HEALTH SERVICES OF NORTH TEXAS, INC.
DENTON, TEXAS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
Health Services of North Texas, Inc.
Denton, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements Health Services of North Texas, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of operations and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Health Services of North Texas, Inc.'s preparation and fair presentation of the consolidated 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 Health Services of North Texas, Inc.'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Health Services of North Texas, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July, 25, 2019, on our consideration of Health Services of North Texas, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Health Services of North Texas, Inc.'s internal control over financial reporting and compliance.

Durbin & Company, L.L.P.

Durbin & Company, L. L. P.
Lubbock, Texas
July, 25, 2019

HEALTH SERVICES OF NORTH TEXAS, INC.
DENTON, TEXAS

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

HEALTH SERVICES OF NORTH TEXAS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS:	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,454,511	$ 908,716
Short-Term Investments	555,597	551,884
Patient Accounts Receivable, Net of Allowance	353,192	368,033
Grant Receivables	852,556	805,600
Inventory of Supplies	17,546	17,546
Other Receivables	150,000	-
Total Current Assets	3,383,402	2,651,779
PROPERTY AND EQUIPMENT, NET	3,043,352	3,729,291
OTHER ASSETS	19,600	14,600
Total Assets	$ 6,446,354	$ 6,395,670

The accompanying notes are an integral part of these consolidated financial statements

HEALTH SERVICES OF NORTH TEXAS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

LIABILITIES AND NET ASSETS:	2018	2017
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 42,347	$ 17,529
Accounts Payable	342,969	189,191
Accrued Payroll, Benefits, and Related Liabilities	269,638	272,738
Other Accrued Liabilities	338,493	2,528
Total Current Liabilities	993,447	481,986
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	1,405,165	1,407,247
Total Liabilities	2,398,612	1,889,233
NET ASSETS		
Without Donor Restrictions	4,047,742	4,506,437
With Donor Restrictions	-	-
Total Net Assets	4,047,742	4,506,437
Total Liabilities and Net Assets	$ 6,446,354	$ 6,395,670

The accompanying notes are an integral part of these consolidated financial statements

HEALTH SERVICES OF NORTH TEXAS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES WITHOUT DONOR RESTRICTIONS, GAINS, AND OTHER SUPPORT:		
Patient Service Revenue (net of contractual allowances)	$ 9,315,486	$ 7,131,783
Provision for Uncollectible Accounts	(3,530,535)	(2,061,628)
Net Patient Service Revenue	5,784,951	5,070,155
Government Grants	4,641,536	4,942,911
Contributions	966,692	681,336
Investment Income	4,682	4,171
Other Revenue	202,877	192,762
Total Revenues Without Donor Restrictions, Gains and Other Support	11,600,738	10,891,335
EXPENSES:		
Salaries	5,530,222	5,135,173
Employee Benefits and Payroll Taxes	1,088,447	1,039,468
Communication	157,193	122,135
Contract Labor	1,210,644	844,162
Equipment Rent and Maintenance	411,163	385,713
Occupancy	513,751	489,849
Assistance to Individuals	1,344,448	1,274,407
Supplies	589,909	429,985
Other Operating	528,368	463,576
Interest Expense	69,773	5,058
Depreciation and Amortization	132,928	155,122
Total Expenses	11,576,846	10,344,648
Operating Income (Loss)	23,892	546,687
OTHER INCOME (LOSS):		
Gain (Loss) on Disposal of Assets	(482,587)	-
Excess of Revenues, Gains and Other Support Over Expenses	$ (458,695)	$ 546,687
Increase (Decrease) in Net Assets Without Donor Restrictions	$ (458,695)	$ 546,687
Net Assets, Beginning of Year	4,506,437	3,959,750
Net Assets, End of Year	$ 4,047,742	$ 4,506,437

The accompanying notes are an integral part of these consolidated financial statements

