



**Resource Center Dallas and Affiliates**

**Consolidated Financial Statements with Supplementary Information and  
Compliance Reports  
September 30, 2018 and 2017**

# Resource Center Dallas and Affiliates

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## **Independent Auditors' Report**

To the Board of Directors of  
Resource Center Dallas and Affiliates

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Resource Center Dallas and Affiliates (nonprofit organizations), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The financial statements of Resource Center Dallas Foundation and Resource Center Title Holding Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

## ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resource Center Dallas and Affiliates as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## ***Other Matters***

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities of Resource Center Dallas, Resource Center Dallas Foundation and Resource Center Title Holding Corporation 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 and state 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 the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, on our consideration of Resource Center Dallas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Resource Center Dallas' internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas  
March 18, 2019

**Resource Center Dallas and Affiliate**  
**Consolidated Statements of Financial Position**  
**September 30, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 1,343,672	\$ 648,536
Investments	802,672	257,022
Grants receivable	532,779	690,799
Unconditional promises to give, net	834,958	521,689
Accounts receivable	735,119	412,148
Other receivables	73,877	33,565
Prepaid expenses and other assets	34,588	10,537
Assets restricted for long-term purposes:		
Cash	216,080	809,441
Unconditional promises to give, net	-	245,953
Loan receivable - new market tax credit	4,475,250	4,475,250
Property and equipment, net	9,013,286	8,664,520
Endowment investments	1,940,772	1,989,862
<b>Total assets</b>	<b>\$ 20,003,053</b>	<b>\$ 18,759,322</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 575,940	\$ 144,734
Accrued expenses	173,215	189,508
Line of credit	-	644,000
Notes payable - new market tax credit	6,370,000	6,370,000
<b>Total liabilities</b>	7,119,155	7,348,242
<b>Net assets:</b>		
Unrestricted:		
Undesignated	9,586,702	8,364,583
Board designated reserve	521,466	-
Total unrestricted net assets	10,108,168	8,364,583
Temporarily restricted	993,322	1,148,010
Permanently restricted	1,782,408	1,898,487
<b>Total net assets</b>	12,883,898	11,411,080
<b>Total liabilities and net assets</b>	<b>\$ 20,003,053</b>	<b>\$ 18,759,322</b>

See notes to consolidated financial statements.

**Resource Center Dallas and Affiliate**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and support:</b>				
Contributions	\$ 1,550,855	\$ 366,480	\$ -	\$ 1,917,335
Government grants	3,487,808	-	-	3,487,808
340B pharmacy revenue	4,568,566	-	-	4,568,566
Fees for services	304,416	-	-	304,416
Special events, net of direct costs of \$59,947	164,629	-	-	164,629
Net investment income (loss)	92,547	140,970	(116,079)	117,438
Other	1,609	-	-	1,609
Net assets released from restrictions	649,962	(649,962)	-	-
<b>Total revenue and support</b>	<b>10,820,392</b>	<b>(142,512)</b>	<b>(116,079)</b>	<b>10,561,801</b>
<b>Expenses:</b>				
Program:				
Community center	4,178,746	-	-	4,178,746
Client services	2,300,474	-	-	2,300,474
Clinic services	1,359,063	-	-	1,359,063
<b>Total program</b>	<b>7,838,283</b>	<b>-</b>	<b>-</b>	<b>7,838,283</b>
Supporting services:				
Administrative	706,461	-	-	706,461
Fundraising	532,063	-	-	532,063
<b>Total supporting services</b>	<b>1,238,524</b>	<b>-</b>	<b>-</b>	<b>1,238,524</b>
<b>Total expenses</b>	<b>9,076,807</b>	<b>-</b>	<b>-</b>	<b>9,076,807</b>
Bad debt loss	-	12,176	-	12,176
<b>Total expenses and losses</b>	<b>9,076,807</b>	<b>12,176</b>	<b>-</b>	<b>9,088,983</b>
<b>Change in net assets</b>	<b>1,743,585</b>	<b>(154,688)</b>	<b>(116,079)</b>	<b>1,472,818</b>
<b>Net assets at beginning of year</b>	<b>8,364,583</b>	<b>1,148,010</b>	<b>1,898,487</b>	<b>11,411,080</b>
<b>Net assets at end of year</b>	<b>\$ 10,108,168</b>	<b>\$ 993,322</b>	<b>\$ 1,782,408</b>	<b>\$ 12,883,898</b>

See notes to consolidated financial statements.

