

Healthy Futures of Texas

Financial Statements

December 31, 2019 and 2018



Healthy Futures of Texas

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities (with Comparative Totals)	4
Statement of Functional Expenses (with Comparative Totals)	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
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 <i>Government Auditing Standards</i>	14
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	16
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20
Corrective Action Plan	23

Independent Auditor's Report

To the Board of Directors of
Healthy Futures of Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Healthy Futures of Texas (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Futures of Texas as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

We have previously audited Healthy Futures of Texas's 2018 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 20, 2020, on our consideration of Healthy Futures of Texas'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 Healthy Futures of Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Healthy Futures of Texas' internal control over financial reporting and compliance.



Schriver, Carmona & Company, PLLC

San Antonio, Texas

November 20, 2020

Financial Statements

Healthy Futures of Texas

Statements of Financial Position December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 377,288	\$ 291,545
Accounts Receivable	314,761	377,821
Prepaid Expenses	1,446	1,287
Total Current Assets	<u>693,495</u>	<u>670,653</u>
Property and Equipment		
Property and Equipment	5,500	5,500
Accumulated Depreciation	<u>(5,500)</u>	<u>(5,500)</u>
Total Property and Equipment, net	<u>-</u>	<u>-</u>
Lease Deposit	<u>2,401</u>	<u>2,401</u>
Total Assets	\$ <u>695,896</u>	\$ <u>673,054</u>
Liabilities and Net Assets		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 120,288	\$ 88,815
Accrued Expenses	-	9,320
Accrued Payroll Liability	47,539	38,479
Accrued Compensated Absences	3,978	32,183
Total Current Liabilities	<u>171,805</u>	<u>168,797</u>
Total Liabilities	<u>171,805</u>	<u>168,797</u>
<i>Net Assets:</i>		
Without Donor Restrictions	233,491	201,932
With Donor Restrictions	<u>290,600</u>	<u>302,325</u>
Total Net Assets	<u>524,091</u>	<u>504,257</u>
Total Liabilities and Net Assets	\$ <u>695,896</u>	\$ <u>673,054</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Healthy Futures of Texas

Statement of Activities

Year Ended December 31, 2019 (with Comparative Totals for the Year Ended December 31, 2018)

	2019			2018 Totals
	Without Donor Restrictions	With Donor Restriction	Totals	
Support and Revenues				
<i>Support:</i>				
Individual Gifts & Donations	\$ 58,108	\$ -	\$ 58,108	\$ 27,405
Corporate/Organization Grants	-	-	-	9,513
Federal Grants	1,513,594	-	1,513,594	1,315,003
State Grants	15,000	-	15,000	15,000
Foundation Contracts	328,666	102,682	431,348	635,300
Local Contracts	1,128	-	1,128	1,127
Special Events, Net of Expenses of \$11,607 and \$14,964 for 2019 and 2018, respectively	54,358	-	54,358	94,473
Net Assets Released from Restrictions	114,407	(114,407)	-	-
<i>Revenues:</i>				
Program Service Fees	47,624	-	47,624	8,758
Sale of Inventory	820	-	820	5,264
Interest	135	-	135	430
Other Revenue	1,258	-	1,258	4,950
Total Support and Revenues	<u>2,135,098</u>	<u>(11,725)</u>	<u>2,123,373</u>	<u>2,117,223</u>
Expenses				
<i>Program Services:</i>				
Big Decisions Program	926,509	-	926,509	794,924
Texas Women's Healthcare Coalition Program	360,301	-	360,301	299,371
Teen Education Program	647,819	-	647,819	662,078
<i>Support Services:</i>				
General & Administrative	147,967	-	147,967	294,712
Fundraising	20,943	-	20,943	34,062
Total Expenses	<u>2,103,539</u>	<u>-</u>	<u>2,103,539</u>	<u>2,085,147</u>
Change in Net Assets	31,559	(11,725)	19,834	32,076
Net Assets at Beginning of Year	<u>201,932</u>	<u>302,325</u>	<u>504,257</u>	<u>472,181</u>
Net Assets at End of Year	<u>\$ 233,491</u>	<u>\$ 290,600</u>	<u>\$ 524,091</u>	<u>\$ 504,257</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Healthy Futures of Texas

Statement of Functional Expenses

Year Ended December 31, 2019 (with Comparative Totals for the Year Ended December 31, 2018)