HEALTH SERVICES OF NORTH TEXAS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	2018	2017
Change in Net Assets	$ (458,695)	$ 546,687
Adjustments to Reconcile Changes in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	132,928	155,122
Loss on Disposal of Assets	482,587	-
Provision for Bad Debts	3,530,535	2,061,628
(Increase) Decrease in:		
Patient Accounts Receivable	(3,515,694)	(2,205,411)
Inventory of Supplies	-	650
Prepaid and Other Current Assets	(196,956)	80,177
Other Assets	(5,000)	-
Increase (Decrease) in:		
Accounts Payable	153,778	(31,701)
Accrued Payroll, Benefits, and Related Liabilities	(3,100)	21,558
Other Accrued Liabilities	335,965	2,528
Net Cash Provided by Operating Activities	456,348	631,238
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property, Plant and Equipment	70,424	(1,954,272)
Change in Short-Term Investments	(3,713)	(2,656)
Net Cash Used by Investing Activities	66,711	(1,956,928)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds From Issuance of Long-Term Debt	40,335	1,424,776
Payments on Long-Term Liabilities	(17,599)	(249,500)
Net Cash Provided by Financing Activities	22,736	1,175,276
Net Increase in Cash and Cash Equivalents	545,795	(150,414)
Cash and Cash Equivalents at Beginning of Year	908,716	1,059,130
Cash and Cash Equivalents at End of Year	$ 1,454,511	$ 908,716

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for Interest	$ (69,773)	$ (5,058)

The accompanying notes are an integral part of these consolidated financial statements

HEALTH SERVICES OF NORTH TEXAS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Ryan White Part A	Ryan White Part B	FQHC	HOPWA	Medical Center General Fund	State Services	United Way & Other Programs	Foundation and Fundraising	Management and General	Total
Salaries	$ 635,065	$ 154,238	$ 550,947	$ 92,863	$ 2,992,614	$ 167,672	$ 480,562	$ 133,275	$ 322,986	$ 5,530,222
Payroll Taxes	48,161	11,373	39,093	7,184	222,977	12,229	34,113	10,042	23,676	408,848
Fringe Benefits	113,416	18,832	84,291	18,818	324,138	26,799	52,842	14,276	26,187	679,599
Contract Labor	183,848	24,034	547,038	8,153	351,211	20,850	65,975	431	9,104	1,210,644
Communication	23,726	3,141	60,546	3,197	59,404	5,583	174	111	1,311	157,193
Credentialing	-	-	1,296	-	10	-	-	-	259	1,565
Depreciation	14,210	-	14,169	-	8,493	-	-	-	96,056	132,928
Equipment	83,262	3,677	189,507	7,039	106,666	7,502	2,612	10,303	595	411,163
Insurance	41,185	2,814	18,951	1,629	1,052	4,188	26	734	81	70,660
Interest	-	-	-	-	5,897	-	-	-	63,876	69,773
Agency Travel	1,778	37	2,118	2,576	5,252	677	22	1,122	2,503	16,085
Event Expenses	-	-	-	-	-	-	-	24,294	-	24,294
Occupancy	108,560	5,599	115,003	15,351	106,930	14,507	5,591	1,014	141,196	513,751
Postage	1,807	-	1,975	240	4,259	680	556	1,149	90	10,756
Printing	6,674	606	10,865	1,179	31,432	1,641	8	1,275	46	53,726
Professional Services	7,418	2,537	19,435	-	20,620	1,153	-	-	116,134	167,297
Staff Development	4,384	942	28,975	559	27,620	951	515	797	17,766	82,509
Assist to Clients	312,565	86,968	7,478	453,933	391,557	67,678	24,169	100	-	1,344,448
Dues and Other	6,422	559	53,943	3,443	9,514	437	173	13,914	13,071	101,476
Supplies	17,633	2,579	104,631	1,288	426,437	1,400	32,954	757	2,230	589,909
Total Expenses	$ 1,610,114	$ 317,936	$ 1,850,261	$ 617,452	$ 5,096,083	$ 333,947	$ 700,292	$ 213,594	$ 837,167	$ 11,576,846

The accompanying notes are an integral part of these consolidated financial statements