**Resource Center Dallas and Affiliate**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and support:</b>				
Contributions	\$ 1,416,694	\$ 758,900	\$ -	\$ 2,175,594
Government grants	3,426,961	-	-	3,426,961
340B pharmacy revenue	2,537,502	-	-	2,537,502
Fees for services	284,088	-	-	284,088
Special events, net of direct costs of \$71,921	180,167	-	-	180,167
Investment income	60,027	74,364	84,071	218,462
Other	119,310	-	-	119,310
Net assets released from restrictions	301,649	(301,649)	-	-
<b>Total revenue and support</b>	<b>8,326,398</b>	<b>531,615</b>	<b>84,071</b>	<b>8,942,084</b>
<b>Expenses:</b>				
Program:				
Community center	2,992,361	-	-	2,992,361
Client services	1,999,766	-	-	1,999,766
Clinic services	1,222,086	-	-	1,222,086
<b>Total program</b>	<b>6,214,213</b>	<b>-</b>	<b>-</b>	<b>6,214,213</b>
Supporting services:				
Administrative	617,687	-	-	617,687
Capital campaign	296,327	-	-	296,327
Fundraising	573,009	-	-	573,009
<b>Total supporting services</b>	<b>1,487,023</b>	<b>-</b>	<b>-</b>	<b>1,487,023</b>
<b>Total expenses</b>	<b>7,701,236</b>	<b>-</b>	<b>-</b>	<b>7,701,236</b>
Bad debt loss	-	125,696	-	125,696
<b>Total expenses and losses</b>	<b>7,701,236</b>	<b>125,696</b>	<b>-</b>	<b>7,826,932</b>
<b>Change in net assets</b>	<b>625,162</b>	<b>405,919</b>	<b>84,071</b>	<b>1,115,152</b>
<b>Net assets at beginning of year</b>	<b>7,739,421</b>	<b>742,091</b>	<b>1,814,416</b>	<b>10,295,928</b>
<b>Net assets at end of year</b>	<b>\$ 8,364,583</b>	<b>\$ 1,148,010</b>	<b>\$ 1,898,487</b>	<b>\$ 11,411,080</b>

See notes to consolidated financial statements.

**Resource Center Dallas and Affiliate**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2018**

	Community Center	Client Services	Clinic Services	Total Program	Administrative	Fundraising	Total
Accounting/audit	\$ 9,223	\$ 4,721	\$ 6,279	\$ 20,223	\$ 7,858	\$ 569	\$ 28,650
Advertising/information services	17,970	-	948	18,918	838	6,275	26,031
Association dues	237	138	278	653	6,171	1,954	8,778
Auto repair/maintenance/gasoline	5,202	3,396	7,687	16,285	916	260	17,461
Bank service charges	-	-	-	-	20,667	2,841	23,508
Books	66	-	104	170	-	-	170
Building maintenance	99,998	112,659	48,988	261,645	2,378	2,994	267,017
Client payments	-	837,942	-	837,942	-	-	837,942
Computer & equipment repairs	36	15	230	281	8	12	301
Condoms/lube/bleach kits	2,704	-	-	2,704	-	-	2,704
Contract labor	226,495	83,757	91,058	401,310	55,332	35,403	492,045
Copying/printing	5,717	926	1,145	7,788	8,990	14,036	30,814
Corporate insurance	41,315	21,452	28,636	91,403	(838)	2,484	93,049
Credit card service charges	8,665	58	7,984	16,707	544	23,582	40,833
Depreciation	114,056	74,051	71,957	260,064	4,629	3,025	267,718
Pharmaceuticals	2,077,641	-	-	2,077,641	-	-	2,077,641
Employee insurance benefits	121,430	82,386	84,217	288,033	34,273	35,290	357,596
Employee recruiting	160	80	98	338	2,792	9	3,139
Employee training/conferences	6,661	908	1,793	9,362	6,770	4,104	20,236
Equipment rentals	30,432	15,593	17,101	63,126	3,907	29,795	96,828
Event entry purchase	3,713	-	-	3,713	2,006	1,711	7,430
Food	42,024	204,075	776	246,875	3,816	15,614	266,305
Gaming prize fees	-	-	-	-	-	125	125
Interest	-	-	-	-	86,366	-	86,366
Lab work	-	-	102,599	102,599	-	-	102,599
Linen service	199	2,399	14	2,612	-	15	2,627
Medical supplies	30,886	132	39,567	70,585	-	-	70,585
Participation incentives	-	-	-	-	464	-	464
Payroll taxes	72,236	51,166	48,773	172,175	25,635	23,856	221,666
Permits/licenses	11,039	72,420	12,815	96,274	6,171	1,335	103,780
Postage	4,630	2,549	2,906	10,085	1,007	2,135	13,227
Rent	121,146	5,879	61,683	188,708	218	37,179	226,105
Salaries	839,745	642,512	673,233	2,155,490	406,191	312,925	2,874,606
Subscriptions	1,156	75	1,112	2,343	3,539	327	6,209
Supplies	196,158	42,670	4,585	243,413	8,348	23,973	275,734
Travel/mileage	15,836	1,014	644	17,494	5,255	6,337	29,086
Utilities	36,678	19,748	22,172	78,598	-	1,760	80,358
Voice/data communications	35,292	17,753	19,681	72,726	2,210	2,085	77,021
<b>Total expense by function</b>	<b>4,178,746</b>	<b>2,300,474</b>	<b>1,359,063</b>	<b>7,838,283</b>	<b>706,461</b>	<b>592,010</b>	<b>9,136,754</b>
Less: expenses included with revenues on the statement of activities - Special events	-	-	-	-	-	(59,947)	(59,947)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 4,178,746</b>	<b>\$ 2,300,474</b>	<b>\$ 1,359,063</b>	<b>\$ 7,838,283</b>	<b>\$ 706,461</b>	<b>\$ 532,063</b>	<b>\$ 9,076,807</b>