	Program Services				Support Services			2019 Totals	2018 Totals
	Big Decisions Program	Texas Women's Healthcare Coalition Program	Teen Education Program	Total Program Services	General and Administrative	Fundraising	Total Support Services		
Personnel and Benefits	\$ 314,946	\$ 261,476	\$ 275,644	\$ 852,066	\$ 133,327	\$ -	\$ 133,327	\$ 985,393	\$ 963,251
Worker's Compensation	-	-	-	-	2,249	-	2,249	2,249	1,302
Total Salaries and Related Expenses	<u>314,946</u>	<u>261,476</u>	<u>275,644</u>	<u>852,066</u>	<u>135,576</u>	<u>-</u>	<u>135,576</u>	<u>987,642</u>	<u>964,553</u>
Other Operating Expenses:									
Accounting & Bookkeeping Fees	8,146	4,667	11,897	24,710	1,386	21	1,407	26,117	16,143
Professional Fees	303,499	21,599	77,893	402,991	436	20,722	21,158	424,149	469,543
Contracts	171,100	-	214,437	385,537	-	-	-	385,537	435,395
Supplies	6,491	21,369	20,409	48,269	-	-	-	48,269	42,445
Telephone and Internet	4,376	3,435	3,741	11,552	-	-	-	11,552	4,439
Information Technology	-	-	860	860	101	-	101	961	450
Marketing	420	912	910	2,242	337	-	337	2,579	4,610
Postage and Shipping	159	-	10	169	91	-	91	260	1,171
Printing and Copying	5,747	7,030	1,545	14,322	-	-	-	14,322	15,618
Books, Subscriptions, and Materials	58	9,400	13	9,471	624	-	624	10,095	4,517
Licenses and Permits	-	300	34	334	-	-	-	334	50
Rent, Parking, and Other Occupancy	17,418	9,871	18,353	45,642	6,920	-	6,920	52,562	40,974
Equipment	-	554	-	554	-	-	-	554	9,253
Travel	72,382	10,833	15,861	99,076	504	-	504	99,580	56,095
Conferences & Meetings	17,418	6,514	3,058	26,990	-	200	200	27,190	9,852
Insurance	527	40	1,850	2,417	1,044	-	1,044	3,461	3,601
Membership Dues	1,396	1,000	-	2,396	478	-	478	2,874	844
Staff Development	2,426	1,249	1,304	4,979	-	-	-	4,979	5,103
Administrative Fees	-	-	-	-	123	-	123	123	70
Pre-Employment Administrative	-	52	-	52	347	-	347	399	421
Total Expenses	<u>\$ 926,509</u>	<u>\$ 360,301</u>	<u>\$ 647,819</u>	<u>\$ 1,934,629</u>	<u>\$ 147,967</u>	<u>\$ 20,943</u>	<u>\$ 168,910</u>	<u>\$ 2,103,539</u>	<u>\$ 2,085,147</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Healthy Futures of Texas

Statements of Cash Flows Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 19,834	\$ 32,076
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	63,060	(248,465)
Prepaid Expenses	(159)	3,388
Increase (Decrease) in:		
Accounts Payable	31,473	18,875
Accrued Expenses	(9,320)	(5,221)
Accrued Payroll Liability	9,060	4,158
Accrued Compensated Absences	(28,205)	-
Net Cash Provided (Used) by Operating Activities	<u>85,743</u>	<u>(195,189)</u>
Net Increase (Decrease) in Cash	85,743	(195,189)
Cash and Cash Equivalents, Beginning of Year	<u>291,545</u>	<u>486,734</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 377,288</u></u>	<u><u>\$ 291,545</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Healthy Futures of Texas

Notes to Financial Statements
December 31, 2019 and 2018

Note A: Nature of Organization

The objective of the Healthy Futures of Texas (Healthy Futures) is to reduce teen and unplanned pregnancy in San Antonio and throughout Texas. Healthy Futures envisions a community where (1) young people are empowered to make healthy, informed decisions about sex; (2) planned pregnancies are the social norm; (3) all parents are prepared for the challenge of parenthood; and (4) all children are wanted, cherished, and cared for in a healthy environment. Healthy Futures was established in 2006 as a nonprofit organization and is governed by a Board of Directors, as well as a dedicated staff.

