

**RIVER CITY ADVOCACY
AND COUNSELING CENTER**

Audited Financial Statements

December 31, 2021

ADKF, P.C.
Certified Public Accountants

RIVER CITY ADVOCACY AND COUNSELING CENTER
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
River City Advocacy and Counseling Center
New Braunfels, Texas

Opinion

We have audited the accompanying financial statements of River City Advocacy and Counseling Center (the Organization), which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River City Advocacy and Counseling Center as of December 31, 2021, and the results of its activities, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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MAIN OFFICE:

8610 N. New Braunfels, STE 101
San Antonio, TX 78217

Phone: 210.829.1300
Fax: 210.829.4080

672 Ridge Hill Dr., STE B
New Braunfels, TX 78130

Phone: 830.387.4441

616 E. Blanco, STE 300e
Boerne, TX 78006

Phone: 830.815.1100



WWW.ADKF.CPA

Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

ADKF, PC

ADKF, P.C.
San Antonio, Texas
May 25, 2022

RIVER CITY ADVOCACY AND COUNSELING CENTER
Statement of Financial Position
December 31, 2021

ASSETS

Cash and cash equivalents	\$ 102,683
Grants receivable	174,290
Total current assets	<u>276,973</u>
Property and equipment, net	<u>896,806</u>
Total Assets	<u><u>\$ 1,173,779</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued payroll and related items	\$ 6,621
Note payable, current portion	24,894
Total current liabilities	<u>31,515</u>
Note Payable, net of current portion	<u>175,106</u>
Total Liabilities	206,621
Net Assets:	
Without donor restrictions	844,258
With donor restrictions	122,900
Total net assets	<u><u>967,158</u></u>
Total Liabilities and Net Assets	<u><u>\$ 1,173,779</u></u>

See notes to audited financial statements.

RIVER CITY ADVOCACY AND COUNSELING CENTER
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 28,501	\$ 88,500	\$ 117,001
Grants	58,934	204,350	263,284
PPP loan forgiveness	79,800	-	79,800
ERC grant	22,059	-	22,059
Fundraising events	3,892	-	3,892
Program revenue	55,749	-	55,749
In-kind revenue	1,850	-	1,850
Other revenue	21,401	-	21,401
	<u>272,186</u>	<u>292,850</u>	<u>565,036</u>
Expenses			
Program services	297,283	-	297,283
Management and general	27,700	-	27,700
Fundraising	4,496	-	4,496
	<u>329,479</u>	<u>-</u>	<u>329,479</u>
Change in Net Assets	(57,293)	292,850	235,557
Net assets released from restriction	272,850	(272,850)	-
Net assets at beginning of year	<u>628,701</u>	<u>102,900</u>	<u>731,601</u>
Net Assets at End of Year	<u>\$ 844,258</u>	<u>\$ 122,900</u>	<u>\$ 967,158</u>

See notes to audited financial statements.

RIVER CITY ADVOCACY AND COUNSELING CENTER
Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 217,846	\$ -	\$ -	\$ 217,846
Rent	10,002	-	-	10,002
Contract services-program	37,573	-	-	37,573
Office expenses	-	6,887	-	6,887
Occupancy	6,234	6,233	-	12,467
Insurance	-	4,508	-	4,508
Dues and subscriptions	7,542	-	-	7,542
Advertising	455	-	-	455
Professional fees	3,125	-	-	3,125
Computer	3,864	-	-	3,864
Fundraising	-	-	100	100
Interest	-	5,676	-	5,676
In-kind expense	1,850	-	-	1,850
Depreciation	8,792	4,396	4,396	17,584
	<u>8,792</u>	<u>4,396</u>	<u>4,396</u>	<u>17,584</u>
 Total Functional Expenses	 <u>\$ 297,283</u>	 <u>\$ 27,700</u>	 <u>\$ 4,496</u>	 <u>\$ 329,479</u>

See notes to audited financial statements.

RIVER CITY ADVOCACY AND COUNSELING CENTER
Statement of Cash Flows
Year Ended December 31, 2021

Operating Activities

Change in net assets	\$ 235,557
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,584
PPP loan forgiveness	(79,800)
Change in operating assets and liabilities:	
Grants receivable	(71,390)
Accrued payroll and related items	<u>(16,533)</u>
Net cash provided by operating activities	85,418

Investing Activities

Purchases of property and equipment	<u>(334,271)</u>
Net cash (used) by investing activities	(334,271)

Financing Activities

Proceeds from issuance of long-term debt	200,000
Proceeds from PPP loan	<u>39,900</u>
Net cash provided by financing activities	<u>239,900</u>

Net change in cash and cash equivalents	(8,953)
Cash and cash equivalents at beginning of year	<u>111,636</u>

Cash and Cash Equivalents at End of Year	<u><u>\$ 102,683</u></u>
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Supplemental Disclosures

Interest paid in cash	\$ 5,676
Income taxes paid in cash	-

See notes to audited financial statements.

RIVER CITY ADVOCACY AND COUNSELING CENTER
Notes to Audited Financial Statements
December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities: The River City Advocacy and Counseling Center (the Organization) is a non-profit organization established in 2001. The Organization brings mental and well-being to consumers, strengthening and improving their coping skills, self-confidence, and independence necessary for successful integration in the New Braunfels, TX community.

Basis of Presentation: The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions are available for use in the general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of the Organization generally are considered without donor restrictions under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursements matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restriction, board designated.

