-	1,916,067
Capital expenditures	40,000	-
Nutrition	25,000	-
Restricted in perpetuity	1,539,670	1,365,470
	<u>\$ 2,420,228</u>	<u>\$ 3,995,227</u>

12. Leases

In evaluating its contracts, the Center separately identifies lease and nonlease components, such as maintenance costs, in calculating the ROU assets and lease liabilities for its office equipment and office space. The Center has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Center determines lease classification as operating or finance at the lease commencement date.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent and lease incentives. The Center uses the implicit rate when readily determinable. As the lease do not provide an implicit rate, the Center uses the incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates was used to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Center is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Center has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Center entered into operating lease arrangements for office space and equipment used for operations. The leases expire through June 30, 2029. The leases require the Center to pay all executory costs (maintenance and insurance). Termination of the leases is generally prohibited unless there is as violation under the lease agreements.

Future minimum lease payments and reconciliation to the consolidated statement of financial position at September 30, 2023 are as follows for the years ending September 30:

2024	\$ 136,361
2025	115,391
2026	101,244
2027	104,158
2028	107,071
2029	<u>81,941</u>
Total future discounted lease payments	646,166
Less present value discount	<u>(64,718)</u>
Right-of-use liabilities, net	<u><u>\$ 581,448</u></u>

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

The following represents lease costs and required information for the year ended September 30, 2023:

Total lease cost	<u>\$ 133,448</u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Cash flows from operating leases	<u>\$ 108,197</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 627,734</u>
Weighted-average remaining lease term:	<u>4.8 years</u>
Weighted-average discount rate:	<u>4.02%</u>

13. Contributions of Nonfinancial Assets

The Center received the following contributions of nonfinancial assets during the year ended September 30, 2023:

	Program Services	Fundraising	Total
Supplies	\$ 2,539	\$ -	\$ 2,539
Goods	-	20,965	20,965
Occupancy	25,000	-	25,000
Services	6,900	2,000	8,900
Food	<u>16,588</u>	<u>19,216</u>	<u>35,804</u>
	<u>\$ 51,027</u>	<u>\$ 42,181</u>	<u>\$ 93,208</u>

The Center received the following contributions of nonfinancial assets during the year ended September 30, 2022:

	Program Services	Fundraising	Total
Services	\$ 25,000	\$ -	\$ 25,000
Food	<u>16,008</u>	<u>-</u>	<u>16,008</u>
	<u>\$ 41,008</u>	<u>\$ -</u>	<u>\$ 41,008</u>

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Supplies

Contributed supplies are reported at the fair market value of similar goods for sale online.

Goods

Contributed goods are reported at the fair market value of similar items.

Services

Contributed services are valued and reported at the standard invoice rate that would have been charged by the donor.

Food

Contributed food is valued and reported based on costs used for inventory acquisition of the same items.

Occupancy

Contributed occupancy is valued based on the fair market value of other comparable venues in the area.

14. Related Party Transactions

Board members contributed \$78,392 and \$76,213 during the years ended September 30, 2023 and 2022, respectively.

15. 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, 2023, the Center has contracts with three pharmacies: Walgreens, AVITA and Wellpartner. 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

16. 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 by participants and employer matching contributions. The Center matches 50% of each participant's contributions up to a maximum of 6% of the participant's contributions. Participants are 100% vested in employer matching contributions at the date the employer matching contribution is made to the 403(b) plan. The Center's contributions to the plans totaled \$119,566 and \$143,693 for the years ended September 30, 2023 and 2022, respectively.

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 contributions from the Center. The Center's contributions to the plans totaled \$94,077 and \$33,339 for the years ended September 30, 2023 and 2022, respectively.

17. 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, 2023 and 2022 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, 2023 and 2022 is \$1,357,202 and \$1,183,002, respectively.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

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
- 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

Changes in the endowment funds for the years ended September 30, 2023 and 2022 are as follows:

	2023		
	Accumulated Gains (Losses) and Other	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ -	\$ 1,365,470	\$ 1,365,470
Dividend and interest income	42,377	-	42,377
Net unrealized and realized gain (loss)	(42,377)	174,200	131,823
Appropriations for expenditure	-	-	-
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 1,539,670</u>	<u>\$ 1,539,670</u>

	2022		
	Accumulated Gains (Losses) and Other	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ -	\$ 1,566,261	\$ 1,566,261
Dividend and interest income	57,631	-	57,631
Net unrealized loss	(57,631)	(200,791)	(258,422)
Appropriations for expenditure	-	-	-
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 1,365,470</u>	<u>\$ 1,365,470</u>

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 totaled \$171,999 as of September 30, 2022. No such fund deficiency existed as of September 30, 2023. 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.