The specific programs that Healthy Future's provides include:

- *Big Decisions Program* is an abstinence-plus sex education curriculum authored by Dr. Janet Realini.
- *Texas Women's Healthcare Coalition Program* is a statewide coalition dedicated to improving the health and well-being of women, babies, and families by assuring access to preventive healthcare for all Texas women.
- *Youth Advocacy Council Program* provides a group of high school students assistance to serve as youth educators and advocates on issues of adolescent sexual and reproductive health, with an emphasis on teen pregnancy prevention.
- *Parent Education Program* provides parent empowerment workshops, where parents learn to communicate more effectively with their teens about sex and relationships.
- *Teen Education Program* provides an abstinence-plus sexuality education for teens in schools, community agencies, and faith organizations.

Note B: Summary of Accounting Principles

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- *Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of Healthy Futures generally are not considered "restricted" under GAAP, though for internal reporting Healthy Futures tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- *With Donor Restrictions* – net assets subject to donor-imposed stipulations that are more restrictive than Healthy Future's mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Healthy Futures of Texas

Notes to Financial Statements
December 31, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

Fair Value of Financial Instruments

Healthy Future's financial instruments include cash and cash equivalents, receivables, and payables. The carrying amount of these financial instruments as reflected in the Statement of Financial Position approximates fair value.

Methods Used for Allocation of Expenses among Program and Supporting Services

The financial statements of Healthy Futures report categories of expenses that are attributed to more than one program or support function. These expenses require allocation on a reasonable basis that is consistently applied. Below are the three methods employed by HFTX to allocate these expenses during 2019:

- *Salary/Payroll*: Based on hours worked for each program and is recorded on the individual timesheets, signed by the employees and their respective supervisor. Salary/Exempt personnel is allocated based on a percentage of time devoted to each program/grant.
- *Direct Costs*: Expenditures directly related to a specific funding source/grant or program are charged directly to the specific program.
- *Indirect Costs*: Expenses that support grants/programs are allocated based on the budgeted amount approved by the grant/funding source. This allocation is based on the proposed expenditure calculated during the request for funding (Budget/Grant Application).

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, Healthy Futures considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include all monies in checking, savings and money market accounts.

Accounts Receivable

Accounts receivable are principally due from governmental agencies and other major funding sources and are recorded based on amounts considered by management to be realizable. Healthy Futures records bad debt using the allowance method of accounting. As of December 31, 2019 and 2018, an allowance was not required because all amounts are considered by management to be fully realizable.

Prepaid Expenses

Expenses recorded in advance of the service or product being received are deferred and carried on the Statement of Financial Position as prepaid expenses. For the years ended December 31, 2019 and 2018, prepaid expenses were \$1,446 and \$1,287, respectively.

Healthy Futures of Texas

Notes to Financial Statements
December 31, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

Property and Equipment

Healthy Futures established a policy for the recording of property and equipment. Healthy Futures will record all purchases with a useful life greater than one year and a cost or donated value of \$5,000 or greater. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Assets capitalized under the capitalization policy are maintained and depreciated over their useful life using the straight-line method of depreciation.

Compensated Absences

Healthy Futures permits eligible employees to accumulate earned, but unused vacation pay benefits up to certain limits. Upon resignation, an employee may receive pay for any unused accrued vacation. Unused sick leave may be accumulated to certain limits. In the event of termination, no reimbursement is made for accumulated sick leave. No liability is reported for unpaid accumulated sick leave. Liabilities for compensated absences are accrued or recognized to the extent liabilities have matured (i.e. are due for payment).

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2019 and 2018 were \$1,282 and \$1,329, respectively.

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair market values and are reported as an increase in net assets. Healthy Futures reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, With Donor Restrictions are reclassified to Without Donor Restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as Without Donor Restrictions.

Government funding is either recorded when advances are received or when expenses are incurred, as is the case on reimbursement grants.

Federal Income Taxes

Healthy Futures is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for federal income taxes in the accompanying statements. In addition, Healthy Futures has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) for the IRC. Contributions to Healthy Futures are deductible to the extent allowed by law. There was no unrelated business income for the years ended December 31, 2019 and 2018. Healthy Futures is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Healthy Futures of Texas

Notes to Financial Statements
December 31, 2019 and 2018

Note B: Summary of Accounting Principles (Continued)

New Accounting Pronouncements

Adopted During 2019

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. Healthy Futures adopted the new provisions of the standard during the year ended December 31, 2019. There were no significant effects on the financial statements and related disclosures.

