

# **Resource Center Dallas and Subsidiaries**

**Consolidated Financial Statements with  
Supplementary Information and Compliance Reports  
September 30, 2024 and 2023**



# 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 Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Resource Center Dallas and Subsidiaries (Center) (nonprofit organizations), which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, 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, 2024 and 2023, 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 the allowance for credit losses effective October 1, 2023 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. 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 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, 2025, 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, 2025

**Resource Center Dallas and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**September 30, 2024 and 2023**

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 2,144,220	\$ 2,052,124
Restricted cash	262,500	-
Investments	4,325,613	2,885,127
Grants receivable	608,584	562,734
Unconditional promises to give, net	333,698	815,558
Accounts receivable, net	1,072,864	642,464
Other receivables	106,091	86,903
Prepaid expenses and other assets	459,341	276,782
Loan receivable - new market tax credit	5,901,400	-
Loan receivable - Sadler Circle	7,701,139	6,951,139
Assets restricted for capital expenditures:		
Cash and cash equivalents	-	40,000
Property and equipment, net	21,141,478	17,255,688
Right-of-use assets - operating leases, net	408,552	520,419
Endowment investments	1,941,280	1,539,670
<b>Total assets</b>	<b>\$ 46,406,760</b>	<b>\$ 33,628,608</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,188,663	\$ 553,834
Accrued expenses	721,733	435,329
Notes payable	9,394,527	5,844,854
Note payable - new market tax credit	6,860,000	-
Right-of-use liabilities - operating leases	465,787	581,448
<b>Total liabilities</b>	18,630,710	7,415,465
<b>Net assets:</b>		
Net assets without donor restrictions	25,495,145	23,792,915
Net assets with donor restrictions	2,280,905	2,420,228
<b>Total net assets</b>	27,776,050	26,213,143
<b>Total liabilities and net assets</b>	<b>\$ 46,406,760</b>	<b>\$ 33,628,608</b>

See notes to consolidated financial statements.

**Resource Center Dallas and Subsidiaries**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support:</b>			
Contributions of financial assets	\$ 4,051,342	\$ 140,951	\$ 4,192,293
Contributions of nonfinancial assets	852,504	-	852,504
Government grants	5,100,044	-	5,100,044
340B pharmacy revenue	11,545,657	-	11,545,657
Fees for services	665,699	-	665,699
Net investment income	1,057,804	501,382	1,559,186
Other income, net	622,876	-	622,876
Net assets released from restrictions	781,656	(781,656)	-
<b>Total revenue and support</b>	<b>24,677,582</b>	<b>(139,323)</b>	<b>24,538,259</b>
<b>Expenses:</b>			
Program:			
HIV services	11,142,442	-	11,142,442
LGBTQ services	6,506,641	-	6,506,641
Prevention services	2,516,742	-	2,516,742
Housing services	81,174	-	81,174
<b>Total program</b>	<b>20,246,999</b>	<b>-</b>	<b>20,246,999</b>
Supporting services:			
Administrative	1,529,930	-	1,529,930
Fundraising	1,198,423	-	1,198,423
<b>Total supporting services</b>	<b>2,728,353</b>	<b>-</b>	<b>2,728,353</b>
<b>Total expenses</b>	<b>22,975,352</b>	<b>-</b>	<b>22,975,352</b>
<b>Change in net assets</b>	<b>1,702,230</b>	<b>(139,323)</b>	<b>1,562,907</b>
<b>Net assets at beginning of year</b>	<b>23,792,915</b>	<b>2,420,228</b>	<b>26,213,143</b>
<b>Net assets at end of year</b>	<b>\$25,495,145</b>	<b>\$ 2,280,905</b>	<b>\$ 27,776,050</b>

