

SJRC Texas

Financial Statements and Compliance Report

June 30, 2020 and 2019



SJRC Texas

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities (with comparative totals)	4
Statement of Functional Expenses (with comparative totals)	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Compliance Report	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Audit Standards	15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	17
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21

Independent Auditor's Report

To the Board of Directors of
SJRC Texas

Report on the Financial Statements

We have audited the accompanying financial statements of SJRC Texas (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of SJRC Texas as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

We have previously audited the SJRC Texas's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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, 2021, on our consideration of the SJRC Texas's 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 solely 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 SJRC Texas's 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 SJRC Texas's internal control over financial reporting and compliance.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

March 18, 2021

Financial Statements

SJRC Texas

Statements of Financial Position June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 2,072,258	\$ 1,085,052
Accounts Receivable	667,929	635,138
Prepays	19,494	3,947
Other Current Assets	4,855	4,863
<i>Total Current Assets</i>	<u>2,764,536</u>	<u>1,729,000</u>
Property and Equipment, net	2,181,664	1,629,918
Other Assets	<u>2,230</u>	<u>2,230</u>
Total Assets	<u>\$ 4,948,430</u>	<u>\$ 3,361,148</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 152,177	\$ 94,164
Accrued Liabilities	200,881	131,909
Deferred Revenue	600,000	100,000
<i>Total Current Liabilities</i>	<u>953,058</u>	<u>326,073</u>
Long Term Liabilities		
Note Payable - Paycheck Protection Program	<u>694,900</u>	-
Total Liabilities	<u>1,647,958</u>	<u>326,073</u>
Net Assets:		
Without Donor Restrictions	3,170,095	2,449,700
With Donor Restrictions	130,377	585,375
<i>Total Net Assets</i>	<u>3,300,472</u>	<u>3,035,075</u>
Total Liabilities and Net Assets	<u>\$ 4,948,430</u>	<u>\$ 3,361,148</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Activities

Year Ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)

	2020			2019 Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenues				
Government Grants	\$ 4,362,148	\$ -	\$ 4,362,148	\$ 4,045,973
Capital Campaign	150,000	-	150,000	595,375
Other Grants	610,039	80,377	690,416	494,021
Contributions	669,885	-	669,885	468,610
Special Event Income, Net of Expenses of \$51,084 and \$99,408 for 2020 and 2019, respectively.	70,933	-	70,933	73,658
Program Income	95	-	95	6,668
Interest Income	7,606	-	7,606	454
In-Kind Contributions	180,704	-	180,704	-
Other Income	26,712	-	26,712	10,783
Net Assets Released from Restrictions	535,375	(535,375)	-	-
Total Support and Revenues	6,613,497	(454,998)	6,158,499	5,695,542
Expenses				
Program Services	4,813,656	-	4,813,656	4,037,772
Support Services:				
Management and General	718,242	-	718,242	633,283
Fundraising	361,204	-	361,204	325,098
Total Expenses	5,893,102	-	5,893,102	4,996,153
Changes in Net Assets	720,395	(454,998)	265,397	699,389
Net Assets at Beginning of Year	2,449,700	585,375	3,035,075	2,335,686
Net Assets at End of Year	\$ 3,170,095	\$ 130,377	\$ 3,300,472	\$ 3,035,075

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Functional Expenses Year Ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)