Future Adoption

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers*, Topic 606. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. On June 3, 2020, the FASB issued a one year delay for the effective date of this standard for entities that have not yet issued financial statements or made financial statements available for issuance as of June 3, 2020 reflecting adoption of ASC 606. As of June 3, 2020, Healthy Futures had not yet issued such financial statements or made such financial statements available for issuance. Therefore, ASC 606 takes effect for Healthy Futures in annual reporting periods beginning after December 15, 2019 and the interim reporting periods within annual reporting periods beginning after December 31, 2020. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. Management of Healthy Futures is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2019. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management of Healthy Futures expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Healthy Futures of Texas

Notes to Financial Statements
December 31, 2019 and 2018

Note C: Liquidity and Availability

The following represents Healthy Future's financial assets at December 31, 2019 and 2018 available to meet general expenditures over the next twelve months:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 377,288	\$ 291,545
Accounts receivable	364,761	377,821
Total financial assets	<u>742,049</u>	<u>669,366</u>
Less those unavailable for general expenditures within one year, due to:		
Net assets restricted at year end	290,600	302,325
Less net assets with timing restrictions to be met in less than one year	<u>-</u>	<u>(302,325)</u>
	<u>290,600</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 451,449</u>	<u>\$ 669,366</u>

As part of Healthy Future's liquidity management, the organization strives to maintain financial assets to fund 90 days of operating expenses, which is approximately \$60,000,

Note D: Concentrations

Credit Risk of Financial Instruments

Financial instruments which potentially subject Healthy Futures to a concentration of credit risk consist of its cash balances held at its financial institution. Healthy Futures maintains all bank accounts at one institution in San Antonio, Texas. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, Healthy Future's cash balance at its financial institution exceeded the insured FDIC limit by **\$160,710** and \$69,599, respectively. Healthy Futures has not experienced any losses in such account and management believes it is not exposed to a significant risk on its cash balance.

Concentrations of credit risk with respect to receivables are limited because such receivables result primarily from contracts with federal, state, and local governments.

Support and Revenue

Healthy Futures received **43%** and 37% of revenues from OAH Tier 2B Big Decisions and **26%** and 29% of revenues from Family and Youth Services Bureau for the years ended December 31, 2019 and 2018, respectively. Healthy Futures is dependent upon these various governmental departments and agencies funding sources to maintain the current levels of staffing and program services provided to the various communities Healthy Futures serves. Contracts with governmental departments and agencies are negotiated on an annual basis.

Healthy Futures of Texas

Notes to Financial Statements
December 31, 2019 and 2018

Note E: Net Assets

With Donor Restrictions

With Donor Restrictions consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Restricted by Time or Purpose		
Texas Women's Healthcare	\$ 200,600	\$ 288,967
Teen Education	65,000	13,358
Youth Advocacy Council	<u>25,000</u>	<u>-</u>
 Total With Donor Restrictions	 <u>\$ 290,600</u>	 <u>\$ 302,325</u>

Note F: Leases

Healthy Futures maintains leases on facilities and equipment that expire at various terms until July 30, 2023. The following is a schedule of future minimum lease payments for operating leases that had initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2019:

2020	\$ 42,389
2021	4,872
2022	4,872
2023	2,842
Thereafter	<u>-</u>
 Total	 <u>\$ 54,975</u>

Total expense related to these leases were **\$47,734** and \$44,487 for the years ended December 31, 2019 and 2018, respectively, and are included in Printing and Copying, and Rent, Parking, and Other Occupancy on the Statement of Functional Expenses.

Note G: Pension Plan

Healthy Futures has a simple IRA retirement plan that allows employees to contribute up to \$12,500 part of their annual pay to the plan. Healthy Futures currently matches up to 3% of each participating employee's salary to this plan. Healthy Future's total contribution for the years ended December 31, 2019 and 2018 were \$15,678 and \$12,740, respectively.

Note H: Line of Credit

Healthy Futures has a \$50,000 line of credit with BBVA Compass Bank to provide for working capital needs from time to time. The line of credit is revolving and is secured by all accounts of Healthy Futures. The line of credit bears an interest rate of prime plus 8.67%, which was 13.42% at December 31, 2019. For the years ended December 31, 2019 and 2018, the line of credit balance was \$0.

Note I: Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Healthy Futures of Texas

Notes to Financial Statements
December 31, 2019 and 2018

Note J: Special Events

Special events held by Healthy Futures consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Gross Receipts	\$ 65,965	\$ 109,437
Less: Expenses	<u>11,607</u>	<u>14,964</u>
Total Special Events, net	<u>\$ 54,358</u>	<u>\$ 94,473</u>

Note K: Commitments and Contingencies

Healthy Futures participates in several state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Healthy Futures has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note L: Subsequent Events

Subsequent events have been evaluated through November 20, 2020, which is the date the financial statements were available to be issued.