See notes to consolidated financial statements.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and support:</b>			
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 loss	530,588	173,826	704,414
Other income, net	277,862	-	277,862
Net assets released from restrictions	<u>2,804,467</u>	<u>(2,804,467)</u>	<u>-</u>
<b>Total revenue and support</b>	<b>28,271,482</b>	<b>(1,574,998)</b>	<b>26,696,484</b>
<b>Expenses:</b>			
Program:			
HIV services	7,049,173	-	7,049,173
LGBTQ services	9,466,581	-	9,466,581
Prevention services	<u>2,009,140</u>	<u>-</u>	<u>2,009,140</u>
<b>Total program</b>	<b>18,524,894</b>	<b>-</b>	<b>18,524,894</b>
Supporting services:			
Administrative	1,512,759	-	1,512,759
Fundraising	<u>984,786</u>	<u>-</u>	<u>984,786</u>
<b>Total supporting services</b>	<b><u>2,497,545</u></b>	<b><u>-</u></b>	<b><u>2,497,545</u></b>
<b>Total expenses</b>	<b><u>21,022,439</u></b>	<b><u>-</u></b>	<b><u>21,022,439</u></b>
<b>Non-operating income:</b>			
Net gain on closing of New Market Tax Credit	<u>1,894,750</u>	<u>-</u>	<u>1,894,750</u>
<b>Change in net assets</b>	<b>9,143,793</b>	<b>(1,574,998)</b>	<b>7,568,795</b>
<b>Net assets at beginning of year</b>	<u>14,649,122</u>	<u>3,995,226</u>	<u>18,644,348</u>
<b>Net assets at end of year</b>	<b><u>\$23,792,915</u></b>	<b><u>\$ 2,420,228</u></b>	<b><u>\$26,213,143</u></b>

See notes to consolidated financial statements.

**Resource Center Dallas and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2024**

	HIV Services	LGBTQ Services	Prevention Services	Housing Services	Total Program	Administrative	Fundraising	Total
Personnel	\$ 5,064,784	\$ 1,596,445	\$ 1,888,678	\$ 73,874	\$ 8,623,781	\$ 906,209	\$ 871,854	\$10,401,844
Facilities	381,957	24,404	257,577	-	663,938	47,403	60,569	771,910
Client payments	657,418	-	-	-	657,418	-	-	657,418
Pharmaceuticals	3,775,211	4,684,503	-	-	8,459,714	-	-	8,459,714
Other client services	908,579	155,623	186,468	-	1,250,670	386,081	142,087	1,778,838
General operations	106,430	8,515	85,824	7,300	208,069	161,115	102,036	471,220
Other	27,612	-	5,531	-	33,143	29,122	21,877	84,142
Depreciation	220,451	37,151	92,664	-	350,266	-	-	350,266
<b>Total expenses by function</b>	<u>\$11,142,442</u>	<u>\$ 6,506,641</u>	<u>\$ 2,516,742</u>	<u>\$ 81,174</u>	<u>\$20,246,999</u>	<u>\$ 1,529,930</u>	<u>\$ 1,198,423</u>	<u>\$22,975,352</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
<b>Total expenses by function</b>	<b><u>\$ 7,049,173</u></b>	<b><u>\$ 9,466,581</u></b>	<b><u>\$ 2,009,140</u></b>	<b><u>\$18,524,894</u></b>	<b><u>\$ 1,512,759</u></b>	<b><u>\$ 984,786</u></b>	<b><u>\$21,022,439</u></b>

See notes to consolidated financial statements.