HEALTH SERVICES OF NORTH TEXAS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Ryan White Part A	Ryan White Part B	FQHC	HOPWA	Medical Center General Fund	State Services	United Way & Other Programs	Foundation and Fundraising	Management and General	Total
Salaries	$ 748,604	$ 170,829	$ 910,048	$ 135,948	$ 2,007,358	$ 119,157	$ 494,910	$ 190,474	$ 357,845	$ 5,135,173
Payroll Taxes	64,820	6,916	69,437	10,658	116,398	8,283	37,568	14,167	26,179	354,426
Fringe Benefits	153,632	17,291	103,348	31,570	208,007	29,031	52,400	29,791	59,972	685,042
Contract Labor	176,940	41,141	285,608	4,827	284,890	16,113	15,184	1,533	17,926	844,162
Communication	33,419	1,569	26,023	3,549	47,371	6,026	2,525	980	673	122,135
Conference Fees	69	-	78	-	1,086	-	664	-	1,616	3,513
Depreciation	10,750	-	21,665	-	8,623	-	69,789	-	44,295	155,122
Equipment	57,450	4,725	99,463	11,791	150,111	10,648	46,098	954	4,473	385,713
Insurance	35,341	2,022	10,669	1,043	1,831	11,555	1,364	32	5,867	69,724
Interest	-	-	-	-	23	-	-	-	5,035	5,058
Agency Travel	1,001	140	2,352	1,629	12,604	367	338	545	4,051	23,027
Misc. Expenses	-	-	-	-	-	-	-	-	1,590	1,590
Event Expenses	-	-	-	-	-	-	7,249	17,319	552	25,120
Occupancy	116,664	15,247	66,214	14,526	96,984	16,726	9,597	3,724	150,167	489,849
Postage	5,037	1,240	387	1,187	4,229	570	120	1,829	340	14,939
Printing	12,603	1,066	11,467	1,271	23,245	803	2,582	1,264	1,774	56,075
Professional Services	9,397	1,143	8,981	759	12,493	1,285	253	202	4,253	38,766
Staff Development	4,306	-	27,229	873	20,018	628	5,633	1,266	23,507	83,460
Assist to Clients	367,395	40,567	6,438	477,962	338,920	31,024	10,008	1,443	650	1,274,407
Dues and Other	2,788	-	13,646	4,448	109,625	3,160	1,613	7,122	4,960	147,362
Supplies	35,320	545	97,227	1,506	242,577	16,041	23,441	10,629	2,699	429,985
Total Expenses	$ 1,835,536	$ 304,441	$ 1,760,280	$ 703,547	$ 3,686,393	$ 271,417	$ 781,336	$ 283,274	$ 718,424	$ 10,344,648

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Health Services of North Texas, Inc. (the "Organization") was organized in Texas in 1988 as a nonprofit corporation to provide services and assistance to persons impacted by HIV disease. The Organization changed its name from AIDS Services of North Texas, Inc. to Health Services of North Texas, Inc. in 2009 to reflect its efforts to expand services beyond the HIV/AIDS population. The Organization operates a range of services for HIV/AIDS and non-HIV/AIDS adults and children ranging from primary medical healthcare, mental health counseling, guardianship and nutrition. Additionally, case management services for HIV/AIDS clients include housing, insurance assistance as well as transportation services. The Organization currently services the counties of Denton, Collin, Hunt, Rockwall, and Kaufman.

A separate nonprofit corporation, Health Services of North Texas Foundation (the "Foundation"), has been formed. The Foundation is a support organization under the provisions of Section 509(a)(3) of the Internal Revenue Code. The purpose of the Foundation is to support and benefit the Organization by, among other things, solicit, receive, hold, invest and manage gifts, grants, contributions and bequests which are intended to benefit the long-term goals, purposes and objectives of the Organization. All significant intercompany transactions have been eliminated in the consolidated financial statements.

Use of Estimates - The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated 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 - The Organization considers highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management's judgment, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management's evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, and trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractuals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Sliding Fee Discounts – The Clinic provides care to patients who meet certain criteria under its sliding fee discount policy for a nominal fee or at amounts less than its established rates. Sliding fee discount eligibility is based on family size and household income, and no other factors. It is available to assist with patient responsibility for all patients who qualify, regardless of their insurance coverage. Because the Clinic does not pursue collection of the discounted charges, discounted sliding fee charges are excluded from net patient revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments – Investments are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Inventory of Supplies - Inventory is stated at historical cost using the First-In, First-Out (FIFO) method

Property and Equipment – Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Maintenance repairs and minor renewals are expensed as incurred.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the donated assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization capitalizes all assets over $5,000 and provides for depreciation of property and equipment by the straight line method which is designed to amortize the cost of such equipment over its useful life as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

Net Assets with Donor Restrictions - Net assets are limited by donors to a specific time period or purpose, and net assets that have been restricted by donors to be maintained by the Organization in perpetuity.

Excess of Revenues, Gains, and Other Support over Expenses - The accompanying statements of operations include excess of revenues, gains, and other support over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenues, gains, and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes – Health Services of North Texas is a not-for-profit corporation and is qualified as a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying consolidated financial statements.

