

SJRC Texas

Financial Statements and Compliance Report

June 30, 2019 and 2018



SJRC Texas

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Independent Auditor's Report

To the Board of Directors of
SJRC Texas

We have audited the accompanying financial statements of SJRC Texas (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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, 2019, 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

The prior year summarized comparative information has been derived from SJRC Texas' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the SJRC Texas' 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' 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' internal control over financial reporting and compliance.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

December 13, 2019

Financial Statements

SJRC Texas

Statements of Financial Position June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 1,085,052	\$ 260,763
Accounts Receivable	635,138	559,167
Prepays	3,947	2,679
Other Current Assets	4,863	4,918
<i>Total Current Assets</i>	<u>1,729,000</u>	<u>827,527</u>
Fixed Assets		
Property and Equipment, net	1,629,918	1,661,320
<i>Total Fixed Assets</i>	<u>1,629,918</u>	<u>1,661,320</u>
Other Assets		
Other Assets	2,230	2,230
<i>Total Other Assets</i>	<u>2,230</u>	<u>2,230</u>
Total Assets	\$ <u>3,361,148</u>	\$ <u>2,491,077</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 94,164	\$ 58,316
Accrued Liabilities	131,909	97,075
Deferred Revenue	100,000	-
<i>Total Current Liabilities</i>	<u>326,073</u>	<u>155,391</u>
Net Assets:		
Without Donor Restrictions	2,449,700	2,335,686
With Donor Restrictions	585,375	-
<i>Total Net Assets</i>	<u>3,035,075</u>	<u>2,335,686</u>
Total Liabilities and Net Assets	\$ <u>3,361,148</u>	\$ <u>2,491,077</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Activities

Year Ended June 30, 2019 (with comparative totals for the year ended June 30, 2018)

	2019			2018 Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenues				
Government Grants	\$ 4,045,973	\$ -	\$ 4,045,973	\$ 2,975,742
Capital Campaign	10,000	585,375	595,375	-
Other Grants	494,021	-	494,021	405,797
Contributions	468,610	-	468,610	443,689
Special Event Income, Net	73,658	-	73,658	148,284
Program Income	6,668	-	6,668	1,249
Interest Income	454	-	454	262
Other Income	10,783	-	10,783	1,867
Total Support and Revenues	<u>5,110,167</u>	<u>585,375</u>	<u>5,695,542</u>	<u>3,976,890</u>
Expenses				
Program Services	4,037,772	-	4,037,772	3,206,821
Support Services:				
Management and General	633,283	-	633,283	572,778
Fundraising	325,098	-	325,098	248,864
Total Expenses	<u>4,996,153</u>	<u>-</u>	<u>4,996,153</u>	<u>4,028,463</u>
Changes in Net Assets	114,014	585,375	699,389	(51,573)
Net Assets at Beginning of Year	<u>2,335,686</u>	<u>-</u>	<u>2,335,686</u>	<u>2,387,259</u>
Net Assets at End of Year	<u>\$ 2,449,700</u>	<u>\$ 585,375</u>	<u>\$ 3,035,075</u>	<u>\$ 2,335,686</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statement of Functional Expenses Year Ended June 30, 2019 (with comparative totals for the year ended June 30, 2018)

	Program Services	Support Services		2019 Totals	2018 Totals
		Management and General	Fundraising		
Salaries, Wages, and Benefits	\$ 2,538,202	\$ 444,185	\$ 190,365	\$ 3,172,752	\$ 2,719,999
Payroll Taxes	179,273	31,373	13,445	224,091	191,116
Total Salaries and Related Expenses	2,717,474	475,558	203,811	3,396,843	2,911,115
Accounting Fees	-	14,186	-	14,186	14,500
Advertising, Marketing and Public Relations	225	488	50,680	51,393	33,580
Bank Fees	-	2,495	-	2,495	1,976
Bad Debt	114,319	-	-	114,319	-
Computer Hardware/Software	20,488	7,473	6,745	34,706	31,298
Conferences and Meetings	18,432	4,356	3,202	25,990	20,293
Dues and Subscriptions	14,934	4,317	4,147	23,398	11,930
Employee Benefits	16,219	5,462	4,039	25,720	13,522
Foster Family Payments	468,499	-	-	468,499	242,768
Housing Costs	25,911	-	-	25,911	19,171
Investment Losses	-	578	-	578	278
Information Technology	23,955	8,264	6,059	38,278	38,245
Insurance	56,860	10,739	-	67,599	64,316
Legal Fees	-	375	-	375	23
Merchant Service Fee	299	3,357	753	4,409	2,508
Office Expenses	20,198	9,743	17,584	47,525	34,600
Other Expenses	-	-	2,991	2,991	1,007
Postage and Shipping	1,093	170	1,883	3,146	6,419
Professional Services	20,248	30,000	-	50,248	30,000
Rent	20,689	445	15,623	36,757	36,816
Resident Expenses	179,472	-	-	179,472	200,362
Repair and Maintenance	36,489	-	-	36,489	21,888
Security System	11,592	-	-	11,592	9,860
Telephone / Internet	33,480	9,128	4,075	46,683	44,407
Travel	46,361	9,119	3,506	58,986	46,068
Utilities	61,206	553	-	61,759	49,480
Total Expenses before Depreciation	3,908,443	596,806	325,098	4,830,347	3,886,430
Depreciation	129,329	36,477	-	165,806	142,033
Total Expenses	\$ 4,037,772	\$ 633,283	\$ 325,098	\$ 4,996,153	\$ 4,028,463