**Resource Center Dallas and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2024 and 2023**

	2024	2023
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,562,907	\$ 7,568,795
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	350,266	441,156
Amortization of right-of-use assets - operating leases	111,867	107,315
Donated stock	(180,172)	(5,018)
Realized and unrealized gain on investments	(1,538,064)	(661,840)
Net gain on closing of New Market Tax Credit	-	(1,894,799)
Change in discount on unconditional promises to give	1,375	(16,695)
Change in allowance for accounts receivable	-	(12,446)
Changes in operating assets and liabilities:		
Grants receivable	(45,850)	311,329
Unconditional promises to give	480,485	(85,173)
Accounts receivable	(430,400)	440,507
Other receivables	(19,188)	40,446
Prepaid expenses and other assets	(182,559)	(122,353)
Loan receivable - Sadler Circle	(750,000)	(6,951,139)
Accounts payable	634,829	102,637
Accrued expenses	286,404	31,804
Right-of-use liabilities - operating leases	(115,661)	(404,442)
<b>Net cash provided (used) by operating activities</b>	<b>166,239</b>	<b>(1,109,916)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(4,236,056)	(2,345,073)
Issuance of note receivable	(5,901,400)	-
Proceeds from sales from investments	5,774,282	489,888
Purchases of investments	(5,898,142)	-
<b>Net cash used by investing activities</b>	<b>(10,261,316)</b>	<b>(1,855,185)</b>
<b>Cash flows from financing activities:</b>		
Payments on line of credit	-	(903,508)
Draws on line of credit	-	903,508
Payments on notes payable	(5,473)	(6,962,031)
Proceeds from notes payable	10,415,146	9,161,000
Collections of contributions for capital campaign	-	285,061
<b>Net cash provided by financing activities</b>	<b>10,409,673</b>	<b>2,484,030</b>
<b>Net change in cash and cash equivalents</b>	<b>314,596</b>	<b>(481,071)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,092,124</b>	<b>2,573,195</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,406,720</b>	<b>\$ 2,092,124</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest, net of amounts capitalized	\$ 46,818	\$ 69,426
Right-of-use assets obtained in exchange of operating lease liabilities	\$ -	\$ 627,734
<b>Noncash investing and financing activities:</b>		
Donated stock	\$ 180,172	\$ 5,018
<b>Reconciliation of cash and cash equivalents reported within the consolidated statements of financial position to the consolidated statements of cash flows:</b>		
Cash and cash equivalents	\$ 2,144,220	\$ 2,052,124
Restricted cash and cash equivalents	262,500	40,000
<b>Total cash and cash equivalents shown on the consolidated statements of cash flows</b>	<b>\$ 2,406,720</b>	<b>\$ 2,092,124</b>

See notes to consolidated financial statements.

# Resource Center Dallas and Subsidiaries

## Notes to Consolidated Financial Statements

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### 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 income ranging from 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**

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- **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.
- **Senior Adult Housing Support Services:** Recognizing the unique challenges faced by LGBTQIA+ seniors, the Center offers resources and advocacy for aging community members. At the senior housing community, Oak Lawn Place, the Center offers social support and affirming housing. The Center's services also include healthcare services focused on senior care to ensure older adults can age with dignity, security and a strong sense of community.

## **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).

### ***Consolidated 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.

## **Resource Center Dallas and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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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.

#### ***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, 2024, the Center had uninsured balances totaling \$1,332,031.

#### ***Restricted Cash***

At September 30, 2024, restricted cash represents funds held in a separate account as interest reserves as required by the New Market Tax Credit (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**

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#### ***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. The Center determined no allowance for doubtful accounts was considered necessary at September 30, 2024 and 2023.

#### ***Accounts Receivable***

Accounts receivable are unsecured and consists of amounts owed from insurance companies and pharmacies. 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. An allowance for credit losses is an estimate based upon historical account write-off trends, facts about the current financial condition of the debtor, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. Allowance for credit losses totaled \$67,513 and \$17,688 at September 30, 2024 and 2023, 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, 2024, no allowance has been established.

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

## **Resource Center Dallas and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### ***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, 2024 and 2023.

#### ***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 \$197,948 that have not been recognized at September 30, 2024 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.

## **Resource Center Dallas and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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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 31,620 and 31,316 hours of time for the years ended September 30, 2024 and 2023, respectively. For the year ended September 30, 2024, \$632,238 of donated services met the criteria to be recorded as revenue. For the year ended September 30, 2023, \$8,900 of donated services met the criteria to be recorded as revenue.

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

The Center received approximately 17% and 14% of its total revenue and support for the years ended September 30, 2024 and 2023, 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, 2024 and 2023, 340B program revenue comprised 48% and 41% of total revenue and support, respectively.

#### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Functional Allocation of Expenses***

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

# Resource Center Dallas and Subsidiaries

## Notes to Consolidated Financial Statements

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### ***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, 2024 or 2023, 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.

### ***Accounting Pronouncement Adopted***

The Center adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Center adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Center's financial statements but did change how the consideration for allowance for credit losses is determined.

