

**HEALTH SERVICES OF NORTH TEXAS, INC.
DENTON, TEXAS**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Health Services of North Texas, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of operations and changes in net assets, cash flow and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Health Services of North Texas, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated 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, and for 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Health Services of North Texas, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Health Services of North Texas, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

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 and state 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.

Supplementary Information (Continued)

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 17, 2024, 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 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 Health Services of North Texas, Inc.'s 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.



D & Co., L.L.P.
Lubbock, Texas
July 17, 2024

**HEALTH SERVICES OF NORTH TEXAS, INC.
DENTON, TEXAS**

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

HEALTH SERVICES OF NORTH TEXAS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS:	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,551,695	\$ 4,187,381
Short-Term Investments	580,063	568,739
Patient Accounts Receivable, Net of Allowance	369,912	358,117
Grant Receivables	839,643	764,608
Prepays and Other Current Assets	<u>1,285,482</u>	<u>984,873</u>
Total Current Assets	7,626,795	6,863,718
RIGHT-OF-USE ASSETS - OPERATING LEASES, NET	957,939	1,215,542
PROPERTY AND EQUIPMENT, NET	3,090,989	2,691,901
OTHER ASSETS	<u>5,929</u>	<u>5,929</u>
Total Assets	<u>\$ 11,681,652</u>	<u>\$ 10,777,090</u>

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, 2023 AND 2022

LIABILITIES AND NET ASSETS:	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Current Portion of Right-of-Use Asset Lease	\$ 249,987	\$ 236,617
Current Portion of Long-Term Debt	109,772	104,637
Accounts Payable	475,503	539,209
Accrued Payroll, Benefits, and Related Liabilities	1,261,289	986,279
Other Accrued Liabilities	<u>32,761</u>	<u>-</u>
Total Current Liabilities	2,129,312	1,866,742
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	1,078,039	1,182,582
Right-of-Use Liability - Operating Leases	<u>821,347</u>	<u>1,071,334</u>
Total Noncurrent Liabilities	<u>1,899,386</u>	<u>2,253,916</u>
Total Liabilities	4,028,698	4,120,658
NET ASSETS		
Without Donor Restrictions	<u>7,652,954</u>	<u>6,656,432</u>
Total Liabilities and Net Assets	<u>\$ 11,681,652</u>	<u>\$ 10,777,090</u>

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, 2023 AND 2022

REVENUES WITHOUT DONOR RESTRICTIONS, GAINS, AND OTHER SUPPORT:	<u>2023</u>	<u>2022</u>
Net Patient Service Revenue	\$ 14,318,357	\$ 14,129,983
Government Grants	6,351,069	5,803,032
Contributions	776,828	676,709
Investment Income	29,281	2,220
Other Revenue	<u>212,548</u>	<u>199,374</u>
Total Revenues Without Donor Restrictions, Gains and Other Support	21,688,083	20,811,318
 EXPENSES:		
Salaries	8,775,588	7,787,034
Employee Benefits and Payroll Taxes	1,603,852	1,399,324
Communication	227,132	160,150
Contract Labor	1,198,853	1,505,731
Equipment Rent and Maintenance	1,128,658	671,021
Occupancy	275,498	325,831
Assistance to Individuals	5,711,480	5,858,913
Supplies	613,747	604,492
Other Operating	658,640	625,474
Interest Expense	121,231	113,592
Depreciation and Amortization	<u>376,882</u>	<u>442,771</u>
Total Expenses	<u>20,691,561</u>	<u>19,494,333</u>
 Increase in Net Assets Without Donor Restrictions	996,522	1,316,985
 Net Assets, Beginning of Year	<u>6,656,432</u>	<u>5,339,447</u>
 Net Assets, End of Year	<u>\$ 7,652,954</u>	<u>\$ 6,656,432</u>