Net Assets With Donor Restrictions: Net assets with donor restrictions are subject to donor imposed restrictions that are more restrictive than the Organization’s mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time (including pledges receivable) or other events specified by the donor. 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.

Revenue Recognition: Revenue is recognized when earned. Program revenue and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred. The performance obligation of delivering counseling services is simultaneously received and consumed by clients; therefore, the revenue is recognized as services are provided.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Donated goods and services are reported as “in-kind contributions” by the Organization. Donated goods are recorded at fair value at the time of donation. The value of donated services is based on an amount determined to be appropriate if individuals were employed by the Organization to perform such services and is recorded as contributed services revenue and expense in the period during which the services are rendered.

Cash and Cash Equivalents: Cash and cash equivalents consists primarily of demand deposit accounts held by financial institutions, with a maturity of three months or less.

Grants Receivable: Grants receivable represent amounts due from grants and are reported at outstanding principal, net of a contractual allowance as well as an allowance for doubtful accounts, if any. The allowance is generally determined based on an estimate for contractual adjustments, an account-by-account review, and historical trends. The allowance is \$0 at December 31, 2021. Accounts are charged off when collection efforts have failed and the account is deemed uncollectible. Interest is generally not charged on the receivables.

RIVER CITY ADVOCACY AND COUNSELING CENTER
Notes to Audited Financial Statements
December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment: Property and equipment are carried at cost. The Organization capitalizes improvements which add to the productive capacity or extend the asset life. Depreciation is recorded over the estimated useful lives of the assets on a straight-line basis. Buildings and improvements are depreciated from 10 to 40 years on the straight line method.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs relating to more than one program have been allocated based upon the benefits received by the respective recipient. These expenses require allocation on a reasonable basis that is consistently applied.

Income Taxes: The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

Advertising: Advertising costs are expensed as incurred.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash with financial institutions and limits the amount of credit exposure, although it may from time to time have cash balances in excess of that insured by the FDIC.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit (Topic 958): *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed non-financial assets by enhancing the presentation and disclosures. The update includes the presentation of contributed non-financial assets as a separate line item in the statement of activities while disclosing disaggregated information about the types of contributed non-financial assets, how the contribution was used and various other disclosures. The effective date is for periods beginning after June 15, 2021 with early adoption permitted. Management does not believe this pronouncement will have an impact on the financial statements.

Use of Estimates: The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

RIVER CITY ADVOCACY AND COUNSELING CENTER
Notes to Audited Financial Statements
December 31, 2021

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consist of the administration building and improvements costs of \$914,390 and accumulated depreciation of \$17,584 at December 31, 2021.

NOTE C – NOTE PAYABLE

The Organization has a \$200,000 promissory note with Frost Bank that accrues interest at the 4.564% and matures December 4, 2028. Furniture and equipment serve as collateral. Payments of \$2,792, which includes interest and principal, are due each month.

Maturities of long-term debt will result in the following principal payments:

2022	\$ 24,894
2023	26,054
2024	27,268
2025	28,539
2026	29,869
Thereafter	<u>63,376</u>
Total	<u>\$ 200,000</u>

NOTE D – NET ASSETS

Net assets with donor restrictions are as follows as of December 31, 2021:

Grants receivable (time restrictions)	<u>\$ 122,900</u>
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NOTE E – PAYCHECK PROTECTION PROGRAM GRANT

The Organization received two rounds of funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). The Organization received proceeds of \$39,900 in 2020 and an additional \$39,900 in 2021.

As of December 31, 2021, all proceeds from both rounds of funding were used for payroll costs and business utility payments; accordingly, the forgiveness is included under PPP loan forgiveness in the 2021 statement of activities.

RIVER CITY ADVOCACY AND COUNSELING CENTER
Notes to Audited Financial Statements
December 31, 2021

NOTE F – EMPLOYEE RETENTION CREDIT (ERC)

In March 2021, the Internal Revenue Service (“IRS”) released Notice 2021-20, which retroactively eliminated the restriction that prevented employers who received a PPP loan from qualifying for the Employee Retention Credit (“ERC”), which is a refundable tax credit against certain employment taxes. Upon determination that the employer has complied with all of the conditions required to receive the credit, a grant may be recognized. In 2021, the organization qualified and filed to claim the ERC in the total amount of \$22,059. The amount claimed and subsequently received by the Organization is reported as ERC grant in the 2021 statement of activities.

NOTE G – GROUND LEASE

The Organization entered into a 20-year operating ground lease with Christus Santa Rosa Health Care Corporation, effective January 9, 2019, for \$1 per year. The Organization uses the premises for the purpose of operating their administration building, where counseling and peer support group sessions are provided.

NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has approximately \$277,000 of financial assets available within one year of the balance sheet date to meet its cash needs for general expenditures. This consists of unrestricted cash and receivables due within a year. The Organization goal is to maintain financial assets on hand to meet at least 120 days of normal operating expenses which, on average, total approximately \$109,000 per month given full programmatic expenditures.

NOTE I – CURRENT ECONOMIC CONDITIONS

Certain current economic events have arisen which could impact the Organization’s ongoing operations. As a result of the COVID-19 pandemic, mandated and voluntary closings have caused various business and supply chain disruptions which have an indeterminate duration. Additionally, the effects of economic stimulus programs and U.S. Federal Reserve actions remain uncertain. These matters could impact numerous facets of the business environment including interest rates, inflation, and the availability of goods, capital and labor. Any related financial impact cannot be reasonably estimated at this time.