

SJRC Texas

Financial Statements

June 30, 2021 and 2020



SJRC Texas

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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, 2021, 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. 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Schriver Carmona". The signature is written in a cursive, flowing style.

Schriver, Carmona & Company, PLLC

San Antonio, Texas

April 27, 2022

Financial Statements

SJRC Texas

Statements of Financial Position June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 2,913,868 | \$ 2,072,258 |
| Accounts Receivable | 672,999 | 667,929 |
| Prepaid Expenses | 9,765 | 19,494 |
| Other Current Assets | 4,649 | 4,855 |
| <i>Total Current Assets</i> | <u>3,601,281</u> | <u>2,764,536</u> |
| Property and Equipment, net | 2,137,912 | 2,181,664 |
| Other Assets - Deposits Paid | <u>2,230</u> | <u>2,230</u> |
| Total Assets | \$ <u>5,741,423</u> | \$ <u>4,948,430</u> |
| | | |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 153,713 | \$ 152,177 |
| Accrued Payroll Liabilities | 271,425 | 200,881 |
| Deferred Revenue | <u>1,647,000</u> | <u>600,000</u> |
| <i>Total Current Liabilities</i> | <u>2,072,138</u> | <u>953,058</u> |
| Long Term Liabilities | | |
| Note Payable - Paycheck Protection Program | <u>-</u> | <u>694,900</u> |
| Total Liabilities | <u>2,072,138</u> | <u>1,647,958</u> |
| Net Assets: | | |
| Without Donor Restrictions | 3,541,438 | 3,170,095 |
| Board Designated - Storm Repairs | 107,367 | - |
| With Donor Restrictions | <u>20,480</u> | <u>130,377</u> |
| <i>Total Net Assets</i> | <u>3,669,285</u> | <u>3,300,472</u> |
| Total Liabilities and Net Assets | \$ <u>5,741,423</u> | \$ <u>4,948,430</u> |

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Activities

Year Ended June 30, 2021 (with comparative totals for the year ended June 30, 2020)

| | 2021 | | | 2020 Totals |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Support and Revenues | | | | |
| Government Contracts and Grants | \$ 4,344,845 | \$ - | \$ 4,344,845 | \$ 4,362,148 |
| Capital Campaign | - | - | - | 150,000 |
| Foundation Grants | 885,583 | 20,480 | 906,063 | 690,416 |
| Corporate Contributions | 212,085 | - | 212,085 | 404,789 |
| Individual Contributions | 323,723 | - | 323,723 | 265,096 |
| Special Event Income, Net of Expenses of \$80,134 and \$51,084 for 2021 and 2020, respectively. | 71,242 | - | 71,242 | 70,933 |
| Program Income | - | - | - | 95 |
| Interest Income | 463 | - | 463 | 7,606 |
| In-Kind Contributions | 18,891 | - | 18,891 | 180,704 |
| Insurance Proceeds | 107,367 | - | 107,367 | - |
| Other Income | 10,735 | - | 10,735 | 26,712 |
| Gain on Extinguishment of Debt | 694,900 | - | 694,900 | - |
| Net Assets Released from Restrictions | 130,377 | (130,377) | - | - |
| Total Support and Revenues | 6,800,211 | (109,897) | 6,690,314 | 6,158,499 |
| Expenses | | | | |
| Program Services | 5,348,027 | - | 5,348,027 | 4,813,656 |
| Support Services: | | | | |
| Management and General | 585,235 | - | 585,235 | 718,242 |
| Fundraising | 388,239 | - | 388,239 | 361,204 |
| Total Expenses | 6,321,501 | - | 6,321,501 | 5,893,102 |
| Changes in Net Assets | 478,710 | (109,897) | 368,813 | 265,397 |
| Net Assets at Beginning of Year | 3,170,095 | 130,377 | 3,300,472 | 3,035,075 |
| Net Assets at End of Year | \$ 3,648,805 | \$ 20,480 | \$ 3,669,285 | \$ 3,300,472 |