See notes to consolidated financial statements.



**Resource Center Dallas and Affiliate**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2017**

	Community Center	Client Services	Clinic Services	Total Program	Administrative	Capital Campaign	Fundraising	Total
Accounting/audit	\$ 16,796	\$ 5,275	\$ 6,801	\$ 28,872	\$ 1,105	\$ -	\$ 3,621	\$ 33,598
Advertising/information services	31,807	416	-	32,223	-	942	6,636	39,801
Association dues	88	20	1,439	1,547	6,496	-	1,806	9,849
Auto repair/maintenance/gasoline	3,949	3,507	2,739	10,195	100	-	-	10,295
Bank service charges	-	-	-	-	22,446	4	100	22,550
Books	446	-	-	446	75	-	-	521
Building maintenance	54,736	34,134	36,821	125,691	4,745	22,078	-	152,514
Client payments	-	874,629	-	874,629	-	-	-	874,629
Condoms/lube/bleach kits	3,206	677	-	3,883	-	-	-	3,883
Contract labor	124,277	50,844	66,564	241,685	17,403	7,000	87,231	353,319
Copying/printing	5,837	1,462	1,048	8,347	4,987	2,249	18,627	34,210
Corporate insurance	32,915	30,579	24,585	88,079	-	-	-	88,079
Credit card service charges	514	-	7,159	7,673	10	5,115	32,688	45,486
Depreciation	32,073	16,416	21,835	70,324	723	145,800	1,979	218,826
Donor prospecting	70	-	-	70	41	186	2,014	2,311
Pharmaceuticals	1,217,542	-	24	1,217,566	-	-	-	1,217,566
Employee insurance benefits	131,901	64,148	76,327	272,376	33,097	2,343	37,250	345,066
Employee recruiting	-	199	-	199	1,439	-	-	1,638
Employee training/conferences	3,221	125	1,040	4,386	6,077	-	4,173	14,636
Equipment rentals	23,978	13,114	15,339	52,431	1,636	1,792	28,290	84,149
Event entry purchase	2,316	1,175	360	3,851	81	-	172	4,104
Food	42,486	322,053	460	364,999	602	1,109	34,706	401,416
Gaming prize fees	-	-	-	-	-	-	1,375	1,375
Interest	-	-	-	-	28,472	72,006	-	100,478
Lab work	2,250	4,566	97,746	104,562	-	-	-	104,562
Linen service	30	2,263	-	2,293	-	-	-	2,293
Medical supplies	28,358	-	39,223	67,581	-	-	-	67,581
Miscellaneous	3	425	-	428	33,541	-	-	33,969
Participation incentives	1,504	-	-	1,504	519	-	-	2,023
Payroll taxes	71,423	35,347	47,065	153,835	28,645	2,262	28,513	213,255
Property taxes	11	6	8	25	1	-	5	31
Permits/licenses	8,869	21,692	10,729	41,290	3,191	440	3,312	48,233
Postage	7,384	1,807	2,352	11,543	1,153	705	8,834	22,235
Rent	72,414	2,631	62,690	137,735	109	-	10,928	148,772
Salaries	914,476	439,356	641,494	1,995,326	411,205	32,251	304,065	2,742,847
Subscriptions	1,017	60	-	1,077	1,597	-	857	3,531
Supplies	78,374	21,539	15,217	115,130	4,150	45	12,612	131,937
Travel/mileage	12,421	3,086	58	15,565	1,510	-	5,575	22,650
Utilities	42,138	36,207	27,182	105,527	1,628	-	-	107,155
Voice/data communications	23,531	12,008	15,781	51,320	903	-	9,561	61,784
<b>Total expense by function</b>	<b>2,992,361</b>	<b>1,999,766</b>	<b>1,222,086</b>	<b>6,214,213</b>	<b>617,687</b>	<b>296,327</b>	<b>644,930</b>	<b>7,773,157</b>
Less: expenses included with revenues on the statement of activities - Special events	-	-	-	-	-	-	(71,921)	(71,921)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 2,992,361</b>	<b>\$ 1,999,766</b>	<b>\$ 1,222,086</b>	<b>\$ 6,214,213</b>	<b>\$ 617,687</b>	<b>\$ 296,327</b>	<b>\$ 573,009</b>	<b>\$ 7,701,236</b>