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 YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 996,522	\$ 1,316,985
Adjustments to Reconcile Changes in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation	119,279	150,095
Amortization of Right-of-Use Asset, Operating Lease	257,603	292,676
(Increase) Decrease in:		
Patient Accounts Receivable	(11,795)	(45,225)
Prepaid and Other Current Assets	(375,644)	(393,827)
Right-of-Use Asset - Operating Leases	-	(1,508,218)
Other Assets	-	5,500
Increase (Decrease) in:		
Accounts Payable	(63,706)	10,628
Accrued Payroll, Benefits, and Related Liabilities	275,010	21,879
Right-of-Use Liability - Operating Leases	(236,617)	1,307,951
Other Accrued Liabilities and Deferred Revenue	32,761	(229,629)
Net Cash Provided by Operating Activities	993,413	928,815
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property, Plant and Equipment	(518,367)	(113,073)
Change in Short-Term Investments	(11,324)	(1,983)
Net Cash Used by Investing Activities	(529,691)	(115,056)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Long-Term Liabilities	(99,408)	(21,429)
Net Increase in Cash and Cash Equivalents	364,314	792,330
Cash and Cash Equivalents at Beginning of Year	4,187,381	3,395,051
Cash and Cash Equivalents at End of Year	\$ 4,551,695	\$ 4,187,381
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for Interest	\$ (121,231)	\$ (113,592)
Right-of-use Assets obtained	\$ -	\$ 1,215,542

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, 2023

	Ryan White	FQHC	HOPWA	Medical Center General Fund	United Way & Other Programs	General and Administrative	Total
Salaries	\$ 913,804	\$ 1,660,827	\$ 104,726	\$ 3,771,501	\$ 1,256,103	\$ 1,068,627	\$ 8,775,588
Employee Benefits and Payroll Taxes	202,892	307,972	16,308	654,710	212,606	209,364	1,603,852
Communication	6,206	16,645	179	94,410	109,236	456	227,132
Contract Labor	94,349	360,940	-	691,036	52,528	-	1,198,853
Equipment Rent and Maintenance	173,927	302,888	6,091	434,670	124,233	86,849	1,128,658
Occupancy	61,534	78,106	2,237	127,095	6,270	256	275,498
Assistance to Individuals	395,989	2,862	550,757	4,760,433	836	603	5,711,480
Supplies	8,304	147,090	441	431,312	21,664	4,936	613,747
Other Operating	22,733	91,238	2,860	399,818	76,816	65,175	658,640
Interest Expense	-	-	-	56,698	-	64,533	121,231
Depreciation and Amortization	-	-	-	-	-	376,882	\$ 376,882
	<u>\$ 1,879,738</u>	<u>\$ 2,968,568</u>	<u>\$ 683,599</u>	<u>\$ 11,421,683</u>	<u>\$ 1,860,292</u>	<u>\$ 1,877,681</u>	<u>\$ 20,691,561</u>

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, 2022

	Ryan White	FQHC	HOPWA	Medical Center General	United Way & Other Programs	General and Administrative	Total
Salaries	\$ 764,204	\$ 2,630,830	\$ 92,805	\$ 2,231,545	\$ 408,749	\$ 1,658,901	\$ 7,787,034
Employee Benefits and Payroll Taxes	167,752	466,576	18,956	483,532	80,206	182,302	1,399,324
Communication	11,672	14,772	357	88,469	44,610	270	160,150
Contract Labor	165,124	446,510	2,974	733,346	156,244	1,533	1,505,731
Equipment Rent and Maintenance	65,609	283,565	1,586	268,433	51,828	-	671,021
Occupancy	58,745	87,489	2,078	152,601	24,404	514	325,831
Assistance to Individuals	385,658	3,734	396,753	5,065,617	7,051	100	5,858,913
Supplies	10,431	265,309	338	273,607	54,804	3	604,492
Other Operating	22,215	83,797	1,920	359,634	24,606	133,302	625,474
Interest Expense	-	-	-	-	-	113,592	113,592
Depreciation and Amortization	-	-	-	-	-	442,771	442,771
	<u>\$ 1,651,410</u>	<u>\$ 4,282,582</u>	<u>\$ 517,767</u>	<u>\$ 9,656,784</u>	<u>\$ 852,502</u>	<u>\$ 2,533,288</u>	<u>\$ 19,494,333</u>

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

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 and Collin.

A separate nonprofit corporation, Health Services of North Texas Foundation (the “Foundation”), exists as a support organization under the provisions of Section 509(a)(3) of the Internal Revenue Code. All significant intercompany transactions have been eliminated in the consolidated financial statements. No significant Foundation activity occurred during the years ending December 31, 2023 and 2022.

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 uncollectible patient accounts receivable and contractual adjustments 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.

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.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Right-of-Use Assets, Operating Leases – Leases are recognized at the present value of the lease payments at inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Lease expense is recognized on a straight-line basis and amortized in the consolidated statement of operations.

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 consolidated 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).

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

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 consolidated 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.