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Functional Expenses Year Ended June 30, 2021 (with comparative totals for the year ended June 30, 2020)

| | Program Services | Support Services | | 2021 Totals | 2020 Totals |
|---|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | | Management and General | Fundraising | | |
| Salaries, Wages, and Benefits | \$ 3,389,807 | \$ 380,877 | \$ 235,333 | \$ 4,006,017 | \$ 3,817,371 |
| Payroll Taxes | 235,335 | 34,533 | 17,431 | 287,299 | 252,648 |
| Total Salaries and Related Expenses | 3,625,142 | 415,410 | 252,764 | 4,293,316 | 4,070,019 |
| Advertising, Marketing and Public Relations | 14,658 | 856 | 62,144 | 77,658 | 66,558 |
| Bank Fees | 457 | 1,870 | - | 2,327 | 3,204 |
| Computer Hardware/Software | 39,943 | 13,255 | 7,565 | 60,763 | 63,899 |
| Conferences and Meetings | 18,142 | 4,373 | 1,760 | 24,275 | 19,440 |
| Copier Lease | 11,907 | - | - | 11,907 | 8,811 |
| Dues and Subscriptions | 7,146 | 12,533 | 3,074 | 22,753 | 21,134 |
| Employee Costs | 50,929 | 1,946 | 1,695 | 54,570 | 44,963 |
| Foster Family Payments | 546,212 | - | - | 546,212 | 543,841 |
| Housing Costs | 67,986 | - | - | 67,986 | 74,256 |
| Investment Losses | - | 240 | - | 240 | 203 |
| Information Technology | 48,877 | 9,730 | 8,164 | 66,771 | 46,336 |
| Insurance | 59,007 | 22,030 | - | 81,037 | 76,137 |
| Legal Fees | 5,463 | 2,595 | - | 8,058 | 1,470 |
| Merchant Service Fee | 11 | 4,299 | - | 4,310 | 1,677 |
| Office Expenses | 101,559 | 28,332 | 14,200 | 144,091 | 58,123 |
| Other Expenses | 916 | 511 | 189 | 1,616 | 1,210 |
| Postage and Shipping | 1,118 | 460 | 4,885 | 6,463 | 8,086 |
| Professional Services | 79,561 | 33,745 | 1,800 | 115,106 | 46,555 |
| Occupancy | 52,298 | - | 26,142 | 78,440 | 29,736 |
| Resident Expenses | 217,302 | 1,329 | - | 218,631 | 258,235 |
| Repair and Maintenance | 58,218 | 1,331 | - | 59,549 | 57,764 |
| Security System | 14,729 | - | - | 14,729 | 8,375 |
| Telephone/Internet | 44,940 | 11,031 | 2,729 | 58,700 | 49,520 |
| Travel | 28,645 | 7,228 | 1,128 | 37,001 | 63,663 |
| Utilities | 75,588 | - | - | 75,588 | 94,361 |
| Total Expenses before Depreciation | 5,170,754 | 573,104 | 388,239 | 6,132,097 | 5,717,576 |
| Depreciation | 177,273 | 12,131 | - | 189,404 | 175,526 |
| Total Expenses | \$ 5,348,027 | \$ 585,235 | \$ 388,239 | \$ 6,321,501 | \$ 5,893,102 |

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statements of Cash Flows Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Cash Flows From Operating Activities: | | |
| Change in Net Assets | \$ 368,813 | \$ 265,397 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 189,404 | 175,526 |
| Loss on Sale of Vehicle | 1,953 | - |
| (Increase) Decrease in: | | |
| Accounts Receivable | (5,070) | (32,791) |
| Prepaid Expenses | 9,729 | (15,547) |
| Other Assets | 206 | 8 |
| Gain on Extinguishment of Debt | (694,900) | - |
| Increase in: | | |
| Accounts Payable | 1,536 | 58,013 |
| Accrued Payroll Liabilities | 70,544 | 68,972 |
| Deferred Revenue | 1,047,000 | 500,000 |
| Net Cash Provided by Operating Activities | <u>989,215</u> | <u>1,019,578</u> |
| Cash Flows From Investing Activities: | | |
| Purchase of Property and Equipment, net of disposal | (148,455) | (727,272) |
| Proceeds from Sale of Vehicle | 850 | - |
| Net Cash Used by Investing Activities | <u>(147,605)</u> | <u>(727,272)</u> |
| Cash Flows From Financing Activities: | | |
| Proceeds from Note Payable - Paycheck Protection Program | - | 694,900 |
| Net Cash Provided by Financing Activities | <u>-</u> | <u>694,900</u> |
| Net Increase in Cash | 841,610 | 987,206 |
| Cash and Cash Equivalents, Beginning of Year | <u>2,072,258</u> | <u>1,085,052</u> |
| Cash and Cash Equivalents, End of Year | \$ <u>2,913,868</u> | \$ <u>2,072,258</u> |