See notes to consolidated financial statements.

**Resource Center Dallas and Affiliate**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,472,818	\$ 1,115,152
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	267,718	218,826
Provision for bad debt loss	12,176	125,696
Realized and unrealized loss (gain) on investments	105,030	(132,119)
Donated stock	(10,153)	(4,987)
Change in discount on unconditional promises to give	(1,833)	28,664
Contributions restricted for capital campaign	-	(237,211)
Changes in operating assets and liabilities:		
Grants receivable	158,020	121,603
Accounts receivable	(322,971)	(277,598)
Unconditional promises to give	(77,659)	(552,631)
Other receivables	(40,312)	13,204
Prepaid expenses and other assets	(24,051)	560
Accounts payable	431,206	(348,678)
Accrued expenses	(16,293)	49,958
Net cash provided by operating activities	1,953,696	120,439
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(616,484)	(380,467)
Change in cash restricted for long-term purposes	593,361	390,902
Purchases of investments	(665,525)	(46,494)
Proceeds from sales of investments	74,088	100,000
Net cash provided (used) by investing activities	(614,560)	63,941
<b>Cash flows from financing activities:</b>		
Collections of contributions restricted for capital campaign	-	346,864
Draws on line of credit	110,000	447,000
Payments on line of credit	(754,000)	(500,000)
Net cash provided (used) by financing activities	(644,000)	293,864
Increase in cash and cash equivalents	695,136	478,244
<b>Cash and cash equivalents at beginning of year</b>	648,536	170,292
<b>Cash and cash equivalents at end of year</b>	\$ 1,343,672	\$ 648,536
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 86,366	\$ 100,478

See notes to consolidated financial statements.

# **Resource Center Dallas and Affiliate**

## **Notes to Consolidated Financial Statements**

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### **1. Organization**

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

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

Resource Center Title Holding Corporation (Holding Corporation) is a Texas nonprofit corporation formed on June 7, 2016. The purpose of the 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 the Holding Corporation.

RCD, the Foundation and the Holding Corporation 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.

### **2. Summary of Significant Accounting Policies**

#### ***Consolidated Financial Statements***

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

#### ***Basis of Accounting***

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

## **Resource Center Dallas and Affiliate**

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

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#### ***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:

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor stipulations that will be met by actions of the Center and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purpose.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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.

#### ***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, 2018, the Center had uninsured balances totaling \$851,647.

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

At September 30, 2018, cash restricted for long-term purposes represents funds held in a separate account to be used to pay interest as required by NMTC agreements.

At September 30, 2017, cash restricted for long-term purposes represents donor-restricted contributions for the capital campaign and cash held in separate accounts to be used for construction and debt service as required by NMTC agreements.

## **Resource Center Dallas and Affiliate**

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

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#### ***Investments***

Investment income and capital appreciation/depreciation earned on investments is reported in unrestricted net assets unless otherwise restricted by the donor or applicable law. All investments are carried at fair value with the related gains and losses included in the consolidated statements of activities.