## **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.

## Resource Center Dallas and Subsidiaries

### Notes to Consolidated Financial Statements

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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, 2024 and 2023, the Center had investments in one individual mutual fund that comprised approximately 27% and 24%, respectively, of total investments.

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

	<u>2024</u>	<u>2023</u>
Money market funds and cash equivalents	\$ 19,967	\$ 17,220
Common stock	1,219,008	759,244
Exchange traded funds	643,399	1,067,168
Mutual funds:		
Index fund	4,017,183	2,581,165
Fixed income	<u>367,336</u>	<u>-</u>
	<u>\$ 6,266,893</u>	<u>\$ 4,424,797</u>

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

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 75,983	\$ 89,137
Realized and unrealized gain on investments	1,538,064	661,840
Fees	<u>(54,861)</u>	<u>(46,563)</u>
	<u>\$ 1,559,186</u>	<u>\$ 704,414</u>

**Resource Center Dallas and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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**4. Unconditional Promises to Give**

Unconditional promises to give were as follows at September 30:

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ 259,624	\$ 794,202
One to five years	<u>80,000</u>	<u>25,907</u>
Subtotal	339,624	820,109
Less discount to present value	<u>(5,926)</u>	<u>(4,551)</u>
Unconditional promises to give, net	<u>\$ 333,698</u>	<u>\$ 815,558</u>

Unconditional promises to give at September 30, 2024 and 2023 are valued using a discount rate of 8.00% and 3.25%, respectively. At September 30, 2024, approximately 73% of promises to give were due from three donors. At September 30, 2023, approximately 77% of promises to give were due from two donors.

**5. Loan Receivable - NMTC**

The loan receivable - NMTC is due from RC Dallas Investment Fund, LLC (an unrelated party) (investment fund) with interest at 1% per annum until December 15, 2032; at which point interest and principal payments of \$249,303 will be due annually until maturity on December 31, 2053. The note is collateralized by a security interest in the membership interests of the community development entity, DDF Yankee, LLC.

The loan and regulatory agreement restricts the use of the funds to the Resource Center Title Holding Corporation (Holding Corporation) who qualifies as a qualified active low-income community business for the term of the note. The balance due to the Center at September 30, 2024 is \$4,901,400 (see Note 9).

The interest income on the loan receivable - NMTC is approximately \$49,000 per year.

The NMTC is being used to fund the RC Health project.

**6. Loans Receivable - Sadler Circle**

On December 7, 2023, RCD provided a loan to Sadler Circle totaling \$5,000,000 (ARPA Loan). The loan 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.

## Resource Center Dallas and Subsidiaries

### Notes to Consolidated Financial Statements

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On February 12, 2024, RCD provided a loan to Sadler Circle totaling \$750,000 (FHLB Loan). The note was funded from proceeds of a direct subsidy received by the Federal Home Loan Bank for participation in the Affordable Housing Program totaling \$750,000. The FHLB Loan bears no interest and principle payments are contingent on available cash flow of the project.

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 totaling \$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.

### 7. Property and Equipment

Property and equipment consists of the following at September 30:

	2024	2023
Land	\$ 5,006,364	\$ 5,006,364
Buildings and improvements	17,967,854	14,427,269
Furniture and equipment	796,941	711,941
Vehicles	356,211	356,212
Capitalized interest	784,680	335,465
	24,912,050	20,837,251
Less accumulated depreciation	(3,770,572)	(3,581,563)
Property and equipment, net	\$21,141,478	\$17,255,688

Depreciation expense totaled \$350,266 and \$441,156 for the years ended September 30, 2024 and 2023, 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 8% and matures on July 6, 2025. The line of credit is secured by a security agreement. No balance was outstanding on the line of credit at September 30, 2024 and 2023.

## Resource Center Dallas and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 9. Notes Payable

##### *New Market Tax Credit Financing*

On March 15, 2024, RCD entered into a NMTC financing transaction to purchase land and improvements of a property with the intent to renovate the property to be used as a health center. As part of the transaction, RCD made a loan totaling \$4,901,400 to the Investment Fund. The loan matures on December 31, 2053 and carries an annual interest rate of 1% (see Note 5).