Resource Center Dallas and Subsidiaries

Notes to Consolidated Financial Statements

18. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year from the years ended September 30, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 2,052,124	\$ 2,509,021
Investments	2,885,127	2,882,357
Grants receivable	562,734	874,063
Unconditional promises to give, net	815,558	713,690
Accounts receivable	642,464	1,070,525
Other receivables	86,903	127,349
Restricted cash and cash equivalents	40,000	64,174
Endowment investments	1,539,670	1,365,470
Total financial assets	8,624,580	9,606,649
Less financial assets not available for general expenditures within one year:		
Unconditional promises to give	(743,731)	(501,098)
Restricted cash and cash equivalents	(40,000)	(64,174)
Endowment investments	(1,539,670)	(1,365,470)
Board designated reserve	(3,158,627)	(3,403,388)
	(5,482,028)	(5,334,130)
Total financial assets available for general expenditure	<u>\$ 3,142,552</u>	<u>\$ 4,272,519</u>

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

As of September 30, 2023, the Center had reserves in cash and cash equivalents on hand to meet 6 months of normal operating expenses, which currently average approximately \$1,700,000 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.

19. Subsequent Events

The Center has evaluated subsequent events through March 4, 2024, 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, 2023

	Resource Center Dallas	Resource Center Dallas Foundation	Resource Center Title Holding Corporation	Resource Center LGBTQ Health and Wellness Center, Inc.	Resource Sadler Senior LLC	Total	Eliminating Entries	Consolidated Balance
Assets:								
Cash and cash equivalents	\$ 1,719,096	\$ 325,369	\$ 325	\$ 7,334	\$ -	\$ 2,052,124	\$ -	\$ 2,052,124
Investments	2,885,127	-	-	-	-	2,885,127	-	2,885,127
Grants receivable	562,734	-	-	-	-	562,734	-	562,734
Unconditional promises to give, net	108,827	706,731	-	-	-	815,558	-	815,558
Accounts receivable, net	642,464	-	-	-	-	642,464	-	642,464
Intercompany receivable	-	3,453,788	368,295	-	-	3,822,083	(3,822,083)	-
Loans receivable - Sadler Circle	6,951,139	-	-	-	-	6,951,139	-	6,951,139
Assets restricted for capital expenditures:								
Cash and cash equivalents	40,000	-	-	-	-	40,000	-	40,000
Other receivables	86,903	-	-	-	-	86,903	-	86,903
Prepaid expenses and other assets	276,782	-	-	-	-	276,782	-	276,782
Property and equipment, net	17,255,688	-	-	-	-	17,255,688	-	17,255,688
Right-of-use assets - operating leases, net	520,419	-	-	-	-	520,419	-	520,419
Endowment investments	1,539,670	-	-	-	-	1,539,670	-	1,539,670
Total assets	<u>\$ 32,588,849</u>	<u>\$ 4,485,888</u>	<u>\$ 368,620</u>	<u>\$ 7,334</u>	<u>\$ -</u>	<u>\$ 37,450,691</u>	<u>\$ (3,822,083)</u>	<u>\$ 33,628,608</u>
Liabilities:								
Accounts payable	\$ 543,954	\$ 5,200	\$ -	\$ 4,680	\$ -	\$ 553,834	\$ -	\$ 553,834
Accrued expenses	435,329	-	-	-	-	435,329	-	435,329
Intercompany payable	3,570,276	-	-	251,807	-	3,822,083	(3,822,083)	-
Note payable	5,844,854	-	-	-	-	5,844,854	-	5,844,854
Right-of-use liabilities, operating leases	581,448	-	-	-	-	581,448	-	581,448
Total liabilities	10,975,861	5,200	-	256,487	-	11,237,548	(3,822,083)	7,415,465
Net assets (deficit)	21,612,988	4,480,688	368,620	(249,153)	-	26,213,143	-	26,213,143
Total liabilities and net assets	<u>\$ 32,588,849</u>	<u>\$ 4,485,888</u>	<u>\$ 368,620</u>	<u>\$ 7,334</u>	<u>\$ -</u>	<u>\$ 37,450,691</u>	<u>\$ (3,822,083)</u>	<u>\$ 33,628,608</u>

Resource Center Dallas
Consolidating Statement of Activities
Year Ended September 30, 2023