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

#### ***Loan Receivable***

The loan receivable – NMTC is collateralized by the membership interests related to the NMTC transaction (see Notes 5 and 8) and is stated at the principal amount. The Center has one class of financing receivables from a highly credible institution. Management assesses the credit quality of the NMTC note based on indicators such as collateralization and collection experience. As of September 30, 2018, no allowance has been established.

#### ***Unconditional Promises to Give, Grants Receivable and Accounts Receivable***

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

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

## **Resource Center Dallas and Affiliate**

### **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 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, 2018 and 2017.

#### ***Revenue Recognition***

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. 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. Conditional promises to give are not included as support until such time as the conditions are substantially met. Contributions are recognized as temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions of materials are recorded at their estimated fair value.

Government grants are recognized as contract terms are fulfilled. Cost reimbursement grants are recognized as support when the allowable costs are 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.

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 Affiliate**

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

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Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. It is estimated that volunteers have contributed 39,087 and 41,298 hours of time for the years ended September 30, 2018 and 2017, respectively. No donated services were utilized that met the criteria to be recorded as revenue in the Center's consolidated financial statements.

Revenue related to the sale of prescription drugs 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 33% and 38% of its total support for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, 340B program revenue comprised 43% and 28% 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. Accordingly, certain costs have been allocated among programs and supporting services benefited.

## **Resource Center Dallas and Affiliate**

### **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. The Holding Corporation is exempt from federal income taxes under IRC Section 501(c)(2). The Center did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Center's tax returns and recognition of a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Center, and has concluded that as of September 30, 2018 or 2017, 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 Return of Organization Exempt from Income Tax is subject to examination by the IRS for three years from the date of filing.

#### **Reclassifications**

Certain reclassifications have been made to the September 30, 2017 financial statements to conform to the September 30, 2018 presentation.

#### ***New Accounting Pronouncements***

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

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

In 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-For-Profit Entities* to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.



## **Resource Center Dallas and Affiliate**

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

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In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

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

## Resource Center Dallas and Affiliate

### Notes to Consolidated Financial Statements

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### 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: Valued at the NAV of shares held by the Center at year end. The NAV is a quoted price in an active market.

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

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

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

	<u>2018</u>	<u>2017</u>
Money market funds and cash equivalents	\$ 128,378	\$ 130,121
Common stock:		
Basic industry	3,275	95,921
Capital goods	6,954	128,314
Communication	3,470	-
Consumer cyclical	7,092	-
Consumer defensive	6,735	-
Consumer goods	6,952	174,096
Consumer services	3,346	150,983
Entertainment	3,508	32,228
Financial	16,653	231,278
Food and beverages	6,904	-
Healthcare	13,610	117,616
Industrial	17,029	-
Technology	13,703	126,920
Utilities	13,781	279,984
Energy	-	163,431
Real estate	-	51,829
Other	2,019	1,930
Mutual funds:		
Fixed income	1,025,163	312,128
Growth and income	151,292	-
Index funds	1,313,580	250,105
	<u>\$ 2,743,444</u>	<u>\$ 2,246,884</u>

Investment income (loss) consists of the following for the year ended September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 65,823	\$ 156,645	\$ -	\$ 222,468
Realized gain on investments	27,154	17,611	130,376	175,141
Unrealized gain (loss) on investments	(426)	(33,290)	(246,455)	(280,171)
	<u>\$ 92,551</u>	<u>\$ 140,966</u>	<u>\$ (116,079)</u>	<u>\$ 117,438</u>

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

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Investment income consists of the following for the year ended September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 23,335	\$ 63,008	\$ -	\$ 86,343
Unrealized gain on investments	36,692	11,356	84,071	132,119
	<u>\$ 60,027</u>	<u>\$ 74,364</u>	<u>\$ 84,071</u>	<u>\$ 218,462</u>

#### 4. Unconditional Promises to Give

Unconditional promises to give at September 30, 2018 and 2017 were as follows:

	2018	2017
Amounts due in:		
Less than one year	\$ 368,594	\$ 430,476
One to five years	498,070	503,363
Subtotal	866,664	933,839
Less allowance for doubtful pledges	-	(127,000)
Less discount to present value	(31,706)	(39,197)
Unconditional promises to give, net	<u>\$ 834,958</u>	<u>\$ 767,642</u>

Unconditional promises to give beyond September 30, 2018 and 2017 are valued using a discount rate of 5.25% and 4.25%, respectively.