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "global health emergency" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Healthy Futures operates.

In light of the uncertain and rapidly evolving coronavirus situation, Healthy Futures has taken precautionary measures intended to minimize the risk of the virus to Healthy Future's employees and the communities in which Healthy Futures operates. At the current time, Healthy Futures is unable to quantify the potential effects of this pandemic on the Healthy Future's future financial statements.

Paycheck Protection Program Loan

On April 17, 2020, Healthy Futures entered into a note payable with River City Federal Credit Union in the amount of \$195,202 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from this loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred after February 15, 2020. Healthy Futures intends to use the entire loan proceeds for qualifying expenses. Under the terms of the PPP, certain amounts of this loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Supplementary Information

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Trustees of
Healthy Futures of Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Healthy Futures of Texas (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Healthy Futures of Texas'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Healthy Futures of Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of Healthy Futures of Texas'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Healthy Futures of Texas's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* (Continued)**

Healthy Futures of Texas's Response to Findings

Healthy Futures of Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Healthy Futures of Texas's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Healthy Futures of Texas's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Healthy Futures of Texas's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schraver, Carmona & Company, PLLC

San Antonio, Texas

November 20, 2020

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Healthy Futures of Texas

Report on Compliance for Each Major Federal Program

We have audited Healthy Futures of Texas'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 Healthy Futures of Texas's major federal programs for the year ended December 31, 2019. Healthy Futures of Texas'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 Healthy Futures of Texas'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 Healthy Futures of Texas'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 Healthy Futures of Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, Healthy Futures of Texas 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

Healthy Futures of Texas's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Healthy Futures of Texas's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance (Continued)**

Report on Internal Control Over Compliance

Management of Healthy Futures of Texas 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 Healthy Futures of Texas'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 Healthy Futures of Texas's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. 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.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

Healthy Futures of Texas's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned cost. Healthy Futures of Texas's response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Schriver, Carmona & Company, PLLC
San Antonio, Texas
November 20, 2020

Healthy Futures of Texas

Schedule of Expenditures of Federal Awards Year Ended December 31, 2019

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Grant ID Number	Grant Period		Federal Grant Expended During the Year
			From	To	
<i>U.S. Department of Health and Human Services</i>					
Competitive Personal Responsibility Education Program (Texas C-PREP Alamo Colleges Project)	93.092	90AK0050-04-00	9/30/2018	9/29/2019	\$ 442,018
Competitive Personal Responsibility Education Program (Texas C-PREP Alamo Colleges Project)	93.092	90AK0050-05-00	9/30/2019	9/29/2020	120,935
					<u>562,953</u>
Texas Tier 2B Project - Big Decisions	93.297	5 TP2AH000044-04-00	7/1/2018	6/30/2019	502,253
Texas Tier 2B Project - Big Decisions	93.297	5 TP2AH000044-05-00	7/1/2019	6/30/2020	424,256
					<u>926,509</u>
<i>Total U.S. Department of Health and Human Services</i>					<u>1,489,462</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ <u>1,489,462</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Healthy Futures of Texas

Notes to Schedule of Expenditures of Federal Awards
December 31, 2019

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Healthy Futures of Texas under programs of the federal government for the year ended December 31, 2019. 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 Healthy Futures of Texas it is not intended, and does not, present the financial position, changes in net assets or cash flows of Healthy Futures of Texas. Therefore, some amounts presented in the Schedule may differ from amounts presented in the consolidated financial statements.

All of Healthy Futures of Texas's federal awards were in the form of cash assistance for the year ended December 31, 2019.

Note B: Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR Part 230, *Costs Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Healthy Futures of Texas has elected to not use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note C: Reconciliation to Statement of Activities

Total Expenditures of Federal Awards	\$ 1,489,462
Local Government Grants	<u>24,132</u>
Federal Grants per the Statement of Activities	<u>\$ 1,513,594</u>

Healthy Futures of Texas

Schedule of Findings and Questioned Costs
December 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control Over Financial Reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal Control Over Major Programs: Material weakness(es) identified?	No				
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes				
Type of auditor's report issued on compliance for major programs	Unmodified				
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	Yes				
Identification of Major Programs:					
<table><tr><td><u>CFDA Number</u></td><td><u>Name of Federal Program or Cluster</u></td></tr><tr><td>93.297</td><td>Texas Tier 2b Project - Big Decisions</td></tr></table>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	93.297	Texas Tier 2b Project - Big Decisions	
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>				
93.297	Texas Tier 2b Project - Big Decisions				
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000				
Auditee qualified as low-risk auditee?	Yes				

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings to be reported.

