

**Respite Care of San Antonio, Inc.
and
Respite Care SA Foundation**

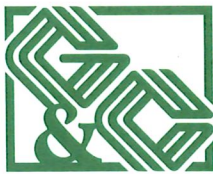


**Audited Financial Statements
Year Ended June 30, 2023**

**Respite Care of San Antonio, Inc.
and
Respite Care SA Foundation**

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GREGORY & CRUTCHFIELD, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Respite Care of San Antonio, Inc. and
Respite Care SA Foundation

Opinion

We have audited the accompanying financial statements of Respite Care of San Antonio, Inc. and Respite Care SA Foundation (both are nonprofit organizations), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and 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 Respite Care of San Antonio, Inc. and Respite Care SA Foundation as of June 30, 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Respite Care of San Antonio, Inc. and Respite Care SA Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Respite Care of San Antonio, Inc. and Respite Care SA Foundation'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.

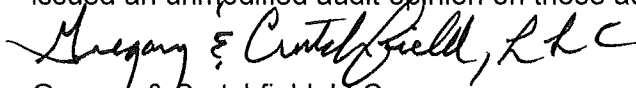
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Respite Care of San Antonio, Inc. and Respite Care SA Foundation'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 Respite Care of San Antonio, Inc. and Respite Care SA Foundation' 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.

Other Matters

Comparative financial statement Memo Only totals presented for the prior year ended June 30, 2022 were audited by a predecessor auditor with a report date of November 9, 2022. The predecessor auditor issued an unmodified audit opinion on those audited financial statements.



Gregory & Crutchfield, LLC
San Antonio, Texas
October 9, 2023

**Respite Care of San Antonio, Inc.
and
Respite Care SA Foundation
Statements of Financial Position
June 30, 2023**

(With Comparative totals for the Year Ended June 30, 2022)

	Respite Care of San Antonio, Inc.	Respite Care SA Foundation	Combined Totals (Memo Only)	June 30, 2022 as restated (Memo Only)
Assets				
Cash and cash equivalents	\$ 175,695	\$ 78,162	\$ 253,857	\$ 616,022
Investments	-	5,511,093	5,511,093	4,978,307
Accounts receivable:				
Program fees	1,035	-	1,035	52,905
United Way allocation	240,000	-	240,000	240,000
Government grants	117,229	-	117,229	82,940
Grants	41,704	-	41,704	108,333
Respite Care SA Foundation	504,700	-	504,700	463,493
Total accounts receivable	<u>904,668</u>	<u>-</u>	<u>904,668</u>	<u>947,671</u>
Note receivable	-	-	-	400,000
Prepaid expenses and other	77,990	-	77,990	102,868
Property & equipment-net of accumulated depreciation of \$2,165,134 in 2023)	2,680,134	-	2,680,134	2,768,090
Right-of-use asset	<u>18,274</u>	<u>-</u>	<u>18,274</u>	<u>34,506</u>
Total assets	<u><u>\$ 3,856,761</u></u>	<u><u>\$ 5,589,255</u></u>	<u><u>\$ 9,446,016</u></u>	<u><u>\$ 9,847,464</u></u>
Liabilities and Net Assets				
Liabilities				
Accounts payable / accrued expenses	\$ 265,741	\$ -	\$ 265,741	\$ 323,070
Respite Care of San Antonio, Inc.	-	504,700	504,700	463,493
Deferred revenue (Gala)	128,356	-	128,356	-
Note payable	-	-	-	400,000
Lease liability	<u>18,274</u>	<u>-</u>	<u>18,274</u>	<u>34,506</u>
Total liabilities	412,371	504,700	917,071	1,221,069
Net assets:				
Without donor restrictions	2,967,724	2,236,489	5,204,213	4,692,837
Without donor restrictions - board designated	-	1,034,287	1,034,287	1,434,287
With donor restrictions	<u>476,666</u>	<u>1,813,779</u>	<u>2,290,445</u>	<u>2,499,271</u>
Total net assets	3,444,390	5,084,555	8,528,945	8,626,395
Total liabilities and net assets	<u><u>\$ 3,856,761</u></u>	<u><u>\$ 5,589,255</u></u>	<u><u>\$ 9,446,016</u></u>	<u><u>\$ 9,847,464</u></u>