In conjunction with RCD's loan, Regions Community Investments, LLC (NMTC Investor), a Delaware corporation, contributed \$2,238,600 to the Investment Fund. The NMTC Investor will receive 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 Yankee, LLC.

The Holding Corporation entered into a \$6,860,000 loan agreement with DDF Yankee, LLC. The loan consists of two tranches, Loan A in the amount of \$4,901,400 and Loan B in the amount of \$1,958,600, both of which have an interest rate of 1.264% per annum. Interest payments are due and payable annually, in arrears, beginning December 5, 2024. Commencing on December 5, 2032 annual payments of principal and interest in the amount of \$301,478 are due in arrears until maturity. The loan matures on December 31, 2058. The loan is secured by a deed of trust, security agreement, assignment of rents and leases and financing statement on the Inwood property.

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 loans will be discharged.

**Resource Center Dallas and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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Principal amounts due for the note payable - NMTC for the next five years ended September 30 and thereafter are as follows:

2025	\$		-
2026			-
2027			-
2028			-
2029			-
Thereafter		6,860,000	
	\$	6,860,000	

**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. On August 3, 2024 the note was amended to extend the maturity of the loan to August 3, 2029. The note is collateralized by certain real property. At September 30, 2024 and 2023, the balance outstanding on the note totaled \$6,594,257 and \$5,844,854, respectively.

On December 19, 2023, RCD entered into a note payable to the Moody Foundation to acquire land for a new facility. The note bears interest at 0% with the full balance of the note due upon the maturity of the loan on December 19, 2025. The note is secured in part by a deed of trust, security agreements and financing statements. At September 30, 2024, the balance outstanding on the note totaled \$2,800,000.

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. The loan was paid off during the year ended September 30, 2024.

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. The note was paid off during the year ended September 30, 2023.

**Resource Center Dallas and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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Principal amounts due for the other notes payable for the next five years ended September 30 are as follows:

2025	\$	562,376
2026		3,362,376
2027		562,376
2028		562,376
2029		<u>4,345,023</u>
	\$	<u>9,394,527</u>

**10. Board Designated Net Assets**

Net assets without donor restrictions totaling \$5,184,938 and \$3,158,627 at September 30, 2024 and 2023, 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:

	2024	2023
Building expenditures	\$ 339,625	\$ 815,558
Capital expenditures	-	40,000
Nutrition	-	25,000
Accumulated endowment earnings	56,421	-
Restricted in perpetuity	<u>1,884,859</u>	<u>1,539,670</u>
	<u>\$ 2,280,905</u>	<u>\$ 2,420,228</u>

**12. Leases**

In evaluating its contracts, the Center separately identifies lease and nonlease components, such as maintenance costs, in calculating the right-of-use (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.

## Resource Center Dallas and Subsidiaries

### Notes to Consolidated Financial Statements

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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.

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, 2024 are as follows for the years ending September 30:

2025	\$	115,391
2026		101,244
2027		104,158
2028		107,071
2029		81,941
Total future discounted lease payments		509,805
Less present value discount		(44,018)
Right-of-use liabilities, net	\$	465,787

## Resource Center Dallas and Subsidiaries

### Notes to Consolidated Financial Statements

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

	2024	2023
Total lease cost	\$ 136,361	\$ 133,448
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Cash flows from operating leases	\$ (115,661)	\$ (404,442)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 627,734
Weighted-average remaining lease term:	4.59 years	4.8 years
Weighted-average discount rate:	3.99%	4.02%

### 13. Contributions of Nonfinancial Assets

The Center received the following contributions of nonfinancial assets during the year ended September 30, 2024:

	Program Services	Fundraising	Total
Supplies	\$ 756	\$ -	\$ 756
Equipment	7,200	-	7,200
Occupancy	25,000	-	25,000
Services	627,238	5,000	632,238
Food	182,360	4,950	187,310
	\$ 842,554	\$ 9,950	\$ 852,504

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	16,588	19,216	35,804
	\$ 51,027	\$ 42,181	\$ 93,208

## **Resource Center Dallas and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### ***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.

There were no donor restrictions related to these contributions.