Donor-restricted Gifts - Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts received with donor stipulations that limit the use of the donated assets are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by the Organization, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cost Allocation - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis. Telephone costs are allocated based on line counts by functional category.

Net Patient Service Revenue – The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Risk Management – The Organization is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements:

Accounting Standards Update (ASU) No. 2014-09 – In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The FASB and the International Accounting Standards Board (IASB) initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for the U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) that would: 1) Remove inconsistencies and weaknesses in revenue requirements; 2) Provide a more robust framework for addressing revenue issues; 3) Improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; 4) Provide more useful information to users of financial statements through improved disclosure statements; 5) Simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, with early implementation permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Accounting Standards Update (ASU) No. 2016-02 – In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 was implemented by FASB to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing the key information about leasing transactions. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, with early implementation permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Accounting Standards Update (ASU) No. 2018-08 – In June 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 was implemented by FASB to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 will also assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018, with early implementation permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. These reclassifications had no effect on the change in net position.

NOTE 2 - NET PATIENT SERVICE REVENUE

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid – Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services under the plan.

Other – The Organization has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per encounter, discounts from established charges, and prospectively determined daily rates.

The Organization has been approved to file a low utilization cost report which is for reporting purposes only, and does not include a settlement. Accordingly, the Organization has not provided an estimate for outstanding cost report settlements.

Net patient service revenue is comprised as follows:

	2018	2017
Clinic Patient Services	$ 9,447,520	$ 7,027,294
Third-Party Contractual Adjustments	(132,034)	104,489
Provision for Bad Debts	(3,530,535)	(2,061,628)
Net Patient Service Revenue	$ 5,784,951	$ 5,070,155

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

The Organization maintains cash and cash equivalents at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2018 and 2017, the bank balance and carrying value is categorized as follows:

	2018	2017
Amount insured by the FDIC	$ 933,558	$ 995,074
Uncollateralized	1,176,023	707,023
Total Bank Balance	$ 2,109,581	$ 1,702,097
Toal Carrying Value	$ 2,010,108	$ 1,460,600

NOTE 4 – SHORT TERM INVESTMENTS

The Organization's short term investments are reported at fair value, and consist of certificates of deposit with balances of $555,597 and $551,884 at December 31, 2018 and 2017, respectively. The certificates of deposit mature within the next fiscal year.

NOTE 5 – PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2018 and 2017:

	2018	2017
Gross Accounts Receivable	$ 534,121	$ 427,268
Less: Allowance for Bad Debts and Contractuals	(180,929)	(59,235)
Accounts Receivable, Net of Allowance	$ 353,192	$ 368,033

NOTE 6 - CONCENTRATION OF CREDIT RISK

Patient Accounts Receivable - The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payers at December 31, 2018 and 2017 is as follows:

	2018	2017
Medicare	9%	33%
Medicaid	43%	33%
Commercial	8%	8%
Self Pay	40%	26%
Total	100%	100%

NOTE 7 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2018 and 2017:

	2018	2017
Land and Land Improvements	$ 257,000	$ 257,000
Buildings and Improvements	2,394,475	2,751,040
Furniture, Fixtures and Equipment	790,005	1,236,776
	3,441,480	4,244,816
Less Accumulated Depreciation	(398,128)	(515,525)
Property and Equipment, Net	$ 3,043,352	$ 3,729,291

Depreciation expense for the years ended December 31, 2018 and 2017 totaled $132,928 and $155,122.

NOTE 8 – LONG-TERM DEBT

A summary of long-term debt at December 31, 2018 and 2017, follows:

	2018	2017
4.75% Note Payable, with monthly principal and interest payments of $9,185, and a balloon payment due July 1, 2024. Secured by deed of trust.	$ 1,447,512	$ 1,424,776
Total Long-Term Debt	1,447,512	1,424,776
Less: Current Portion	(42,347)	(17,529)
Non-Current Portion	$ 1,405,165	$ 1,407,247

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Scheduled principal repayments on long-term debt are as follows:

	Note Payable	
For the Year Ending	Principal	Interest
December 31,		
2019	$ 42,347	$ 67,868
2020	44,402	65,813
2021	46,558	63,657
2022	48,818	61,397
2023	51,188	59,027
2024	1,214,199	33,292
Total	$ 1,447,512	$ 351,054

NOTE 9 – PENSION PLAN

Retirement Plan – The Organization has a retirement plan, under Section 403(b) of the Internal Revenue Code, which covers all eligible employees. Under this plan, employees may defer up to 25% of their base salary on a pre-tax basis through contributions to the Plan, subject to annual maximum dollar limits. The Board of Directors elected to have the Organization match 100% of each employee's elective contributions up to 5% of the employee's base salary. For 2018 and 2017, the matching contributions expense recorded on the books was $81,325 and $71,370, respectively.