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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.

In 2021, SJRC Texas was awarded a contract by the Texas Department of Family and Protective Services (DFPS) as a private foster care contractor for the expansion of Community-Based Care (CBC) into 27 counties surrounding Bexar County, which was already part of CBC. Counties included under the contract are: Atascosa, Bandera, Calhoun, Comal, DeWitt, Dimmitt, Edwards, Frio, Gillespie, Goliad, Gonzales, Guadalupe, Jackson, Karnes, Kendall, Kerr, Kinney, La Salle, Lavaca, Maverick, Medina, Real, Uvalde, Val Verde, Victoria, Wilson and Zavala. The initial term of this contract is April 1, 2021, through March 31, 2026. DFPS retains the option to renew the contract for one additional term of two years. In accordance with the contract, SJRC Texas received startup funds, which was recorded as deferred revenue (see **Deferred Revenue** note) as of June 30, 2021. The program commenced operations in November 2021.

In connection with this contract, SJRC Texas created Belong, a division of SJRC Texas, to serve as the lead provider for Community-Based Care in the 27 Texas counties Belong serves. Belong's vision is for abused and neglected children to be empowered to grow up to be happy, productive and caring adults.

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 those resources be maintained in perpetuity.

Note B: Summary of Accounting Principles (Continued)

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.

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.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note B: Summary of Accounting Principles (Continued)

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, 2021 and 2020 are considered to be fully collectible; accordingly, no allowance has been established. All amounts recorded are expected to be received within one year.

Deferred Revenue

The Organization is conducting a capital campaign to raise funds for a school. A portion of the related contributions are conditional upon the Organization completing the project. In addition, the Organization received funds for startup of the BELONG program that are conditional on the program beginning. These amounts are recorded as deferred revenue on the Statement of Activities and will be recorded as revenue once those conditions are met. See **Note G** for additional details.

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 \$5,000 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 **\$2,735** and \$3,936 for the years ended June 30, 2021 and 2020, 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 L**).

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.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note B: Summary of Accounting Principles (Continued)

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, 2021 and 2020. 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.

Recent Accounting Pronouncements

Adopted During 2020

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. 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. SJRC Texas adopted the new provisions of this standard during the year ended June 30, 2021. There were no significant effects on the financial statements and related disclosures.

Future Adoption

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, 2021. 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.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. 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, 2021 and 2020

Note C: Liquidity and Availability of Financial Resources

The following represents SJRC Texas's financial assets at June 30, 2021 and 2020 available to meet general expenditures over the next twelve months:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Financial assets at year end | | |
| Cash and cash equivalents | \$ 2,913,868 | \$ 2,072,258 |
| Accounts receivable | <u>672,999</u> | <u>667,929</u> |
| Total financial assets | <u>3,586,867</u> | <u>2,740,187</u> |
| Less those unavailable for general expenditures within one year, due to: | | |
| Net assets with donor restrictions | 20,480 | 130,377 |
| Deferred Revenues | <u>1,647,000</u> | <u>600,000</u> |
| | <u>1,667,480</u> | <u>730,377</u> |
| Financial assets available to meet general expenditures over the next year | \$ <u>1,919,387</u> | \$ <u>2,009,810</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>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 122,500 | \$ 122,500 |
| Buildings | 2,893,575 | 2,733,563 |
| Leasehold Improvements | 276,848 | 276,848 |
| Furniture and Equipment | 345,342 | 366,499 |
| Vehicles | <u>334,052</u> | <u>327,255</u> |
| Total Property and Equipment | 3,972,317 | 3,826,665 |
| Less: Accumulated Depreciation | <u>(1,834,405)</u> | <u>(1,645,001)</u> |
| Total Property and Equipment, Net | \$ <u>2,137,912</u> | \$ <u>2,181,664</u> |

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 were \$189,404 and \$175,526, respectively. Land is not depreciated.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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, 2021. As of June 30, 2021, 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 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 used the PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness within 10 months of the end of the covered period.