	Resource Center Dallas	Resource Center Dallas Foundation	Resource Center Title Holding Corporation	Resource Center LGBTQ Health and Wellness Center, Inc.	Resource Sadler Senior LLC	Total	Eliminating Entries	Consolidated Total
Revenue and support:								
Contributions of financial assets	\$ 3,184,970	\$ 1,036,963	\$ -	\$ -	\$ -	\$ 4,221,933	\$ -	\$ 4,221,933
Contributions of nonfinancial assets	93,208	-	-	-	-	93,208	-	93,208
Government grants	9,074,147	-	-	-	-	9,074,147	-	9,074,147
340B pharmacy revenue	11,746,066	-	-	-	-	11,746,066	-	11,746,066
Fees for services	578,854	-	-	-	-	578,854	-	578,854
Net investment income	647,052	-	57,362	-	-	704,414	-	704,414
Other income, net	277,862	-	-	-	-	277,862	-	277,862
Total revenue and support	25,602,159	1,036,963	57,362	-	-	26,696,484	-	26,696,484
Expenses:								
Program:								
HIV services	7,049,173	-	-	-	-	7,049,173	-	7,049,173
LGBTQ services	9,466,581	-	-	-	-	9,466,581	-	9,466,581
Prevention services	2,009,140	-	-	-	-	2,009,140	-	2,009,140
Total program	18,524,894	-	-	-	-	18,524,894	-	18,524,894
Supporting services:								
Administrative	1,421,317	22,016	69,426	-	-	1,512,759	-	1,512,759
Fundraising	984,786	-	-	-	-	984,786	-	984,786
Total supporting services	2,406,103	22,016	69,426	-	-	2,497,545	-	2,497,545
Total expenses	20,930,997	22,016	69,426	-	-	21,022,439	-	21,022,439
Non-operating income:								
Net gain on closing of New Market Tax Credit	1,894,750	-	-	-	-	1,894,750	-	1,894,750
Change in net assets	6,565,912	1,014,947	(12,064)	-	-	7,568,795	-	7,568,795
Net assets (deficit) at beginning of year	15,047,076	3,465,741	380,684	(249,153)	-	18,644,348	-	18,644,348
Net assets (deficit) at end of year	<u>\$ 21,612,988</u>	<u>\$ 4,480,688</u>	<u>\$ 368,620</u>	<u>\$ (249,153)</u>	<u>\$ -</u>	<u>\$ 26,213,143</u>	<u>\$ -</u>	<u>\$ 26,213,143</u>

See notes to schedule of expenditures of federal awards.

Resource Center Dallas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

<u>Federal Grantor/Cluster/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	20190046844-10-A00-A.B.R-I-2020-21	\$ 2,410,657
HIV Care Formula Grants	93.917	20190046844-10-A00-A.B.R-I-2020-21	425,764
Texas Department of State Health Services:			
HIV Prevention Activities Health Department Based	93.940	HHS000077800027	<u>985,636</u>
Total U.S. Department of Health and Human Services			<u>3,822,057</u>
U.S. Department of Agriculture:			
Food Distribution Cluster:			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	<u>30,739</u>
Total Food Distribution Cluster			30,739
Emergency Food Assistance Program Commodity Credit Corporation			
Eligible Recipient Funds	10.187	N/A	<u>12,939</u>
Total U.S. Department of Agriculture			<u>43,678</u>
U.S. Department of the Treasury:			
Dallas County via North Texas Food Bank:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Commodities	21.027	N/A	720
Dallas County:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	4872-1548-3195.v2	<u>5,000,000</u>
Total U.S. Department of the Treasury:			<u>5,000,720</u>
Department of Housing and Urban Development:			
Texas Division of Emergency Management via North Texas Food Bank:			
Community Development Block Grants in Texas - Commodities	14.228	N/A	<u>2,358</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,868,813</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, 2023

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 \$46,756 for the year ended September 30, 2023.

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

To the Board of Directors of
Resource Center Dallas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Resource Center Dallas, which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2024. 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 the Subsidiaries.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Resource Center Dallas' (Center) 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



A Limited Liability Partnership

Arlington, Texas
March 4, 2024

Independent Auditors' Report 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

Opinion on Each Major Federal Program

We have audited Resource Center Dallas' (Center) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal programs for the year ended September 30, 2023. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material impact effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

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

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

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

A Limited Liability Partnership

Arlington, Texas
March 4, 2024

Resource Center Dallas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

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:	
Coronavirus State and Local Fiscal Recovery Funds	ALN 21.027
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