	Program Services	Support Services		2020 Totals	2019 Totals
		Management and General	Fundraising		
Salaries, Wages, and Benefits	\$ 3,031,599	\$ 549,817	\$ 235,955	\$ 3,817,371	\$ 3,172,752
Payroll Taxes	201,631	35,284	15,733	252,648	224,091
Total Salaries and Related Expenses	3,233,230	585,101	251,688	4,070,019	3,396,843
Advertising, Marketing and Public Relations	13,660	1,848	51,050	66,558	51,393
Bank Fees	-	3,204	-	3,204	2,495
Bad Debt	-	-	-	-	114,319
Computer Hardware/Software	53,214	4,884	5,801	63,899	34,706
Conferences and Meetings	7,470	7,182	4,788	19,440	25,990
Dues and Subscriptions	13,552	1,579	6,003	21,134	23,398
Employee Benefits	30,508	6,259	8,196	44,963	25,720
Foster Family Payments	543,841	-	-	543,841	468,499
Housing Costs	74,256	-	-	74,256	25,911
Investment Losses	-	203	-	203	578
Information Technology	33,134	7,840	5,362	46,336	38,278
Insurance	64,980	10,393	764	76,137	67,599
Legal Fees	-	1,470	-	1,470	375
Merchant Service Fee	-	1,677	-	1,677	4,409
Office Expenses	30,403	12,583	15,137	58,123	47,525
Other Expenses	431	683	96	1,210	2,991
Postage and Shipping	945	430	6,711	8,086	3,146
Professional Services	6,055	40,500	-	46,555	64,434
Rent	38,329	218	-	38,547	36,757
Resident Expenses	258,235	-	-	258,235	179,472
Repair and Maintenance	57,574	130	60	57,764	36,489
Security System	8,375	-	-	8,375	11,592
Telephone / Internet	36,679	10,043	2,798	49,520	46,683
Travel	53,583	7,460	2,620	63,663	58,986
Utilities	94,361	-	-	94,361	61,759
Total Expenses before Depreciation	4,652,815	703,687	361,074	5,717,576	4,830,347
Depreciation	160,841	14,555	130	175,526	165,806
Total Expenses	\$ 4,813,656	\$ 718,242	\$ 361,204	\$ 5,893,102	\$ 4,996,153

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statements of Cash Flows Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 265,397	\$ 699,389
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	175,526	165,806
(Increase) Decrease in:		
Accounts Receivable	(32,791)	(75,971)
Prepays	(15,547)	(1,268)
Other Assets	8	55
Increase in:		
Accounts Payable	58,013	35,848
Accrued Liabilities	68,972	34,834
Deferred Revenue	500,000	100,000
Net Cash Provided by Operating Activities	<u>1,019,578</u>	<u>958,693</u>
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	<u>(727,272)</u>	<u>(134,404)</u>
Net Cash Used by Investing Activities	<u>(727,272)</u>	<u>(134,404)</u>
Cash Flows From Financing Activities:		
Proceeds from Note Payable - Paycheck Protection Program	<u>694,900</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>694,900</u>	<u>-</u>
Net Increase in Cash	987,206	824,289
Cash and Cash Equivalents, Beginning of Year	<u>1,085,052</u>	<u>260,763</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,072,258</u>	<u>\$ 1,085,052</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note A: Nature of Organization

SJRC Texas is a nonprofit organization incorporated under the laws of the State of Texas. SJRC Texas includes two nonsectarian facilities licensed by the Texas Department of Family and Protective Services to care for abused, abandoned and homeless children. One facility located in New Braunfels, Texas, serves as a shelter for emergency care of children from infancy to age 17 while the Texas Department of Family and Protective Services determine their residency destination. The shelter also provides a program for pregnant and parenting children ages 10 to 17. For the emergency shelter, the short-term length of stay is approximately 90 days unless an extension is granted, and the long-term length of stay is approximately two years. The shelter is licensed to care for a maximum of 24 children. The second facility located in Bulverde, Texas is licensed by the Texas Department of Family and Protective Services to care for children ages 6 to 17. The facility has five homes where these children receive residential therapeutic foster care services in a home-like environment. The third facility in San Antonio, Texas is responsible for providing counseling and assistance as well as a Child Placing Agency for foster or adoptive parents.

SJRC Texas's program services are supported primarily through state and local government contracts, as well as donations from individuals, corporations, foundations, and its affiliates.

Note B: Summary of Accounting Principles

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- *Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of SJRC Texas generally are not considered “restricted” under GAAP, though for internal reporting SJRC Texas tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- *With Donor Restrictions* – net assets subject to donor-imposed stipulations that are more restrictive than SJRC Texas's mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Methods Used for Allocation of Expenses Amount Program and Supporting Services

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: occupancy which is allocated based on FTEs that use the space. Depreciation and amortization are allocated based on which class uses the asset. Certain administrative salaries and wages, benefits, and payroll taxes are allocated by amount of time and effort. Professional IT per unit services are charged on number of computers each class has, and the lump sum charges are then allocated based on a percentage of number of computers as a percent of the total. Insurance is allocated to the class that is covers when distinguishable and the rest is allocated with other based on bed days of each class as a percentage of total bed days for the organization.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note B: Summary of Accounting Principles (Continued)

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC, 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement:

- *Level 1* - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that SJRC Texas has the ability to access.
- *Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- *Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Fair Value of Financial Instruments

SJRC Texas's financial instruments include cash and cash equivalents, receivables and payables. The carrying amount of these financial instruments as reflected in the Statement of Financial Position approximates fair value.