#### 5. Loan Receivable - NMTC

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

The Loan and regulatory agreement restricts the use of the funds to the 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, 2018 and 2017 is \$4,475,250 (see Note 8).

The interest income on the loan receivable – NMTC is approximately \$44,750 per year. Accrued interest on the loan receivable – NMTC was \$33,565 at September 30, 2018 and 2017 and is included in other receivables on the consolidated statement of financial position.

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

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**6. Property and Equipment**

Property and equipment consists of the following at September 30:

	2018	2017
Land	\$ 2,399,391	\$ 2,384,891
Building and improvements	7,512,847	7,290,982
Furniture and equipment	614,136	768,535
Vehicles	52,681	20,711
Capitalized interest	72,031	72,031
	10,651,086	10,537,150
Less accumulated depreciation	(1,637,800)	(1,872,630)
Property and equipment, net	\$ 9,013,286	\$ 8,664,520

**7. Line of Credit**

The Center has a line of credit with a bank allowing the Center to borrow up to \$700,000. The line of credit bears interest at the *Wall Street Journal* prime rate (5.25% at September 30, 2018) and matures on June 8, 2019. The line of credit is secured by equipment, inventory and receivables. The balance outstanding on the line at September 30, 2017 totaled \$644,000. No balance was outstanding on the line at September 30, 2018.

**8. Long-Term Debt**

New Market Tax Credit Financing

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

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

## Resource Center Dallas and Affiliate

### Notes to Consolidated Financial Statements

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

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

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

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		6,370,000
		6,370,000
	\$	6,370,000

## 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted by donors for the following purposes or periods at September 30:

	2018	2017
Time and purpose restricted pledges	\$ -	\$ 534,946
Time restricted pledges	834,958	521,689
Endowment earnings	158,364	91,375
	\$ 993,322	\$ 1,148,010

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

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**10. Permanently Restricted Net Assets**

At September 30, 2018 and 2017, permanently restricted net assets consist of endowment funds to be held indefinitely, the income from which is expendable to support program services.

**11. Leases**

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

2019	\$ 144,834
2020	242,860
2021	187,796
2022	162,818
2023	167,928
Thereafter	626,432

Rent expense related to facilities and equipment under non-cancelable operating lease agreements was approximately \$226,000 and \$149,000 for the years ended September 30, 2018 and 2017, respectively.

**12. In-kind Contributions**

The Center receives various in-kind donations of supplies, food and advertising that are provided to clients in its programs or used in operations. The estimated fair market value of these items are reflected in the accompanying consolidated statements of activities as contributions and expense in the amounts of \$101,306 and \$169,387 for the years ended September 30, 2018 and 2017, respectively.

**13. Related Party Transactions**

Board members contributed \$195,924 during the year ended September 30, 2018.

## **Resource Center Dallas and Affiliate**

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

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#### **14. 340B Program**

In October 2015, the Center was approved as a covered entity in the 340B program, which is administered by the U.S. Department of Health and Human Services Health Resources and Services Administration (HRSA). As a covered entity, as defined in section 340B of the Public Health Service Act, the Center is authorized to purchase certain outpatient drugs at reduced prices. The Center provides this service through service agreements with pharmacies. As of September 30, 2018, the Center has contracts with three pharmacies: Walgreens, AVITA, and American Specialty Pharmacy. The Center purchases the drugs and the contracted pharmacies order and dispense the drugs to the Center's eligible clients. The pharmacy bills the insurance company for the prescription, receives payment from the insurance company, and retains a management fee. The remaining payment is submitted to the Center by the pharmacy. Under the 340B program, the Center is required to expend the excess funds to provide more services and better the organization as a whole.

#### **15. Retirement Plan**

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

#### **16. 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, 2018 and 2017 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, 2018 and 2017 is \$1,599,940 and \$1,716,019, respectively.



## **Resource Center Dallas and Affiliate**

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

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#### ***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 permanently restricted net assets (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 fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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:

1. The duration of preservation of the fund
2. The purposes of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Center
7. 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 Affiliate**  
**Notes to Consolidated Financial Statements**

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***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 as decreases in unrestricted net assets. There were no deficiencies in donor-restricted endowment funds as of September 30, 2018 and 2017.