Healthy Futures of Texas

Schedule of Findings and Questioned Costs
December 31, 2019

SECTION III – FEDERAL AWARD FINDINGS

Finding #2019-001:

Program Title: Texas Tier 2b Project - Big Decisions

CFDA: 93.297

Contract Grant Number: 5 TP2AH000044-05-00

Federal Award Years: 7/1/2018 – 6/30/2019 and 7/1/2019 – 6/30/2020

Federal Agency: U.S. Department of Health and Human Services

Type of Finding: Significant deficiency in internal control over compliance

Criteria: Non-federal entities must establish written procedures to implement the requirements of 2 CFR §200.305.

Condition and Context: Per review of Healthy Futures financial policies and procedures, we noted direct procedures to implement requirements of 2 CFR §200.305 were not included. Current documented procedures around cash management are for general day-to-day operations.

Cause: Healthy Futures financial policies and procedures were not updated to include procedures directly related to implementation of requirements of 2 CFR §200.305.

Effect or Potential Effect: Potential risk of cash management procedures not being in compliance with the applicable requirements of the federal award.

Repeat Finding:

No

Recommendation: We recommend that written procedures be updated to include procedures established to implement the requirements of 2 CFR §200.305.

Views of responsible officials: Management agrees with the recommendations to update written procedures to conform with the compliance requirement.

Healthy Futures of Texas

Schedule of Findings and Questioned Costs
December 31, 2019

SECTION III – FEDERAL AWARD FINDINGS

Finding #2019-002:

Program Title: Texas Tier 2b Project - Big Decisions

CFDA: 93.279

Contract Grant Number: 5 TP2AH000044-05-00

Federal Award Years: 7/1/2018 – 6/30/2019 and 7/1/2019 – 6/30/2020

Federal Agency: U.S. Department of Health and Human Services

Type of Finding: Significant deficiency in internal control over compliance

Criteria: Per HHS Policy Guide (I-36), Federal funds advanced to the recipient should be fully disbursed (checks written, signed, and issued to the payees) by the close of business the next workday after receipt of the funds. The recipient is responsible for determining when the Federal funds have been deposited into its bank account for each drawdown, ensuring that the funds are fully disbursed by the close of business the next work day after they are received, and immediately returning undisbursed Federal cash on hand to PMS.

Condition and Context: We noted through procedures performed one or more instances in which funds advanced were not fully disbursed by close of business the next workday and remaining funds were held for future expenses instead of being returned via the payment management system (PMS).

Cause: Healthy Futures existing payment procedures were not in alignment to ensure timely use of funds in accordance with HHS Grants Policy payment guidelines.

Effect or Potential Effect: There is a potential for excessive Federal cash on hand to exist each time a recipient does not disburse Federal funds timely.

Repeat Finding:

No

Recommendation: We recommend procedures are implemented to ensure Federal funds are disbursed timely in accordance with HHS Grants Policy payment guidelines.

Views of responsible officials: Management agrees with the recommendation the procedures should be updated to be in accordance with HHS Grants Policy payment guidelines.

Healthy Futures of Texas

Corrective Action Plan
December 31, 2019

Finding #2019-001:

Type of Finding: Significant deficiency in internal control over compliance

Responsible Person

Evelyn Delgado – Chief Executive Officer
Benjamin Delgado – Chief Operating Officer

Implementation Date

December 31, 2020

Views of responsible officials and planned corrective actions

Management agrees that Healthy Futures of Texas financial policies and procedures will be updated to include written procedures to implement requirements of 2 CFR §200.305.

Finding #2019-002:

Type of Finding: Significant deficiency in internal control over compliance

Responsible Person

Evelyn Delgado – Chief Executive Officer
Benjamin Delgado – Chief Operating Officer

Implementation Date

December 31, 2020

Views of responsible officials and planned corrective actions

Management agrees that Healthy Futures of Texas financial policies and procedures will be updated to implement procedures to ensure Federal funds are disbursed timely in accordance with HHS Grants Policy payment guidelines.