### **14. Related Party Transactions**

Board members contributed \$75,981 and \$78,392 during the years ended September 30, 2024 and 2023, 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, 2024, the Center has contracts with numerous pharmacies. 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**

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#### **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 \$123,630 and \$119,566 for the years ended September 30, 2024 and 2023, 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 \$188,250 and \$94,077 for the years ended September 30, 2024 and 2023, 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, 2024 and 2023 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, 2024 and 2023 is \$1,758,812 and \$1,357,202, 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)

## **Resource Center Dallas and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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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 are as follows for the years ended September 30:

	2024		
	Accumulated Gains (Losses) and Other	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ -	\$ 1,539,670	\$ 1,539,670
Dividend and interest income	24,100	-	24,100
Net unrealized and realized gain	132,093	345,189	477,282
Appropriations for expenditure	(99,772)	-	(99,772)
Endowment net assets at end of year	<u>\$ 56,421</u>	<u>\$ 1,884,859</u>	<u>\$ 1,941,280</u>
	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 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>

**Resource Center Dallas and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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**18. Liquidity and Availability of Resources**

Financial assets available for general expenditures within one year from the years ended September 30, 2024 and 2023 are as follows:

	2024	2023
Cash and cash equivalents	\$ 2,144,220	\$ 2,012,124
Investments	4,325,613	2,885,127
Grants receivable	608,584	562,734
Unconditional promises to give, net	333,698	815,558
Accounts receivable	1,072,864	642,464
Other receivables	106,091	86,903
Restricted cash	-	40,000
Endowment investments	1,941,280	1,539,670
Total financial assets	10,532,350	8,584,580
Less financial assets not available for general expenditures within one year:		
Unconditional promises to give	(80,000)	(743,731)
Restricted cash	-	(40,000)
Endowment investments	(1,941,280)	(1,539,670)
Board designated reserve	(5,184,938)	(3,158,627)
	(7,206,218)	(5,482,028)
Total financial assets available for general expenditure	\$ 3,326,132	\$ 3,102,552

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

The Center maintains a board-designated reserve policy. The policy establishes a minimum gross reserve, of 90 days in operating expenses. The policy also establishes a procedure to encumber those reserves, as needed, and as reported monthly, to the Board. The funds are not intended for use in general, daily operations expenditures, but they could be made available, if necessary. The Center's average expenditures for 90 days, as of September 30, 2024, was \$1,800,000. Total financial assets including the availability of reserves, exceeds the average 90-day expenditures. 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, 2025, 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, 2024**

	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
<b>Assets:</b>							
Cash and cash equivalents	\$ 1,445,270	\$ 691,291	\$ 325	\$ 7,334	\$ 2,144,220	\$ -	\$ 2,144,220
Restricted cash	-	-	262,500	-	262,500	-	262,500
Investments	4,325,613	-	-	-	4,325,613	-	4,325,613
Grants receivable	608,584	-	-	-	608,584	-	608,584
Unconditional promises to give, net	241,372	92,326	-	-	333,698	-	333,698
Accounts receivable, net	1,072,864	-	-	-	1,072,864	-	1,072,864
Intercompany receivable	5,974,974	-	-	-	5,974,974	(5,974,974)	-
Other receivables	106,091	-	-	-	106,091	-	106,091
Prepaid expenses and other assets	459,341	-	-	-	459,341	-	459,341
Loan receivable - new market tax credit	4,901,400	-	1,000,000	-	5,901,400	-	5,901,400
Loan receivable - Sadler Circle	1,951,139	5,750,000	-	-	7,701,139	-	7,701,139
Property and equipment, net	11,124,257	-	10,017,221	-	21,141,478	-	21,141,478
Right-of-use assets - operating leases, net	408,552	-	-	-	408,552	-	408,552
Endowment investments	1,941,280	-	-	-	1,941,280	-	1,941,280
<b>Total assets</b>	<b>\$ 34,560,737</b>	<b>\$ 6,533,617</b>	<b>\$ 11,280,046</b>	<b>\$ 7,334</b>	<b>\$ 52,381,734</b>	<b>\$ (5,974,974)</b>	<b>\$ 46,406,760</b>
<b>Liabilities:</b>							
Accounts payable	\$ 1,181,403	\$ 2,532	\$ -	\$ 4,728	\$ 1,188,663	\$ -	\$ 1,188,663
Accrued expenses	721,626	107	-	-	721,733	-	721,733
Intercompany payable	-	1,355,208	4,367,959	251,807	5,974,974	(5,974,974)	-
Notes payable	9,394,527	-	-	-	9,394,527	-	9,394,527
Notes payable - new market tax credit	-	-	6,860,000	-	6,860,000	-	6,860,000
Right-of-use liabilities, operating leases	465,787	-	-	-	465,787	-	465,787
<b>Total liabilities</b>	<b>11,763,343</b>	<b>1,357,847</b>	<b>11,227,959</b>	<b>256,535</b>	<b>24,605,684</b>	<b>(5,974,974)</b>	<b>18,630,710</b>
Net assets (deficit)	22,797,394	5,175,770	52,087	(249,201)	27,776,050	-	27,776,050
<b>Total liabilities and net assets</b>	<b>\$ 34,560,737</b>	<b>\$ 6,533,617</b>	<b>\$ 11,280,046</b>	<b>\$ 7,334</b>	<b>\$ 52,381,734</b>	<b>\$ (5,974,974)</b>	<b>\$ 46,406,760</b>