On May 24, 2021, SJRC Texas was granted 100% forgiveness on the \$694,900 PPP loan and was legally released from the loan obligation. SJRC Texas has recognized \$694,900 of revenue as Gain on Extinguishment of Debt in the Statement of Activities for the year ended June 30, 2021.

Note G: Deferred Revenue

Deferred revenue consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|---------------------|-------------------|
| BELONG Startup Funds | \$ 997,000 | \$ - |
| Capital Campaign - School Funds | <u>650,000</u> | <u>600,000</u> |
| Total Deferred Revenue | <u>\$ 1,647,000</u> | <u>\$ 600,000</u> |

Note H: Net Assets With Donor Restrictions

With Donor Restrictions consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|------------------|-------------------|
| Restricted by Purpose | | |
| BELONG Startup Funds | \$ 20,480 | \$ - |
| Capital Campaign | - | 50,000 |
| Nursing Position and Supplies | <u>-</u> | <u>80,377</u> |
| Total With Donor Restrictions | <u>\$ 20,480</u> | <u>\$ 130,377</u> |

Note I: Net Assets Designated by Board

The organization received insurance proceeds for building damages that occurred during a winter storm in February 2021. Insurance proceeds net of expenses incurred as of 6/30/2021 were \$107,367. These funds were designated by the board for future storm repairs.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note J: 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, 2021 and 2020, SJRC Texas's deposits at the Bank exceeded the FDIC limit of \$250,000 by **\$1,573,422** and \$762,340, 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 contracts and grants for the years ended June 30, 2021 and 2020 were **\$4,344,845** and \$4,362,148, which was 64% and 70% of total support and revenue, respectively.

Government contracts and grants revenue at June 30 are as follows:

| Name | Type | Source | 2021 | |
|--|-----------------|---------|---------------------|--------------------------------------|
| | | | Amount | Percent of Total Support and Revenue |
| Texas Department of Family and Protective Services | Fee for Service | State | \$ 3,205,167 | 47% |
| Texas Pregnancy Care Network | Grant | State | 420,537 | 6% |
| Victims of Crime Act - Sex Trafficking Grant | Grant | Federal | 637,186 | 9% |
| United States Department of Agriculture | Grant | Federal | 81,955 | 1% |
| Total Government Contracts and Grants | | | <u>\$ 4,344,845</u> | <u>64%</u> |

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

The grants for the year ending June 30, 2021 have been approved and management believes that future grants will continue.

SJRC Texas

Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note K: 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 L: 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, **\$18,891** and \$180,704 of donated goods and services has been recognized in the Statement of Activities as In-Kind Contributions for the years ended June 30, 2021 and 2020, respectively.

Note M: Leases

SJRC Texas is obligated under a non-cancellable operating lease agreement for office space in the San Antonio area. The lease agreement is scheduled to mature in June 2027. Future minimum rental payments due under the operating lease agreements at June 30, 2021 are summarized as follows:

| | | |
|------------------------|----|----------------|
| 2022 | \$ | 77,932 |
| 2023 | | 79,933 |
| 2024 | | 81,935 |
| 2025 | | 83,936 |
| 2026 | | 85,938 |
| Thereafter | | <u>87,939</u> |
| Total Lease Commitment | \$ | <u>497,612</u> |

Rent expenses related to these leases totaled \$90,347 and \$38,547 for the years ended June 30, 2021 and 2020, respectively.

Note N: 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 years ended June 30, 2021 and 2020 were **\$13,120** and \$180,420.

Note O: Subsequent Events

Subsequent events have been evaluated through the April 27, 2022, which is the date the financial statements were available to be issued.