Changes in the endowment funds by net asset classification for the years ended September 30, 2018 and 2017 are as follows:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 91,375	\$ 1,898,487	\$ 1,989,862
Dividend and interest income	156,649	-	156,649
Net unrealized loss	(15,679)	(116,079)	(131,758)
Appropriations for expenditure	(73,981)	-	(73,981)
Endowment net assets, end of year	<u>\$ 158,364</u>	<u>\$ 1,782,408</u>	<u>\$ 1,940,772</u>
	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 117,011	\$ 1,814,416	\$ 1,931,427
Dividend and interest income	63,008	-	63,008
Net unrealized gain	11,356	84,071	95,427
Appropriations for expenditure	(100,000)	-	(100,000)
Endowment net assets, end of year	<u>\$ 91,375</u>	<u>\$ 1,898,487</u>	<u>\$ 1,989,862</u>

**17. Subsequent Events**

Subsequent to the year ended September 30, 2018, RCD formed Resource Center LGBTQ Health & Wellness Center, a new legal entity, to employ physicians for treatment of patients. RCD wholly owns the new entity.

Management has evaluated subsequent through the date which the consolidated financial statements were available to be issued and concluded that no additional adjustments or disclosures are required.

**Resource Center Dallas**  
**Consolidating Statement of Financial Position**  
**September 30, 2018**

	Resource Center Dallas	Resource Center Dallas Foundation	Resource Center Title Holding Corporation	Total	Eliminating Entries	Consolidated Balance
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,304,718	\$ 38,954	\$ -	\$ 1,343,672	\$ -	\$ 1,343,672
Investments	802,672	-	-	802,672	-	802,672
Grants receivable	532,779	-	-	532,779	-	532,779
Unconditional promises to give, net	716,445	118,513	-	834,958	-	834,958
Accounts receivable	735,119	-	-	735,119	-	735,119
Intercompany receivable	-	874,927	-	874,927	(874,927)	-
Other receivables	73,877	-	-	73,877	-	73,877
Prepaid expenses and other assets	34,588	-	-	34,588	-	34,588
Assets restricted for long-term purposes:						
Cash	10,470	-	205,610	216,080	-	216,080
Loan receivable - new market tax credit	4,475,250	-	-	4,475,250	-	4,475,250
Property and equipment, net	1,156,480	-	7,856,806	9,013,286	-	9,013,286
Endowment investments	1,940,772	-	-	1,940,772	-	1,940,772
<b>Total assets</b>	<b>\$ 11,783,170</b>	<b>\$ 1,032,394</b>	<b>\$ 8,062,416</b>	<b>\$ 20,877,980</b>	<b>\$ (874,927)</b>	<b>\$ 20,003,053</b>
<b>Liabilities:</b>						
Accounts payable	\$ 575,940	\$ -	-	\$ 575,940	\$ -	\$ 575,940
Accrued expenses	173,215	-	-	173,215	-	173,215
Intercompany payable	561,779	-	313,148	874,927	(874,927)	-
Notes payable - new market tax credit	-	-	6,370,000	6,370,000	-	6,370,000
<b>Total liabilities</b>	<b>1,310,934</b>	<b>-</b>	<b>6,683,148</b>	<b>7,994,082</b>	<b>(874,927)</b>	<b>7,119,155</b>
Net assets	10,472,236	1,032,394	1,379,268	12,883,898	-	12,883,898
<b>Total liabilities and net assets</b>	<b>\$ 11,783,170</b>	<b>\$ 1,032,394</b>	<b>\$ 8,062,416</b>	<b>\$ 20,877,980</b>	<b>\$ (874,927)</b>	<b>\$ 20,003,053</b>