Reclassifications – Certain amounts in the prior year consolidated 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 assets.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Accounting Pronouncements:

Accounting Standards Update No. 2021-09: In November 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2021-09 (“ASU 2021-09”), *Leases* (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. ASU 2021-09 was issued by FASB to provide lessees that are not public business entities with more flexibility in how they determine the discount rate for their leases and make the risk-free rate election to reduce their initial adoption and ongoing implementation costs associated with Update 2016-02. For entities that have adopted Topic 842 as of November 11, 2021, ASU 2021-09 is effective for fiscal years beginning after December 15, 2021, with early application permitted. The implementation of this Standard had no effect on the Organization’s change in net assets.

Accounting Standards Update No. 2021-10: In November 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2021-10 (“ASU 2021-10”), *Government Assistance* (Topic 832). ASU 2021-10 was issued by FASB to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity’s accounting for the assistance, and (3) the effect of the assistance on an entity’s financial statements. The amendments in this update require the following annual disclosures about transactions with a government that are accounted for by apply a grant or contribution accounting model by analogy:

- Information about the nature of the transactions and the related accounting policy used to account for the transactions,
- The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item,
- Significant terms and conditions of the transactions, including commitments and contingencies.

ASU 2021-10 is effective for fiscal years beginning after December 15, 2021, with early application permitted. The implementation of this Standard had no effect on the Organization’s change in net assets.

Pending Adoption of Recent Accounting Pronouncements:

Accounting Standards Update No. 2023-01: In March 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2023-01 (“ASU 2023-01”), *Leases* (Topic 842). ASU 2023-01 was issued by FASB to respond to private company stakeholders’ concerns about applying Topic 842 to related party arrangements between entities under common control, as well as provide investors and other allocators of capital with financial information that better reflects the economics of those transactions. ASU 2023-01 is effective for fiscal years beginning after December 15, 2023, with early adoption permitted.

Accounting Standards Update No. 2023-06: In October 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2023-06 (“ASU 2023-06”), *Disclosure Improvements*. ASU 2023-06 was issued by FASB to provide clarifications to or technical corrections of the current disclosure or presentation requirements of a variety of topics.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

Accounting Standards Update No. 2023-06 (Continued): Many of the amendments allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for ASU 2023-06 will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. For all other entities, ASU 2023-06 will be effective two years later.

NOTE 2 - NET PATIENT SERVICE REVENUE

Effective December 1, 2020 upon the adoption of ASU 2014-09, net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others and includes variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews and investigations. Generally, the Organization bills patients and third-party payors several days after the services are performed. Net patient service revenue is recognized as performance obligation are satisfied.

Performance obligations are determined based on the nature of the services provided. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Organization believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving outpatient service. The Organization measures the performance obligation from the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally the completion of the outpatient visit.

As substantially all its performance obligations related to contract with a duration of less than one year, the Organization has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Organization's standard charges. The Organization determines the transaction price associated with services provided to patients who have third-party payor coverage based on contractual rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual adjustments and discounts are based on contractual agreements, the Organization's discount policies, and historical experience.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

Implicit price concessions included in the estimate of the transaction price based on the Organization's historical collection experience with this class of patients.

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 to the Organization 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.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to patients on a sliding scale, based on household size and confirmed income using Federal Poverty Level as a guideline. The Organization considers the sliding scale discount an implicit price concession.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized.

Net patient service revenue is comprised as follows:

	<u>2023</u>	<u>2022</u>
Clinic Patient Services	\$ 20,885,002	\$ 19,865,415
Third-Party Contractual Adjustments	<u>(6,566,645)</u>	<u>(5,735,432)</u>
Net Patient Service Revenue	<u>\$ 14,318,357</u>	<u>\$ 14,129,983</u>

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, 2023 and 2022, the bank balance and carrying value is categorized as follows:

	<u>2023</u>	<u>2022</u>
Amount insured by the FDIC	\$ 950,519	\$ 943,040
Uncollateralized	<u>4,239,295</u>	<u>3,891,655</u>
Total Bank Balance	<u>\$ 5,189,814</u>	<u>\$ 4,834,695</u>
Total Carrying Value	<u>\$ 5,131,758</u>	<u>\$ 4,756,120</u>