**Resource Center Dallas**  
**Consolidating Statement of Activities**  
**Year Ended September 30, 2024**

	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
<b>Revenue and support:</b>								
Contributions of financial assets	\$ 4,172,124	\$ 20,169	\$ -	\$ -	\$ -	\$ 4,192,293	\$ -	\$ 4,192,293
Contributions of nonfinancial assets	852,504	-	-	-	-	852,504	-	852,504
Government grants	4,350,044	750,000	-	-	-	5,100,044	-	5,100,044
340B pharmacy revenue	11,545,657	-	-	-	-	11,545,657	-	11,545,657
Fees for services	665,699	-	-	-	-	665,699	-	665,699
Net investment income	1,559,186	-	-	-	-	1,559,186	-	1,559,186
Other income, net	622,876	-	-	-	-	622,876	-	622,876
<b>Total revenue and support</b>	<b>23,768,090</b>	<b>770,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,538,259</b>	<b>-</b>	<b>24,538,259</b>
<b>Expenses:</b>								
Program:								
HIV services	11,142,442	-	-	-	-	11,142,442	-	11,142,442
LGBTQ services	6,506,641	-	-	-	-	6,506,641	-	6,506,641
Prevention services	2,516,742	-	-	-	-	2,516,742	-	2,516,742
Housing services	81,174	-	-	-	-	81,174	-	81,174
<b>Total program</b>	<b>20,246,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,246,999</b>	<b>-</b>	<b>20,246,999</b>
Supporting services:								
Administrative	1,138,262	75,087	316,533	48	-	1,529,930	-	1,529,930
Fundraising	1,198,423	-	-	-	-	1,198,423	-	1,198,423
<b>Total supporting services</b>	<b>2,336,685</b>	<b>75,087</b>	<b>316,533</b>	<b>48</b>	<b>-</b>	<b>2,728,353</b>	<b>-</b>	<b>2,728,353</b>
<b>Total expenses</b>	<b>22,583,684</b>	<b>75,087</b>	<b>316,533</b>	<b>48</b>	<b>-</b>	<b>22,975,352</b>	<b>-</b>	<b>22,975,352</b>
<b>Change in net assets</b>	<b>1,184,406</b>	<b>695,082</b>	<b>(316,533)</b>	<b>(48)</b>	<b>-</b>	<b>1,562,907</b>	<b>-</b>	<b>1,562,907</b>
<b>Net assets (deficit) at beginning of year</b>	<b>21,612,988</b>	<b>4,480,688</b>	<b>368,620</b>	<b>(249,153)</b>	<b>-</b>	<b>26,213,143</b>	<b>-</b>	<b>26,213,143</b>
<b>Net assets (deficit) at end of year</b>	<b>\$ 22,797,394</b>	<b>\$ 5,175,770</b>	<b>\$ 52,087</b>	<b>\$ (249,201)</b>	<b>\$ -</b>	<b>\$ 27,776,050</b>	<b>\$ -</b>	<b>\$ 27,776,050</b>