The accompanying notes are an integral part of these financial statements

Respite Care of San Antonio, Inc.
and
Respite Care SA Foundation
Statements of Activities and Changes in Net Assets
June 30, 2023
(With Comparative totals for the Year Ended June 30, 2022)

	<u>Respite Care of San Antonio, Inc.</u>	<u>Respite Care SA Foundation</u>	<u>Combined Totals (Memo Only)</u>	<u>June 30, 2022 (Memo Only)</u>
Changes in Net Assets Without Donor Restrictions				
Revenue and support:				
Contributions and grants	\$ 1,455,532	\$ -	\$ 1,455,532	\$ 1,118,019
Federal, state and local government grants	714,458	-	714,458	605,653
Shelter income	1,038,223	-	1,038,223	-
Loan forgiveness, SBA PPP loans	-	-	-	973,100
Loan forgiveness - Respite Care SA Foundation	400,000	-	400,000	-
Fundraising event (net of expenses of \$48,205)	347,487	-	347,487	283,959
Program fees	399,873	-	399,873	709,652
Return on investments, net of expenses	-	516,498	516,498	(424,989)
Miscellaneous	8,841	-	8,841	-
Net assets released from restrictions:				
United Way allocation	240,000	-	240,000	90,000
Designated expenditures	445,492	-	445,492	467,866
Total revenue and support	<u>5,049,906</u>	<u>516,498</u>	<u>5,566,404</u>	<u>3,823,260</u>
Expenses:				
Program	4,382,233	-	4,382,233	3,451,089
General and administrative	300,460	14,540	315,000	439,658
Fundraising	171,129	-	171,129	187,778
Awards to Respite Care of San Antonio	-	186,667	186,667	445,492
Loan forgiveness - Respite Care of San Antonio	-	400,000	400,000	-
Total expenses	<u>4,853,822</u>	<u>601,207</u>	<u>5,455,029</u>	<u>4,524,017</u>
Increase (decrease) in Net Assets Without Donor Restrictions	196,084	(84,709)	111,375	(700,757)
Changes in Net Assets With Donor Restrictions				
Contributions			-	520
United Way allocation for subsequent year	240,000	-	240,000	240,000
Award from Foundation for subsequent year	186,667	-	186,667	445,492
Award for Aranzazu Camp for subsequent year	50,000	-	50,000	
Net assets released from restrictions:				
United Way 2022 allocation for current year	(240,000)	-	(240,000)	(90,000)
Prior year designated funds (Foundation)	(445,492)	-	(445,492)	(467,866)
Increase (decrease) in net assets with donor restrictions	(208,825)	-	(208,825)	128,146
Increase (decrease) in net assets	(12,741)	(84,709)	(97,450)	(572,611)
Net assets - beginning of fiscal year	<u>3,457,131</u>	<u>5,169,264</u>	<u>8,626,395</u>	<u>9,199,006</u>
Net assets - end of fiscal year	\$ 3,444,390	\$ 5,084,555	\$ 8,528,945	\$ 8,626,395