Estimates

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

Cash and Cash Equivalents

For purposes of reporting cash flows, SJRC Texas considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due from state and county agencies for services provided in the care for children. Receivables are stated at the amount management expects to collect from outstanding balances. It is SJRC Texas's policy to charge off uncollectible accounts receivable for program fees when management determines the receivable will not be collected. The program fees are delinquent when not received within the contractual terms. SJRC Texas estimates an allowance for doubtful accounts based on periodic assessment. If the accounts become uncollectible, the balance will be charged to expense when the determination is made. Receivables at June 30, 2020 and 2019 are considered to be fully collectible; accordingly, no allowance has been established. All amounts recorded are expected to be received within one year.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note B: Summary of Accounting Principles (Continued)

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. SJRC Texas capitalizes property and equipment over \$1,000 with expected useful lives greater than one year. Lesser amounts are expensed. When an asset is disposed of, the cost and related accumulated depreciation is removed from the books, and the gain or loss is recognized. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and Fixtures, vehicles, and equipment	3 to 15 years
Land Improvements	10 to 15 years
Buildings	25 to 39 years

Contributions and Grants

Contributions and grants received are recorded as support without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon expiration of the time or purpose restriction and are reported in the Statement of Activities as “net assets released from restrictions”. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled **\$3,936** and \$3,008 for the years ended June 30, 2020 and 2019, respectively.

In-Kind Contributions

Donated facilities, goods and services received are valued based on their estimated fair market value on the date of contribution (see **Note J**).

Volunteers have donated time to the program services and fund-raising campaigns during the year; however, these donated services do not meet the criteria to be reflected in the financial statements.

Federal Income Taxes

SJRC Texas is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. In addition, SJRC Texas has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2020 and 2019. SJRC Texas is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note B: Summary of Accounting Principles (Continued)

Recent Accounting Pronouncements

Adopted During 2020

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. SJRC Texas adopted the new provisions of the standard during the year ended June 20, 2020. There were no significant effects on the financial statements and related disclosures.

Future Adoption

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers, Topic 606*. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. On June 3, 2020, the FASB issued a one year delay for the effective date of this standard and for entities that have not yet issued financial statements or made financial statements available for issuance as of June 3, 2020 reflecting adoption of ASC 606. As of June 3, 2020, SJRC Texas had not yet issued such financial statements or made such financial statements available for issuance. Therefore, ASC 606 takes effect for SJRC Texas in annual reporting periods beginning after December 15, 2019 and the interim reporting periods within annual reporting periods beginning after December 31, 2020. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. Management of SJRC Texas is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2020. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized on the statement of financial position as an asset (right to use leased asset) and a liability (lease liability). Management of SJRC Texas expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

SJRC Texas

Notes to Financial Statements Years Ended June 30, 2020 and 2019

Note C: Liquidity and Availability

The following represents SJRC Texas's financial assets at June 30, 2020 and 2019 available to meet general expenditures over the next twelve months:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 2,072,258	\$ 1,085,052
Accounts receivable	667,929	635,138
Total financial assets	<u>2,740,187</u>	<u>1,720,190</u>
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	130,377	585,375
Less net assets with timing restrictions to be met in less than one year	<u>-</u>	<u>-</u>
	<u>130,377</u>	<u>585,375</u>
Financial assets available to meet general expenditures over the next week twelve months	\$ <u>2,609,810</u>	\$ <u>1,134,815</u>

Note D: Risk and Uncertainty

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "global health emergency" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which SJRC Texas operates.

In light of the uncertain and rapidly evolving coronavirus situation, SJRC Texas has taken precautionary measures intended to minimize the risk of the virus to SJRC Texas's employees and the communities in which SJRC Texas operates. At the current time, SJRC Texas is unable to quantify the potential effects of this pandemic on the SJRC Texas's future financial statements.