**Resource Center Dallas**  
**Consolidating Statement of Activities**  
**Year Ended September 30, 2018**

	Resource Center Dallas	Resource Center Dallas Foundation	Resource Center Title Holding Corporation	Total	Eliminating Entries	Consolidated Total
<b>Revenue and support:</b>						
Contributions	\$ 1,896,153	\$ 21,182	\$ -	\$ 1,917,335	\$ -	\$ 1,917,335
Government grants	3,487,808	-	-	3,487,808	-	3,487,808
340B pharmacy revenue	4,568,566	-	-	4,568,566	-	4,568,566
Fees for services	304,416	-	-	304,416	-	304,416
Special events, net of direct costs of \$59,947	164,629	-	-	164,629	-	164,629
Net investment income	82,174	35,264	-	117,438	-	117,438
Other	1,609	-	54,000	55,609	(54,000)	1,609
<b>Total revenue and support</b>	<b>10,505,355</b>	<b>56,446</b>	<b>54,000</b>	<b>10,615,801</b>	<b>(54,000)</b>	<b>10,561,801</b>
<b>Expenses:</b>						
Program:						
Community center	4,178,746	-	-	4,178,746	-	4,178,746
Client services	2,300,474	-	-	2,300,474	-	2,300,474
Clinic services	1,359,063	-	-	1,359,063	-	1,359,063
<b>Total program expense</b>	<b>7,838,283</b>	<b>-</b>	<b>-</b>	<b>7,838,283</b>	<b>-</b>	<b>7,838,283</b>
Supporting services:						
Administrative	520,652	7,641	232,168	760,461	(54,000)	706,461
Fundraising	532,063	-	-	532,063	-	532,063
<b>Total supporting services</b>	<b>1,052,715</b>	<b>7,641</b>	<b>232,168</b>	<b>1,292,524</b>	<b>(54,000)</b>	<b>1,238,524</b>
<b>Total expenses</b>	<b>8,890,998</b>	<b>7,641</b>	<b>232,168</b>	<b>9,130,807</b>	<b>(54,000)</b>	<b>9,076,807</b>
Bad debt loss	-	12,176	-	12,176	-	12,176
<b>Total expenses and losses</b>	<b>8,890,998</b>	<b>19,817</b>	<b>232,168</b>	<b>9,142,983</b>	<b>(54,000)</b>	<b>9,088,983</b>
<b>Change in net assets</b>	<b>1,614,357</b>	<b>36,629</b>	<b>(178,168)</b>	<b>1,472,818</b>	<b>-</b>	<b>1,472,818</b>
<b>Net assets at beginning of year</b>	<b>8,857,879</b>	<b>995,765</b>	<b>1,557,436</b>	<b>11,411,080</b>	<b>-</b>	<b>11,411,080</b>
<b>Net assets at end of year</b>	<b>\$ 10,472,236</b>	<b>\$ 1,032,394</b>	<b>\$ 1,379,268</b>	<b>\$ 12,883,898</b>	<b>\$ -</b>	<b>\$ 12,883,898</b>

**Resource Center Dallas**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2018**

Federal or State Grantor/Pass-through Grantor/Program Title	CFDA #	Expenditures
U.S. Department of Health and Human Services:		
Texas Department of State Health Services via Dallas County Health and Human Services:		
HIV Emergency Relief Projects Grant, Ryan White Title I and Part A Formula Funding	93.914	\$ 2,136,679
HIV Care Formula Grants, Ryan White Title II and Part B Formula Funding	93.917	96,297
Texas Department of State Health Services:		
HIV Prevention Activities Health Department Based, HERR/PCPE and HIV Planning Prevention	93.940	<u>1,140,000</u>
<b>Total expenditures of federal awards</b>		<u>3,372,976</u>
Texas Department of State Health Services via Dallas County Health and Human Services -		
HIV Health and Social Services Grant	N/A	<u>114,832</u>
<b>Total expenditures of state awards</b>		<u>114,832</u>
<b>Total expenditures of federal and state awards</b>		<u>\$ 3,487,808</u>

See notes to schedule of expenditures of federal and state awards.

**Resource Center Dallas**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2018**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state 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 financial position, changes in net assets, or cash flows of Resource Center Dallas.

**2. Summary of Significant Accounting Policies**

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

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

To the Board of Directors of  
Resource Center Dallas

We have audited the consolidated financial statements of Resource Center Dallas and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2018, and the/ related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 18, 2019. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Resource Center Dallas Foundation and Resource Center Title Holding Corporation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Resource Center Dallas Foundation or Resource Center Title Holding Corporation.

***Internal Control over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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



A Limited Liability Partnership

Arlington, Texas  
March 18, 2019



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

To the Board of Directors of  
Resource Center Dallas

***Report on Compliance for Each Major Federal Program***

We have audited Resource Center Dallas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Resource Center Dallas' major federal programs for the year ended September 30, 2018. Resource Center Dallas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

### ***Opinion on Major Federal Program***

In our opinion, Resource Center Dallas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

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

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

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

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

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

*Sutton Grost Cary*

A Limited Liability Partnership

Arlington, Texas  
March 18, 2019

**Resource Center Dallas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2018**

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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? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to consolidated financial statements noted? yes no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes 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)? yes no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.914	HIV Emergency Relief Projects Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

None