The accompanying notes are an integral part of these financial statements

Respite Care of San Antonio, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Program Services				Day Care	Day/Night Care	Total Program Services	Supporting Services			June 30, 2022 (Memo Only)
	Respite House	Day/Night Care	Day Care	Management and General				Fundraising	2023 Totals		
Salaries, wages and benefits	\$ 2,054,364	\$ 253,520	\$ 792,412	\$ 3,100,296	\$ 188,015	\$ 154,973	\$ 3,443,284	\$ 2,663,846			
Independent contractors	363,198	-	95,868	459,066	-	-	459,066	554,560			
Depreciation	110,278	14,704	20,585	145,567	1,470	-	147,037	140,652			
Supplies and food	69,129	40,884	32,301	142,314	-	-	142,314	185,918			
Repairs and maintenance	93,704	10,821	15,203	119,728	11,220	813	131,761	117,349			
Insurance	72,976	7,819	20,850	101,645	26,063	2,606	130,314	111,999			
Office expense	61,890	2,471	3,967	68,328	11,521	3,830	83,679	17,579			
Professional fees	73,760	860	-	74,620	6,766	750	82,136	27,644			
Utilities	29,473	4,421	28,000	61,894	11,790	-	73,684	70,048			
Telephone	22,263	1,678	6,559	30,500	20,125	-	50,625	73,750			
Dues and conferences	9,847	3,139	5,802	18,788	20,363	4,076	43,227	53,494			
Marketing / public relations	22,112	-	-	22,112	-	4,081	26,193	-			
Travel and vehicle expense	18,291	-	1,888	20,179	377	-	20,556	10,285			
Rent	-	-	12,000	12,000	-	-	12,000	31,861			
Training and education	1,847	783	2,566	5,196	2,750	-	7,946	-			
Total expenses	\$ 3,003,132	\$ 341,100	\$ 1,038,001	\$ 4,382,233	\$ 300,460	\$ 171,129	\$ 4,853,822	\$ 4,058,985			
June 30, 2022 (Memo Only)	\$ 2,135,720	\$ 358,811	\$ 956,558	\$ 3,451,089	\$ 420,118	\$ 187,778	\$ 4,058,985				

The accompanying notes are an integral part of these financial statements

**Respite Care of San Antonio, Inc.
and
Respite Care SA Foundation
Statements of Cash Flow
June 30, 2023**

(With Comparative totals for the Year Ended June 30, 2022)

	<u>Respite Care of San Antonio, Inc.</u>	<u>Respite Care SA Foundation</u>	<u>Combined Totals (Memo Only)</u>	<u>June 30, 2022 as restated (Memo Only)</u>
Cash flows from operations:				
Increase (decrease) in net assets	(12,741)	(84,709)	(97,450)	(572,611)
Adjustments to reconcile change in net assets to cash provided by (used for) operating activities:				
Depreciation	147,037	-	147,037	140,652
Unrealized appreciation (depreciation) of investments	-	(329,159)	(329,159)	981,395
PPP loan forgiveness	-		-	(973,100)
Changes in operating assets:				
(Increase) decrease in:				
Receivables	43,003	-	43,003	343,885
Prepaid expenses and deposits	24,878	-	24,878	(3,499)
Increase (decrease) in:				
Accounts payable / accrued expenses	(57,329)	41,207	(16,122)	(537,134)
Deferred revenue	128,356	-	128,356	-
Net cash provided (used) by operations	<u>273,204</u>	<u>(372,661)</u>	<u>(99,457)</u>	<u>(620,412)</u>
Cash flow from investing activities:				
Purchases of investment securities		(1,605,309)	(1,605,309)	(1,186,489)
Basis of investment securities sold		1,401,682	1,401,682	1,865,380
Forgiveness of note receivable		400,000	400,000	-
Property purchases (net of disposals)	(59,081)	-	(59,081)	(79,688)
Net cash used in investing activities	<u>(59,081)</u>	<u>196,373</u>	<u>137,292</u>	<u>599,203</u>
Cash flow from financing activities:				
Forgiveness of loan	(400,000)	-	(400,000)	-
Net cash used in financing activities	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>
Net increase (decrease) in cash	(185,877)	(176,288)	(362,165)	(21,209)
Cash - beginning of year	<u>361,572</u>	<u>254,450</u>	<u>616,022</u>	<u>637,231</u>
Cash - end of year	<u>\$ 175,695</u>	<u>\$ 78,162</u>	<u>\$ 253,857</u>	<u>\$ 616,022</u>

Supplemental disclosure of cash flow information

Interest expense paid during the year	-	-	-	-
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The accompanying notes are an integral part of these financial statements

**Respite Care of San Antonio Incorporated
and
Respite Care SA Foundation
Notes to Financial Statements
June 30, 2023**

Note 1 – The Organization

Respite Care of San Antonio Incorporated (“the Organization”) is a nonprofit, United Way Agency providing respite programs for persons with intellectual and developmental disabilities, or with complex medical conditions. The Organization was incorporated under the laws of the State of Texas on June 16, 1987. The Organization provides onsite and offsite respite care and wrap-around supports for families.