Note E: Property and Equipment, net

Property and Equipment, net consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 122,500	\$ 122,500
Buildings	2,733,563	2,223,364
Leasehold Improvements	276,848	231,244
Furniture and Equipment	366,499	258,577
Vehicles	<u>327,255</u>	<u>263,708</u>
Total Property and Equipment	3,826,665	3,099,393
Less: Accumulated Depreciation	<u>(1,645,001)</u>	<u>(1,469,475)</u>
Total Property and Equipment, Net	\$ <u>2,181,664</u>	\$ <u>1,629,918</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 were **\$175,526** and 165,806, respectively.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note F: Long-Term Debt

Line of Credit

SJRC Texas has a revolving line of credit with a financial institution. The Line of credit has a limit of \$500,000, with interest only payments until maturity (November of 2021) and accrues interest at a rate of Prime plus 125 basis points, which was 4.50% at June 30, 2020. As of June 30, 2020, there were no amounts outstanding on the line of credit.

Paycheck Protection Program Loan

On April 30, 2020, SJRC Texas received loan proceeds in the amount of \$694,900 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. SJRC Texas intends to use the PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

SJRC Texas has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. To the extent that SJRC Texas is not granted forgiveness, SJRC Texas will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 30, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

Note G: Net Assets

Without Donor Restrictions

Without Donor Restrictions consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Undesignated Funds	\$ 3,170,095	\$ 2,299,700
Board Designated for 401k Contribution	<u>-</u>	<u>150,000</u>
Total Without Donor Restrictions	<u>\$ 3,170,095</u>	<u>\$ 2,449,700</u>

With Donor Restrictions

With Donor Restrictions consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Restricted by Purpose		
Capital Campaign	\$ 50,000	\$ 585,375
Nursing Position and Supplies	<u>80,377</u>	<u>-</u>
Total With Donor Restrictions	<u>\$ 130,377</u>	<u>\$ 585,375</u>

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note H: Concentrations

Credit Risk of Financial Instruments

Financial instruments that potentially subject SJRC Texas to concentrations of credit risk consist of its cash balances at the banks if such balances exceed the amount insured by Federal Deposit Insurance Corporation (FDIC). For the years ended, June 30, 2020 and 2019, SJRC Texas's deposits at the Bank exceeded the FDIC limit of \$250,000 by **\$762,340** and \$820,100, respectively. SJRC Texas has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on its cash and cash equivalents.

Concentrations of credit risk with respect to receivables are limited because such receivables result primarily from contracts with federal, state, and local governments.

Support and Revenue

The primary source of SJRC Texas's revenue is grants funded with federal and state funds. The revenue from these grants for the years ended June 30, 2020 and 2019 were **\$4,362,148** and \$4,045,973, which was **70%** and 70% of total support and revenue, respectively.

Government Grants revenue at June 30 are as follows:

Grant Name	Grant Source	2020	
		Amount	Percent of Total Support and Revenue
Texas Department of Family and Protective Services	State	\$ 3,140,660	51%
Texas Pregnancy Care Network	State	442,248	7%
Victims of Crime Act - Sex Trafficking Grant	Federal	687,780	11%
United States Department of Agriculture	Federal	91,460	1%
Total Government Grants		\$ 4,362,148	70%

Grant Name	Grant Source	2019	
		Amount	Percent of Total Support and Revenue
Texas Department of Family and Protective Services	State	\$ 3,024,690	52%
Texas Pregnancy Care Network	State	456,308	8%
Victims of Crime Act - Sex Trafficking Grant	Federal	469,391	8%
United States Department of Agriculture	Federal	95,584	2%
Total Government Grants		\$ 4,045,973	70%

The grants for the year ending June 30, 2020 have been approved and management believes that future grants will continue.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note I: Commitments and Contingencies

SJRC Texas participates in several state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that SJRC Texas has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note J: In-Kind Contribution

Goods and Services

Throughout the year SJRC Texas receives donated goods and services mainly related to clothes, supplies, toys. SJRC Texas also received donated building improvements and furniture, and services to construct and install these donated assets. Accordingly, **\$180,704** and \$0 of donated goods and services has been recognized in the Statement of Activities as In-Kind Contributions for the years ended June 30, 2020 and 2019, respectively.

Note K: Leases

SJRC Texas is obligated under a non-cancellable operating lease agreement for office space in the San Antonio area. On May 15, 2020, SJRC Texas extended the lease agreement for 84 months, beginning on July 1, 2020. Future minimum rental payments due under the operating lease agreements at June 30, 2020 are summarized as follows:

2021	\$	75,930
2022		77,932
2023		79,933
2024		81,935
Thereafter		<u>257,813</u>
Total Lease Commitment	\$	<u>573,542</u>

Rent expenses related to these leases totaled **\$38,547** and \$36,757 for the years ended June 30, 2020 and 2019, respectively.