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Statements of Cash Flows Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 699,389	\$ (51,573)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	165,806	142,033
(Increase) Decrease in:		
Accounts Receivable	(75,971)	(244,779)
Prepays	(1,268)	(1,687)
Other Assets	55	2,723
Increase (Decrease) in:		
Accounts Payable	35,848	36,707
Accrued Liabilities	34,834	(61,920)
Deferred Revenue	100,000	-
Net Cash Provided (Used) by Operating Activities	<u>958,693</u>	<u>(178,496)</u>
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	(134,404)	(44,467)
Proceeds from Maturity of Certificate of Deposit	-	246,014
Net Cash Provided (Used) by Investing Activities	<u>(134,404)</u>	<u>201,547</u>
Net Increase (Decrease) in Cash	824,289	23,051
Cash and Cash Equivalents, Beginning of Year	<u>260,763</u>	<u>237,712</u>
Cash and Cash Equivalents, End of Year	\$ <u>1,085,052</u>	\$ <u>260,763</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SJRC Texas

Notes to Financial Statements
June 30, 2019 and 2018

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.

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.

New Accounting Pronouncements

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. 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
June 30, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

New Accounting Pronouncements (Continued)

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. Management of SJRC Texas is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

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, 2019 and 2018 are considered to be fully collectible; accordingly, no allowance has been established. All amounts recorded are expected to be received within one year.

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 7 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 **\$3,008** and \$1,788 for the years ended June 30, 2019 and 2018, respectively.

SJRC Texas

Notes to Financial Statements
June 30, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

Donated Services, Goods and Facilities

Volunteers have donated time to the program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair market value at the date of receipt.

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, 2019 and 2018. 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.

Note C: Property and Equipment, net

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

	<u>2019</u>	<u>2018</u>
Land	\$ 122,500	\$ 122,500
Buildings	2,223,364	2,184,964
Leasehold Improvements	231,244	211,901
Furniture and Equipment	258,577	231,982
Vehicles	<u>263,708</u>	<u>213,642</u>
Total Property and Equipment	3,099,393	2,964,989
Less: Accumulated Depreciation	<u>(1,469,475)</u>	<u>(1,303,669)</u>
Total Property and Equipment, Net	<u>\$ 1,629,918</u>	<u>\$ 1,661,320</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 were **\$165,806** and \$142,033, respectively.

Note D: 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, increased from \$100,000 when renewed, with interest only payments until maturity (November of 2019) and accrues interest at a rate of Prime plus 125 basis points, which was 6.75% at June 30, 2019. As of June 30, 2019, there were no amounts outstanding on the line of credit.

SJRC Texas

Notes to Financial Statements
June 30, 2019 and 2018

Note E: 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, 2019 and 2018, SJRC Texas's deposits at the Bank exceeded the FDIC limit of \$250,000 by **\$820,100** and \$4,087, 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.

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, 2019 and 2018 were **\$4,045,973** and \$2,975,742, which was **70%** and 73% of total support and revenue, respectively.

Government Grants revenue at June 30 are as follows:

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	State	469,391	8%
United States Department of Agriculture	Federal	95,584	2%
Total Government Grants		\$ 4,045,973	70%
		2018	
Grant Name	Grant Source	Amount	Percent of Total Support and Revenue
Texas Department of Family and Protective Services	State	\$ 2,388,479	59%
Texas Pregnancy Care Network	State	270,812	7%
Victims of Crime Act - Sex Trafficking Grant	State	224,725	6%
United States Department of Agriculture	Federal	91,726	2%
Total Government Grants		\$ 2,975,742	73%

The grants for the year ending June 30, 2019 have been approved and management believes that future grants will continue.

SJRC Texas

Notes to Financial Statements
June 30, 2019 and 2018

Note F: Leases

SJRC Texas is obligated under a non-cancellable operating lease agreement for office space in the San Antonio area and expires in March 2020. Future minimum rental payments due under the operating lease agreements at June 30, 2019 are summarized as follows:

2020	<u>22,505</u>
Total Lease Commitment	\$ <u>22,505</u>

Rent expenses related to these leases totaled **\$36,757** and \$36,816 for the years ended June 30, 2019 and 2018, respectively.

Note G: 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 H: Liquidity and Availability

The following represents SJRC Texas's financial assets at June 30, 2019:

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

SJRC Texas

Notes to Financial Statements
June 30, 2019 and 2018

Note I: Net Assets

Without Donor Restrictions

Without Donor Restrictions consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Undesignated Funds	\$ 2,299,700	\$ 2,335,686
Board Designated for 401k Contribution	<u>150,000</u>	<u>-</u>
Total Without Donor Restrictions	<u>\$ 2,449,700</u>	<u>\$ 2,335,686</u>

With Donor Restrictions

With Donor Restrictions consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Restricted by Time or Purpose		
Capital Campaign	\$ <u>585,375</u>	\$ <u>-</u>
Total With Donor Restrictions	<u>\$ 585,375</u>	<u>\$ -</u>

Note J: Subsequent Events

Subsequent events have been evaluated through the December 13, 2019, 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, 2019, 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 December 13, 2019.

Internal Control over Financial Reporting

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

December 13, 2019

SJRC Texas

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

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

SECTION II - FINANCIAL STATEMENT FINDINGS	None reported
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