**Resource Center Dallas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2024**

Federal Grantor/Cluster/Pass-through Grantor/Program Title	Assistance Listing Number	Contract Number	Expenditures
<b>U.S. Department of Health and Human Services:</b>			
Texas Department of State Health Services via Dallas County Health and Human Services:			
HIV Emergency Relief Project Grants	93.914	20190046844-10A-00-A.B.R-I-2020-21	\$ 2,930,044
HIV Care Formula Grants	93.917	2019-004-6844-10-A30-PAF/MAI/PBF-A-2024-25	147,105
Texas Department of State Health Services:			
HIV Prevention Activities Health Department Based	93.940	HHS000077800027	<u>963,630</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>4,040,779</b>
<b>U.S. Department of Agriculture:</b>			
Food Distribution Cluster:			
Texas Division of Emergency Management via North Texas Food Bank:			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	<u>111,047</u>
Total Food Distribution Cluster			111,047
Emergency Food Assistance Program Commodity Credit Corporation			
Eligible Receptient Funds	10.187	N/A	46,901
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182	N/A	<u>10,318</u>
<b>Total U.S. Department of Agriculture</b>			<b>168,266</b>
<b>Department of Housing and Urban Development:</b>			
Direct:			
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	B-22-CP-TX-0879	<u>75,847</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 4,284,892</u></b>

See notes to schedule of expenditures of federal awards.

**Resource Center Dallas**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2024**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Resource Center Dallas (Center). 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 elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**3. Non-cash Federal Awards**

The Center received non-cash awards in the form of food commodities totaling \$168,266 for the year ended September 30, 2024.



**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 (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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, 2025. 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 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, 2025



## **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, 2024. 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, 2024.

#### ***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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control over Compliance***

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2025

**Resource Center Dallas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2024**

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**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?	Yes
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)?	Yes
Identification of major federal programs:	
HIV Emergency Relief Project Grant	ALN 93.914
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**

Finding 2024-001: Allowable costs and activities-significant deficiency in internal controls over compliance and compliance finding.

HIV Emergency Relief Project Grant ALN 93.914

**Resource Center Dallas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2024**

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Criteria: Resource Center Dallas' (Center) internal control procedures over compliance specify that the program manager and the revenue staff accountant review any invoice prior to requesting reimbursement.

Condition: During allowable activities for the HIV Emergency Relief Project Grant, for 1 out of 41 activities tested, the number of units of service provided did not match the units of service recorded in the client tracking system.

Cause: Internal control was not effective at detecting data entry errors.

Effect: The Center over billed the number of units of service. The total units billed for the month of September totaled 399 instead of 168 units resulting in the grant being overcharged by the Center.

Questioned Costs: Known questioned costs totaling \$36,715.14.

Recommendation: Management should implement controls to ensure the units of service entered into the client tracking system match the units of service performed before the request for reimbursement is submitted.

Management's Response: See corrective action plan.

**Section IV – Summary Schedule of Prior Audit Findings**

None

## MANAGEMENT RESPONSE

The finding was the result of a data entry oversight made by human error in the Oral Health service category for the September 2024 Ryan White billing to Dallas County.

While our Dallas County Ryan White billings are currently calculated under a unit cost method, effective March 1, 2025 our contracts will be on cost reimbursement. Although we will implement the action plan to ensure our records of units are accurate, beginning March 1<sup>st</sup> there will be no financial correlation between the number of units we report to, and the amount of the reimbursement we receive from, Dallas County.

New data validity review points designed to identify possible anomalies will be incorporated into the agency's procedures with increased review by the Ryan White Program Director. The number of per-client services received will be compared to parameters established with program managers as representing an unusual number of units received per client/patient per service date and per month. Units exceeding these parameters will be reviewed and corrected, if necessary. The review will be conducted monthly and prior to submission of Dallas County billings.

The Ryan White Program Director, Del Wilson, will be in charge of implementing the corrective action plan changes.

We hope to implement this plan by March 10, 2025, but before any further billings of service units to Dallas County.