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 \$580,063 and \$568,739 at December 31, 2023 and 2022, respectively. The certificates of deposit mature within the next fiscal year.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 5 – PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Gross Patient Accounts Receivable	\$ 703,013	\$ 616,292
Less: Allowances for Bad Debts and Contractual Adjustments	<u>(333,101)</u>	<u>(258,175)</u>
Patient Accounts Receivable, Net of Allowances	<u>\$ 369,912</u>	<u>\$ 358,117</u>

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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Medicare	15%	22%
Medicaid	38%	34%
Commercial	24%	22%
Self Pay	<u>23%</u>	<u>22%</u>
Total	<u>100%</u>	<u>100%</u>

NOTE 7 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 257,000	\$ 257,000
Buildings and Improvements	2,417,426	2,417,427
Furniture, Fixtures and Equipment	1,311,038	706,267
Construction in Progress	<u>-</u>	<u>86,403</u>
	3,985,464	3,467,097
Less Accumulated Depreciation	<u>(894,475)</u>	<u>(775,196)</u>
Property and Equipment, Net	<u>\$ 3,090,989</u>	<u>\$ 2,691,901</u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$119,279 and \$150,095.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 8 – LONG-TERM DEBT

A summary of long-term debt at December 31, 2023 and 2022, follows:

	<u>2023</u>	<u>2022</u>
4.75% Note Payable, with monthly principal and interest payments of \$13,662, and a balloon payment due November 1, 2029. Secured by deed of trust.	<u>\$ 1,187,811</u>	<u>\$ 1,287,219</u>
Total Long-Term Debt	1,187,811	1,287,219
Less: Current Portion	<u>(109,772)</u>	<u>(104,637)</u>
Non-Current Portion	<u>\$ 1,078,039</u>	<u>\$ 1,182,582</u>

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

For the Year Ending December 31,	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 109,772	\$ 54,169
2025	115,159	48,783
2026	120,809	43,132
2027	126,738	37,204
2028	132,957	30,985
2029	<u>582,376</u>	<u>22,679</u>
Total	<u>\$1,187,811</u>	<u>\$236,952</u>

NOTE 9 - RIGHT-OF-USE LEASES, OPERATING

The Organization leases facilities under long-term, non-cancelable agreements. These leases expire in various dates through June 2030. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease, which was 4.72% for 2023.

The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the lease.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 9 - RIGHT-OF-USE LEASES, OPERATING (CONTINUED)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023.

For the Year Ending December 31,	<u>Operating</u>
2024	\$ 295,121
2025	245,626
2026	206,835
2027	180,078
2028	150,339
2029 - 2030	<u>127,515</u>
Total Lease Payments	1,205,514
Less Interest	<u>(134,180)</u>
Present Value of Lease Liabilities	<u>\$ 1,071,334</u>

NOTE 10 – 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 2023 and 2022, the employee contributions to the plan were \$294,314 and \$283,325, respectively. For 2023 and 2022, the matching contributions expense recorded on the books was \$176,305 and \$110,301, respectively.

NOTE 11 - 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*, are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 12 – 340B DRUG PROGRAM

The Organization participates in the 340B “Drug Discount Program” which enables qualifying healthcare providers to purchase drugs from pharmaceutical suppliers at a substantial discount. Pharmacy revenue is recognized as pharmaceuticals are dispensed. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under a contract arrangement with the District.

Reported 340B revenue for the year ended December 31, 2023 and 2022 of \$4,670,861 and \$5,263,894, respectively, consists of reimbursements from the network of participating pharmacies, net of the initial purchase price of the drugs and is included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position. At December 31, 2023 and 2022, the Organization recorded a 340B drug program receivable of \$1,188,352 and \$909,127, respectively. The receivable is included in prepaid expenses and other current assets in the accompanying statements of net position.

NOTE 13 – GRANT REVENUE

FQHC Grant - The Organization is the recipient of a Consolidated Health Centers Cluster (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, 2023 and 2022, the Organization received \$2,420,740, and \$3,250,323 in CHC grant funds. At December 31, 2023 and 2022, the Organization has set up a receivable of \$157,608 and \$317,943 for funds expended before year end. Funding for the year ending December 31, 2024, is expected to be \$1,623,205.

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, 2023 and 2022, the Organization received \$1,431,099 and \$1,463,695 in Ryan White grant funds. At December 31, 2023 and 2022, the Organization has set up a receivable of \$369,550 and \$306,619 respectively, for funds expended before year end. Funding for the year ending December 31, 2024, is expected to be approximately \$1,464,147.