The Organization also has a deferred compensation plan for certain members of management as allowed in Internal Revenue Code 457(b). The plan allows for eligible employees to defer a portion of their salary into the plan and it allows for the Organization to make discretionary contributions. The deferred compensation and the discretionary contributions cannot exceed the applicable dollar limit set forth in the Internal Revenue Code. Each participant is fully vested in amounts credited to their account at all times. The assets of the plan are invested in a money market account invested in U.S. Treasury securities as directed by the plan participants. The assets of the plan are considered assets of the Organization and are thus available to general creditors of the Organization. As of December 31, 2018 and 2017 the assets of the plan total $-0- and $7,687, and are included in cash and cash equivalents and accrued expenses. For 2018 and 2017, the Organization made no discretionary contributions.

NOTE 10 - INCOME TAXES

Health Services of North Texas, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization evaluates and accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes (formerly FASB Interpretation 48 (FIN 48) Accounting for Uncertainty in Income Taxes. This standard requires certain disclosures about uncertain income tax positions. The Organization evaluates any uncertain tax positions using the provisions of ASC 450, Contingencies. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying consolidated financial statements. The Organization has filed all applicable tax returns. The Organizations Forms 990, *Return of Organization Exempt from Income Tax,* for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 11 – GRANT REVENUE

FQHC Grant - The Organization is the recipient of a Community Health Center (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care services delivery for residents in Denton, Collin, Hunt, Rockwall, and Kaufman Counties. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended December 31, 2018 and 2017, the Organization received $1,748,072 and $1,373,112 in CHC grant funds. At December 31, 2018 and 2017, the Organization has set up a receivable of $125,901 and $133,458 for funds expended before year end. Funding for the year ending December 31, 2019, is expected to be approximately $1,688,000.

Health Infrastructure Investment Program - The Organization is the recipient of a Health Infrastructure Investment Program grant from the U.S. Department of Health and Human Services. These funds are being used in the construction of the new clinic. The Organization expended $784,307 in 2017. Construction of the new clinic was completed in 2017.

Ryan White Grants – The Organization is the recipient of Grants from Dallas County on Behalf of Dallas County Health and Human Services, which is funded by the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care services to persons with HIV/AIDS that reside in Denton, Collin, Dallas, Ellis, Henderson, Hunt, Rockwall, and Kaufman Counties. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended December 31, 2018 and 2017, the Organization received $1,649,940 and $1,570,024 in Ryan White grant funds. At December 31, 2018 and 2017, the Organization has set up a receivable of $445,194 and $422,603 respectively, for funds expended before year end. Funding for the year ending December 31, 2019, is expected to be approximately $1,600,000.

NOTE 11 – GRANT REVENUE (CONTINUED

Housing Opportunities for Persons with AIDS Grant – The Organization is the recipient of a Housing Opportunities for Persons with AIDS (HOPWA) Grant from the City of Dallas, which is funded by the U.S. Department of Housing and Urban Development. The general purpose of the grant is to provide housing and supportive services assistance to low-income persons with HIV/AIDS that reside in the Dallas Eligible Metropolitan Statistical Area. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures and is incurred over the grant period. During the years ended December 31, 2018 and 2017, the Organization received $545,662 and $584,359 in HOPWA grant funds. At December 31, 2018 and 2017, the Organization has set up a receivable of $141,146 and $178,921, respectively, for funds expended before year end. Funding for the year ending December 31, 2019, is expected to be approximately $585,000.

In addition to these grants, the Organization receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis. During 2018 and 2017 the Organization has received $697,863 and $631,108 through these grants.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation - The Organization is from time to time subject to claims and suits for damages, including damages for personal injuries to patients and others, most of which are covered as to risk and amount. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Organization's financial position or results of operations.

Medical Malpractice Claims - The U.S. Department of Health and Human Services has deemed the Organization and its practicing physicians covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Organization's claim experience, no such accrual has been made. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

NOTE 12 – COMMITMENTS AND CONTINGENCIES(CONTINUED)

Operating Leases - The Organization leases various equipment and facilities under operating leases expiring at various dates through 2019. Total rental expense in 2018 and 2017 for all operating leases was $374,197 and $264,298, respectively.