Note L: Retirement Plan

SJRC Texas established a 401(k)-retirement plan effective 7/1/2019. Employees who have attained the age 21 and completed twelve months (1000 hours) of service are eligible to contribute to the plan. These eligibility requirements were waived for employees employed on the original effective date of the plan. SJRC Texas currently provides discretionary matching contributions and discretionary profit-sharing contributions to eligible participants; amounts allocated to eligible participant's accounts may vary based on the amount or percentage determined from year to year. SJRC Texas's total contribution for the year ended June 30, 2020 was \$178,710.

Note M: Subsequent Events

Subsequent events have been evaluated through the March 18, 2021, which is the date the financial statements were available to be issued.

Compliance Report

**Independent Auditor's Report 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
SJRC Texas

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 SJRC Texas (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SJRC Texas's 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 SJRC Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of SJRC Texas'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 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 SJRC Texas'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 determination of 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*.

**Independent Auditor's Report 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 (Continued)**

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

March 18, 2021

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

To the Board of Directors of
SJRC Texas

Report on Compliance for Each Major Federal Program

We have audited Behavioral Health Solutions of South Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SJRC Texas's major federal programs for the year ended June 30, 2020. SJRC Texas's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SJRC Texas's 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, 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 SJRC Texas's 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 SJRC Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, SJRC Texas 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 June 30, 2020.

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance (Continued)**

Report on Internal Control Over Compliance

Management of SJRC Texas 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 SJRC Texas's 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 SJRC Texas's 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.



Schrivier, Carmona & Company, PLLC

San Antonio, Texas

March 18, 2021

SJRC Texas

Schedule of Expenditures of Federal Awards
June 30, 2020

<u>Agency/Pass through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grant ID Number</u>	<u>Grant Period</u>		<u>Federal Grant Expended During the Year</u>
			<u>From</u>	<u>To</u>	
U.S. Department of Justice					
<i>Passed through Texas Office of the Governor</i>					
<i>Criminal Justice Division</i>					
VA - Victims of Crime Act Formula Grant Plan	16.575	2016-VA-GX-0033	10/1/2017	9/30/2019	\$ 110,135
VA - Victims of Crime Act Formula Grant Plan	16.575	2018-V2-GX-0040	10/1/2019	9/30/2021	234,039
VA - Victims of Crime Act Formula Grant Plan	16.575	2018-V2-GX-0040	10/1/2018	9/30/2020	160,571
VA - Victims of Crime Act Formula Grant Plan	16.575	2018-V2-GX-0040	10/1/2018	9/30/2020	183,036
<i>Total Texas Office of the Governor</i>					
<i>Criminal Justice Division</i>					<u>687,781</u>
Total U.S. Department of Justice					<u>687,781</u>
U.S. Department of Agriculture					
<i>Passed through Texas Department of Agriculture</i>					
National School Lunch Program	10.555		7/1/2019	6/30/2020	50,173
Afterschool Care Program	10.555		7/1/2019	6/30/2020	5,384
School Breakfast Program	10.553		7/1/2019	6/30/2020	35,904
<i>Total Texas Department of Agriculture</i>					<u>91,461</u>
Total U.S. Department of Agriculture					<u>91,461</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 779,242</u></u>

SJRC Texas

Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of SJRC Texas under programs of the federal government for the year ended June 30, 2020. 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 SJRC Texas, it is not intended, and does not, present the financial position, changes in net assets or cash flows of SJRC Texas. Therefore, some amounts presented in the Schedule may differ from amounts presented in the financial statements.

All of SJRC Texas's federal awards were in the form of cash assistance for the year ended June 30, 2020.

Note B: Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the basis of accounting using accounting principles generally accepted in the United States of America (GAAP). Such expenditures are recognized following the cost principles contained in 2 CFR Part 230, *Costs Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) SJRC Texas has elected to not use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note C: Reconciliation to Financial Statements

Total Expenditures of Federal Awards	\$ 779,242
Other Contracts	<u>3,582,906</u>
Total Government Grants	<u>\$ 4,362,148</u>

SJRC Texas

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.575	VA - Victims of Crime Act Formula Grant Plan

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS None

SECTION III - FEDERAL AWARD FINDINGS None