Ryan Whites State Services Grant – The Organization is the recipient of funds from Dallas County Health & Human Services, which is funded under the Title XXVI of the PHS Act, as amended by the Ryan White HIV/AIDS Treatment Extension Act of 2009: State of Texas HIV Health and Social Services Grant (State Services Grant). The general purpose of this contract is to provide delivery of services to persons with HIV/AIDS and their family members or caregivers who reside within the Dallas and/or Sherman-Denison HIV Services Delivery Area.

**HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)**

NOTE 13 – GRANT REVENUE (CONTINUED)

Ryan Whites State Services Grant (Continued) – During the years ended December 31, 2023 and 2022, the Organization received \$142,481 and \$131,204 respectively. Funding for the year ending December 31, 2024 is expected to be \$224,270.

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, 2023 and 2022, the Organization received \$678,274 and \$515,397 in HOPWA grant funds. At December 31, 2023 and 2022, the Organization has set up a receivable of \$231,600 and \$120,012, respectively, for funds expended before year end. Funding for the year ending December 31, 2024, is expected to be approximately \$748,322.

Women’s Health and Family Planning Grant – The Organization is the recipient of a grant from the Women’s Health and Family Planning Association of Texas (WHFPT) which is funded by the U.S. Department of Health and Human Services. The general purpose of this grant is to provide medical counseling, educational and outreach activities in the area of family planning. During the years ended December 31, 2023 and 2022, the Organization received \$-0- and \$197,516 in WHFPT grant funds. Funding for the year ending December 31, 2024, is expected to be approximately \$-0-.

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 2023 and 2022 the Organization has received \$471,454 and \$182,793 through these grants.

NOTE 14 – IN-KIND CONTRIBUTIONS

In-Kind Rent – The Organization is the recipient of in-kind rent from two tenants. In-kind rent revenue is recognized as qualifying expenditures and is incurred over the contribution period. During the years ended December 31, 2023 and 2022, the Organization received approximately \$138,500 and \$132,500, respectively, from Epic Development, aka Lincoln Harris Inc.

In-Kind Medical Goods – The Organization is the recipient of in-kind medical relief goods from Direct Relief. Direct Relief is a public benefit, non-denominational and non-political organization emphasizing self-help through medical supplies and services for better health care. During 2023 and 2022, Direct Relief donated medical supplies valued approximately \$63,664 and \$39,825, respectively. In-kind revenue is recognized as qualifying expenditures as the Organization utilizes the medical goods.

HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022 (CONTINUED)

NOTE 15 – 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 16 – LIQUIDITY AND AVAILABILITY

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

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End		
Cash and Cash Equivalents	\$4,551,695	\$4,187,381
Short-Term Investments	580,063	568,739
Patient Accounts Receivable, Net of Allowance	369,912	358,117
Other Receivables	<u>2,125,125</u>	<u>1,749,481</u>
Total Financial Assets	<u>7,626,795</u>	<u>6,863,718</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$7,626,795</u>	<u>\$6,863,718</u>

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 17 – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2023, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is July 17, 2024 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 AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/ State Grantor/Program or Cluster Title	Federal CFDA Number	Grant or Identifying Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Consolidated Health Centers Cluster	93.224	H80CS24197	\$ 1,602,093
COVID-19 FY 2020 Supplemental Funding for Health Centers	93.527	H8GCS48350	224,226
FY 2023 Bridge Access Program	93.527	H8LCS51672	31,423
American Rescue Plan Act Funding for Health Centers	93.224	H8FCS40947	562,998
<u>Total Health Centers Cluster</u>			<u>2,420,740</u>
Health Center Infrastructure Support	93.526	C8ECS44526	469,526
Immunization Cooperative Agreements	93.268	HHS00119600018	215,000
<u>Passed Through Dallas County Health and Human Services</u>			
Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B	93.686	2022-019-6934	142,481
HIV Emergency Relief Project Grant	93.914	2019-004-6844	859,321
HIV Care Formula Grant	93.917	2019-004-6844	571,778
Total U.S. Department of Health and Human Services			<u>4,678,846</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed Through City of Dallas</u>			
Housing Opportunities for Persons with AIDS	14.241	OHS-2019-0001140	678,274
<u>Passed Through City of Denton</u>			
Community Development Block Grant	14.218		83,373
<u>Passed Through City of Lewisville</u>			
Community Development Block Grant	14.218	0179-19-RES	30,600
Total U.S. Department of Housing and Urban Development			<u>792,247</u>
Total Expenditures of Federal Awards			<u>\$ 5,471,093</u>
STATE AWARDS			
<u>Passed Through Dallas County Health & Human Services</u>			
Ryan White State Services Grant		2019-004-6844	<u>\$ 274,119</u>

The accompanying notes are an integral part of this schedule

**HEALTH SERVICES OF NORTH TEXAS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Health Services of North Texas, Inc. under programs of the federal and state of Texas governments for the year ended December 31, 2023. 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

Pass-through entity identifying numbers are presented where available.