The Organization is obligated under office lease agreements through 2023 in connection with its Denton and Plano office locations. The future minimum lease payments under these lease agreements at December 31, 2018 are as follows.

For the Year Ending December 31,	
2019	109,128
2020	247,755
2021	278,526
2022	151,926
2023	80,775
Total	$ 868,110

NOTE 13 – LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are:

	2018	2017
Financial Assets at Year-End		
Cash and Cash Equivalents	$ 1,454,511	$ 908,716
Short-Term Investments	555,597	551,884
Patient Accounts Receivable, Net of Allowance	353,192	368,033
Other Receivables	1,002,556	805,600
Total Financial Assets	3,365,856	2,634,233
Less Amounts not Available to be Used Within One Year	-	-
Financial Assets Available to Meet General Expenditures Within One Year	$ 3,365,856	$ 2,634,233

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

In 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities.* The Organization has retrospectively applied the ASU to all periods presented except the Organization has opted to present the functional expenses information for 2018 only, as permitted under the ASU in the year of adoption. A summary of the change is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – net assets without donor restrictions and net assets with donor restrictions. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Expenses are reported by both nature and function in one location.

This change had no impact on previously reported total change in net assets.

NOTE 15 – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is July, 25, 2019 which is the date on which the consolidated financial statements were available to be issued.

Supplementary Information

HEALTH SERVICES OF NORTH TEXAS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Programs		
Consolidated Health Centers Cluster	93.224	$ 1,748,072
Passed Through Dallas County Health and Human Services		
HIV Emergency Relief Project Grant	93.914	1,417,486
HIV Care Formula Grant	93.917	232,454
Passed Through the Womens Health and Planning Association of Texas Family Planning Services		
Family Planning Services	93.217	244,364
Total U.S. Department of Health and Human Services		3,642,376
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed Through City of Dallas		
Housing Opportunities for Persons with AIDS	14.241	545,662
Passed Through City of Denton		
Community Development Block Grant	14.218	48,550
Passed Through City of Lewisville		
Community Development Block Grant	14.218	12,832
Total U.S. Department of Housing and Urban Development		607,044
Total Expenditures of Federal Awards		$ 4,249,420

NON-FEDERAL AWARDS	
State Services Grant	$ 321,617

The accompanying notes are an integral part of this schedule

Health Services of North Texas, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Health Services of North Texas, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Health Services of North Texas, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Health Services of North Texas, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Health Services of North Texas, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

There were no awards passed through to subrecipients.

DURBIN&CO LLP
Certified Public Accountants

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*

Management and the Board of Directors
Health Services of North Texas, Inc.
Denton, 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 consolidated financial statements of Health Services of North Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of operations, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July, 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Health Services of North Texas, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Health Services of North Texas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Services of North Texas, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 Health Services of North Texas, Inc.'s consolidated 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*.

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 Health Services of North Texas, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Durbin & Company, L.L.P.

Durbin & Company, L. L. P.
Lubbock, Texas
July, 25, 2019

DURBIN&CO LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Management and the Board of Directors
Health Services of North Texas, Inc.
Denton, Texas

Report on Compliance for Each Major Federal Program

We have audited Health Services of North Texas, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Health Services of North Texas, Inc.'s major federal programs for the year ended December 31, 2018. Health Services of North Texas, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Health Services of North Texas, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Health Services of North Texas, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Health Services of North Texas, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Health Services of North Texas, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of Health Services of North Texas, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Health Services of North Texas, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Health Services of North Texas, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Durbin & Company, L.L.P.

Durbin & Company, L. L. P.
Lubbock, Texas
July, 25, 2019

HEALTH SERVICES OF NORTH TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Health Services of North Texas, Inc. were prepared in accordance with GAAP.

2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the 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.*

3. No instances of noncompliance material to the consolidated financial statements of Health Services of North Texas, Inc., which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Health Services of North Texas, Inc. expresses an unmodified opinion on all major federal programs.

6. There are no audit findings related to major programs that are required to be reported in accordance with 2 CFR §200.516(a).

7. The programs tested as a major program were:

Cluster/Program	CFDA Number
HIV Emergency Relief Project Grants	93.914

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Health Services of North Texas, Inc. was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters reportable

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

No matters reportable