The Respite Care SA Foundation (“the Foundation”) is a nonprofit organization formed in 2001 to hold and invest the endowment funds of Respite Care of San Antonio Incorporated. The Foundation has a governing board of directors that is separate from the board of directors of Respite Care of San Antonio Incorporated. The Foundation’s sole purpose is to provide financial support to Respite Care of San Antonio Incorporated.

Note 2 – Summary of Significant Accounting Policies

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions or assets restricted solely through actions of the Board of Directors are reported as net assets without donor restrictions. The Organization reports donor-restricted support whose restrictions are met in the same reporting period as unrestricted support.

Net assets with Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met by actions of the Organization and Foundation and/or the passage of time are reported as net assets with donor restrictions. For donor-restricted support whose restrictions are not met within the same reporting period, the net assets with donor restrictions are reclassified to net assets without donor restrictions when a restriction expires and reported in the Statement of Activities as net assets released from donor restrictions.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Property and Equipment – Property and equipment is valued at historical cost or estimated fair market value at date of donation. Expenditures for betterments and all furniture and equipment greater than \$5,000 that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset, which is generally 40 years for houses and 3 to 10 years for vehicles, equipment and furniture and improvements.

**Respite Care of San Antonio Incorporated
and
Respite Care SA Foundation
Notes to Financial Statements
June 30, 2023**

Note 2 – Summary of Significant Accounting Policies - *continued*

Tax Exempt Status – The Organization and the Foundation are tax-exempt organizations under Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes has been provided in these financial statements.

Management is not aware of any tax positions that would have a significant impact on its financial position. Its Form 990 information returns for the last four years remain subject to examination. The Organization and Foundation are exempt from the Texas Franchise tax.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand, demand deposits held by financial institutions including any cash accounts held within brokerage accounts.

Fair Value Measurements – The Foundation report its investments at their fair values in the statement of financial position. Investment income net of expenses is reported as increases in net assets without donor restrictions in the statement of activities.

Fair values for the Foundation's investments are determined using the following methodology which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to value fair value. The hierarchy gives the highest priority to adjusting quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the assets or liability and (4) inputs that are derived principally from or corroborated by observable market data by correlation of other means. If

the asset or liability has specified (contractual) terms, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Donated Services – The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. For these types of donated services, no amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer effort under GAAP have not been satisfied.

Revenue Recognition – Revenue is recognized when earned. Contributions are reported when an unconditional promise to give or other asset is received.

**Respite Care of San Antonio Incorporated
and
Respite Care SA Foundation
Notes to Financial Statements
June 30, 2023**

Note 2 – Summary of Significant Accounting Policies - *continued*

Contributions – The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Fee for Services Revenue – The Organization's provides respite care services for fees. Fees may vary depending on the type of services provided and may also be based on the ability to pay per the Organization's requirements or guidelines.

Functional Expenses – The costs of providing the services and other activities of the Organization have been summarized on a functional basis in the Statement of Activities. Functional expenses are allocated on the basis of estimates by management. These estimates are based primarily on the nature of the expense concerned and percentages of time allocated to program services, fundraising, and general and administrative.

Concentrations of Credit Risk – Financial instruments that potentially subject the Organization and the Foundation to concentrations of credit risk consist principally of cash and investments. At varying times during the year the Organization maintains cash balances that exceeded the Federal Deposit Insurance Corporation's (FDIC) \$250,000 insured limits. The Organization has not incurred any losses as a result of such excesses.

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.

Leases – The Organization adopted FASB Accounting Standards Update 2016-02 *Leases – Topic 842* in the current fiscal year. Under this accounting pronouncement, a lessee is required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. See *Note 6 – Lease Commitments* below.

Memo Only Totals – The June 30, 2023 and 2022 totals in the accompanying financial statements are captioned "Memo Only" to indicate that they are presented only to facilitate financial analysis and comparison and are not intended to present consolidated totals or other information necessary for the fair presentation of 2023 and 2022 information in accordance with generally accepted accounting principals accepted in the United States of America.