**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, 2023, and the related statements of operations and changes in net assets, cash flow and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 17, 2024.

Report on 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) as a basis for designing 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 Health Services of North Texas, Inc.’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.

D & Co., L.L.P.
Certified Public Accountants

Report on 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 Health Services of North Texas, Inc.'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.



D & Co., L.L.P.
Lubbock, Texas
July 17, 2024



**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

Opinion on Each Major Federal Program

We have audited Health Services of North Texas, Inc.'s compliance with the types of compliance requirements identified as subject to the audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Health Services of North Texas, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Health Services of North Texas, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Health Services of North Texas, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Health Services of North Texas, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Health Services of North Texas, Inc.'s compliance with the requirements of each major federal programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Health Services of North Texas, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Health Services of North Texas, Inc.'s internal control over compliance relevant to the audit on order to design audit procedures that are appropriate in the circumstance 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 Health Services of North Texas, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



D & Co., L.L.P.
Lubbock, Texas
July 17, 2024

**HEALTH SERVICES OF NORTH TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

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 and no material weaknesses 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 and no material weaknesses 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
Health Center Cluster	93.224

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

- None

**HEALTH SERVICES OF NORTH TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Reference Number	Finding	Questioned Costs
2022-001	<p style="text-align: center;">CFDA No. 93.914, HIV Emergency Relief Project Grants U.S. Department of Health and Human Services Grant #2019-004-6844 Program Year 2022</p>	None

Criteria or Specific Requirement - Patient eligibility verification should be obtained and documented in accordance with the Clinic's policy.

Condition - Although management has written policies and procedures in place for personnel to follow when documenting eligibility including proper documentation and retention of patient files to support a patient's proof of residency, proof of income and HIV lab reports we noted instances in our sample of non-compliance with the documentation retention.

Context - During the performance of audit procedures, it was noted that in 1 out of 40 patient files reviewed, the Eligibility Determination was not properly supported by documentation in the patient's file.

Effect - Patients received services that were not documented to be eligible for the Grant.

Cause - Certain staff made errors in the scanning of documents into the database used for documenting the Eligibility Determination.

Recommendation - Management should revisit their policy and procedures related to the Eligibility Determination and the retention of documents reviewed. This should include training for the staff involved in the Eligibility Determination and approval process.

Views of Responsible Officials and Plan of Corrective Action - Health Services of North Texas is committed to addressing this condition promptly, thoroughly and will continue to monitor for policy and procedure adherence.

Status of Finding - The finding has been addressed accordingly

**HEALTH SERVICES OF NORTH TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

Reference Number	Finding	Questioned Costs
2022-002	CFDA No. 93.917, HIV Care Formula Grant U.S. Department of Health and Human Services Grant #2019-004-6844 Program Year 2022	None

Criteria or Specific Requirement - Patient eligibility verification should be obtained and documented in accordance with the Clinic's policy.

Condition - Although management has written policies and procedures in place for personnel to follow when documenting eligibility including proper documentation and retention of patient files to support a patient's proof of residency, proof of income and HIV lab reports we noted instances in our sample of non-compliance with the documentation retention.

Context - During the performance of audit procedures, it was noted that in 2 of the 40 patient files reviewed, the Eligibility Determination was not properly supported by documentation in the patient's file.

Effect - Patients received services that were not documented to be eligible for the Grant.

Cause - Certain staff made errors in the scanning of documents into the database used for documenting the Eligibility Determination.

Recommendation - Management should revisit their policy and procedures related to the Eligibility Determination and the retention of documents reviewed. This should include training for the staff involved in the Eligibility Determination and approval process.

Views of Responsible Officials and Plan of Corrective Action - Health Services of North Texas is committed to addressing this condition promptly, thoroughly and will continue to monitor for policy and procedure adherence.

Status of Finding - The finding has been addressed accordingly