**Respite Care of San Antonio Incorporated
and
Respite Care SA Foundation
Notes to Financial Statements
June 30, 2023**

Note 3 – Investments in Equity Securities / Mutual Funds / Insured Cash Funds

The Foundation held various equity securities, mutual funds, US Treasury bills / notes, corporate notes / bonds and municipal bonds in two different brokerage accounts managed by two different investment management companies. Investments are recorded on the books at fair value. Fair value and cost at June 30, 2023 are as follows: Investment return includes dividends, interest income, capital gains distributions and realized and / or unrealized gains or losses.

Category	Fair Value Hierarchy	Fair Value	Cost
Equity Securities	1	\$2,613,047	\$1,416,297
Mutual Funds – Equities	1	877,035	626,887
Mutual Funds – Bonds	1	538,544	597,232
US Treasury Bills / Notes	1	257,684	255,343
Corporate Bonds / Notes	2	591,493	641,926
Municipal Bonds	2	633,290	699,132
Totals		\$5,511,093	\$4,729,331

Level 2 fair values are obtained from independent pricing services using security term, interest rate and credit rating. Securities listed above are not FDIC insured but the US Treasury Bills and Notes are backed by the full faith and credit of the United States government.

Note 4 – Property and Equipment

Property and equipment are recorded at cost if purchased or fair value if contributed and consist of the following at June 30, 2023:

Land and buildings	3,886,234
Furniture and equipment	399,891
Leasehold improvements	384,000
Vehicles	175,877
Total property and equipment	4,846,002
Less accumulated depreciation	-2,165,868
Total property and equipment, net	\$2,680,134

Depreciation expense for the year ended June 30, 2023 was \$147,037.

Note 5 – Note Payable – Respite Care SA Foundation

The Organization had a \$400,000 unsecured, informal loan from the Foundation that originated in the previous fiscal year. The loan carried no interest rate and no fixed maturity date. In the current year, the Foundation board of directors formally forgave the loan which has been recognized as income to the Organization and expense to the Foundation in the accompanying statement of activities. There was no outstanding balance on this loan as of June 30, 2023.

**Respite Care of San Antonio Incorporated
and
Respite Care SA Foundation
Notes to Financial Statements
June 30, 2023**

Note 6 – Lease Commitments

The Organization has a month-to-month verbal agreement to pay rent to Christ Episcopal Church for space used for the Organization’s daycare program. The monthly rental rate is \$1,000 per month and \$12,000 in rent was paid for the year ended June 30, 2023.

On July 1, 2022, the Organization adopted the provisions of the FASB issued ASU No. 2018-01, *Leases (Topic 842)* which was a new accounting pronouncement regarding lease accounting. Under this ASU, The Organization, as a lessee, is required to recognize on the statement of financial position the assets and liabilities for operating leases with lease terms of more than 12 months. On July 1, 2022 the Organization recorded the discounted present value of lease payments for each remaining lease. The Organization elected to use the optional transition method of Topic 842 allowing for the application of the new lease standard to all leases that exist at the adoption date (July 1, 2022), with the cumulative effect of initially applying the new leases standard (if any) recognized as an adjustment to net assets as of the adoption date. The value of the right-of-use asset and lease liability – operating leases were recorded as of July 1, 2022 at \$34,506 each. There was no cumulative effect of initially adopting the plan that would have required adjustment to beginning net assets. The total reduction of the discounted right-of-use asset and lease liability – operating lease balances was \$16,232 for the year ended June 30, 2023.

The Organization leases certain computer, printer, copier equipment under two 5 year operating leases. Total lease expense for these equipment operating leases was \$20,954 for the year ended June 30, 2023.

The future operating lease costs for the next five years as of June 30, 2023 are as follows:

2024	\$18,274
2025 and after	-
Total	<u>\$18,274</u>

Note 7 - Dependence on Major Funding Sources

The Organization receives a major part of its revenue under contracts with federal, state and local governments and other nonprofit agencies.

Note 8 – Net Assets with Donor Restrictions

The Organization’s net assets with donor restrictions consisted of the following as of June 30, 2023:

United Way Allocation for fiscal year 2023/2024	240,000
Respite Care SA Foundation Allocation for 2023/2024	186,667
Aranzazu Camp grant for 2023/2024 camp	<u>50,000</u>
Total net assets with donor restrictions	<u>\$476,667</u>
Amounts released from restrictions during year	<u>\$685,495</u>

**Respite Care of San Antonio Incorporated
and
Respite Care SA Foundation
Notes to Financial Statements
June 30, 2023**

Note 9 - Concentration of Services Provided

The Organization provides the majority of its program services to persons with developmental disabilities and their families. This is considered a concentration risk. However, the Organization does not expect a significant reduction in the persons respite care in the near future.

Note 10 – Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	Respite Care of San Antonio, Inc.	Respite Care SA Foundation
Cash and cash equivalents	\$175,695	-
Accounts receivable	904,668	-
Accounts payable	-265,741	-
Net assets without donor restrictions	-	3,270,776
	<u>\$814,622</u>	<u>\$3,270,776</u>

Note 11 - Prior Period Adjustments

During the current year audit it was determined that an error was made in the prior year audit where a \$400,000 loan advanced by the Foundation to the Organization was offset against the current year award made by the Foundation for the 2022/2023 fiscal year. This resulted in the Foundation’s statement of financial position showing the \$400,000 loan as a reduction in the grant allocation liability being reduced. The same but opposite entry was made on the Organization’s statement of financial position whereby the grant receivable for the allocation was reduced by \$400,000 and the loan was shown as paid in error. A correction to prior year ending balances for the following accounts was made to correct the error: Organization’s Grant allocation receivable was increased by \$400,000 and Note payable to the Foundation was increased by \$400,000. The Foundation’s Note receivable was increased by \$400,000 and the Foundation’s Grant allocation payable was increased by \$400,000. There was no effect to the statement of activities for this correction.

Note 12- Endowment

Respite Care SA Foundation accounts for its Endowment in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This requires the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Cash earnings net of expenses, gains and losses from the sale of endowment investments, and the unrealized gains and losses from the appreciation or depreciation in the fair value of endowment investments are classified as net assets without donor restrictions until those amounts are allocated for expenditure by the Foundation in a manner consistent with the

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Note 12 – Endowment - *continued*

standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to allocate or accumulate the earnings on endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general various funds, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation’s investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide current income. The Foundation also seeks to build endowment assets through additional contributions.

The Foundation has established a revised investment and spending policy. On March 31 of each year, the allocation for the following year’s spending will be calculated on a 12-quarter rolling average of the investment portfolio’s market value. The amount to be spent to support ongoing operations or help bridge a potential shortfall in income needed to cover normal operating expenses will be up to 4% of that average. An additional 2% to 3% may be made available with the Foundation’s Board approval. The Board approved \$186,667 to be allocated for fiscal year 2023/2024 expenditures.

The changes in the individual endowment fund accounts for the year ended June 30, 2022 are as follows:

	With Donor	-----Without Donor Restrictions-----			Total
	Restrictions	Board Designated Endowment	Unrealized Earnings	Realized Earnings	
	Contributions				
Balance July 1, 2022	\$1,813,779	\$1,434,287	\$453,013	\$1,468,184	\$3,355,484
Additions:	-	-			
Earnings:					
Interest & dividends	-	-		161,985	161,985
Realized gains	-	-		62,456	62,456
Unrealized gains	-	-	329,159		329,159
Investment expenses	-	-		(37,101)	(37,101)
G & A expenses	-	-		(14,540)	(14,540)
Deductions:					
2023/2024 allocation	-	-		(186,667)	(186,667)
Loan forgiveness	-	(400,000)			(400,000)
Balance June 30, 2023	\$1,813,779	\$1,034,287	\$782,172	\$1,454,317	\$3,270,776

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Note 13 – Litigation

The Organization's management is not aware of any threatened or pending claims against it.

Note 14 – Current Economic Environment

The impact of current economic events, including increasing inflation and interest rates, supply chain constraints, availability of capital and labor, and geopolitical events, remains uncertain. Any related financial impact cannot be reasonably estimated at this time.