



BCFS Health and Human Services

Independent Auditor's Report and Financial Statements

August 31, 2024 and 2023



BCFS Health and Human Services
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August 31, 2024 and 2023

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Independent Auditor's Report

Board of Directors
BCFS Health and Human Services
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BCFS Health and Human Services (BCFS HHS), which comprise the statements of financial position as of August 31, 2024 and 2023 and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of BCFS HHS as of August 31, 2024 and 2023 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of BCFS HHS, 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BCFS HHS' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BCFS HHS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BCFS HHS' 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise BCFS HHS' basic financial statements. The 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*, schedule of expenditures of state awards as required by *Texas Grants Management Standards*, and statement of activities without donor restrictions by division listed in the table of contents are presented for purposes of additional analysis and are 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 schedule of expenditures of federal awards and schedule of expenditures of state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

The statement of activities without donor restrictions by division has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2025 on our consideration of BCFS HHS' 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 BCFS HHS' 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 BCFS HHS' internal control over financial reporting and compliance.

Forvis Mazars, LLP

San Antonio, Texas
January 30, 2025

BCFS Health and Human Services
Statements of Financial Position
August 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17,218,673	\$ 15,538,091
Accounts receivable		
Program receivables, net of allowance	3,802,394	4,222,432
Program advances and other receivables	31,070	4,022
Contribution and grants receivable	12,193	16,302
Unconditional promises to give	-	50,000
Due from related party	213,750	397,609
Prepaid insurance and other	61,471	39,996
Total Current Assets	<u>21,339,551</u>	<u>20,268,452</u>
Noncurrent Assets		
Leasehold improvements and equipment, net	863,376	1,026,420
Right-of-use assets - operating leases	18,073	40,058
Total Noncurrent Assets	<u>881,449</u>	<u>1,066,478</u>
Total Assets	<u><u>\$ 22,221,000</u></u>	<u><u>\$ 21,334,930</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 2,530,467	\$ 2,587,370
Accrued liabilities	6,557,371	6,190,851
Operating lease liabilities	6,319	22,407
Advances from related parties	217,301	-
Deferred revenue	-	38,599
Total Current Liabilities	<u>9,311,458</u>	<u>8,839,227</u>
Noncurrent Liabilities		
Loan payable - related party	6,200,000	6,200,000
Operating lease liabilities	12,878	19,177
Total Noncurrent Liabilities	<u>6,212,878</u>	<u>6,219,177</u>
Total Liabilities	<u>15,524,336</u>	<u>15,058,404</u>
Net Assets		
Without donor restrictions	6,378,755	6,009,037
With donor restrictions	317,909	267,489
Total Net Assets	<u>6,696,664</u>	<u>6,276,526</u>
Total Liabilities and Net Assets	<u><u>\$ 22,221,000</u></u>	<u><u>\$ 21,334,930</u></u>

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BCFS Health and Human Services
Statements of Activities
Years Ended August 31, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Program Revenues			
Residential services	\$ 7,508,203	\$ -	\$ 7,508,203
Human trafficking interdiction	9,258,582	-	9,258,582
Emergency management services	379,104	-	379,104
Community services	14,060,310	-	14,060,310
Total Program Revenues	31,206,199	-	31,206,199
Contributions and Support Revenues			
Contributions and bequests	9,705	296,548	306,253
Contribution from related party	2,460,839	-	2,460,839
Grant revenue	-	27,100	27,100
Contributions of nonfinancial assets	23,515	-	23,515
Other income	757,764	-	757,764
Net assets released - program restricted satisfied	273,228	(273,228)	-
Total Contributions and Support Revenues	3,525,051	50,420	3,575,471
Total Revenues	34,731,250	50,420	34,781,670
Expenses			
Residential services	7,373,601	-	7,373,601
Human trafficking interdiction	8,717,396	-	8,717,396
Emergency management services	381,379	-	381,379
Community services	13,136,366	-	13,136,366
Special needs community	43,086	-	43,086
Fundraising	36,780	-	36,780
General and administrative	4,672,283	-	4,672,283
Total Expenses	34,360,891	-	34,360,891
Revenues Over Expenses	370,359	50,420	420,779
Other Changes in Net Assets			
Transfers from (to) related parties	(641)	-	(641)
Contribution/contract revenue for capital and other assets	-	-	-
Increase (Decrease) in Net Assets	369,718	50,420	420,138
Net Assets, Beginning of Year	6,009,037	267,489	6,276,526
Net Assets, End of Year	\$ 6,378,755	\$ 317,909	\$ 6,696,664

See Notes to Financial Statements

2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 200,604,589	\$ -	\$ 200,604,589
5,515,602	-	5,515,602
19,990,959	-	19,990,959
13,857,851	-	13,857,851
<u>239,969,001</u>	<u>-</u>	<u>239,969,001</u>
391,537	136,430	527,967
4,170,117	-	4,170,117
-	260,999	260,999
27,591	-	27,591
727,956	-	727,956
<u>276,176</u>	<u>(276,176)</u>	<u>-</u>
<u>5,593,377</u>	<u>121,253</u>	<u>5,714,630</u>
<u>245,562,378</u>	<u>121,253</u>	<u>245,683,631</u>
182,536,414	-	182,536,414
5,334,736	-	5,334,736
19,995,647	-	19,995,647
13,191,043	-	13,191,043
58,007	-	58,007
20,595	-	20,595
<u>24,394,562</u>	<u>-</u>	<u>24,394,562</u>
<u>245,531,004</u>	<u>-</u>	<u>245,531,004</u>
31,374	121,253	152,627
(28,363,941)	39,680	(28,324,261)
<u>442,921</u>	<u>-</u>	<u>442,921</u>
(27,889,646)	160,933	(27,728,713)
<u>33,898,683</u>	<u>106,556</u>	<u>34,005,239</u>
<u>\$ 6,009,037</u>	<u>\$ 267,489</u>	<u>\$ 6,276,526</u>

BCFS Health and Human Services
Statements of Functional Expenses
Year Ended August 31, 2024

	Program Services						Support Services		2024 Total
	Residential Services	Human Trafficking Interdiction	Emergency Management Services	Community Services	Special Needs Community	Total Program Services	General and Administrative	Fundraising	
Salaries, Wages, Benefits, and Contract Labor									
Salaries and wages	\$ 4,529,052	\$ 5,954,723	\$ 295,345	\$ 6,313,121	\$ -	\$ 17,092,241	\$ 1,647,848	\$ 1,410	\$ 18,741,499
Employee benefits and payroll taxes	637,384	1,262,299	58,465	1,428,833	-	3,386,981	55,001	205	3,442,187
Contract labor	1,889,287	204,713	-	320,123	-	2,414,123	214,002	-	2,628,125
Medical Fees and Services	(940)	3,415	33	3,156	-	5,664	-	-	5,664
Scholarship and Family Assistance	(23)	9,105	-	1,892,075	-	1,901,157	13,026	-	1,914,183
Food Expense	(244)	62,431	31	6,052	-	68,270	42	-	68,312
Program Supplies	9,063	145,669	1,821	668,709	665	825,927	38,247	2,028	866,202
Meetings and Training	712	53,794	-	184,114	-	238,620	30,574	-	269,194
Special Events and Appeals	-	-	-	99,053	-	99,053	29,996	32,859	161,908
Transportation and Travel	21,852	417,005	20,352	388,457	40,169	887,835	78,892	-	966,727
Facility Costs									
Building, vehicle, and equipment leases	20,119	107,420	40	811,135	-	938,714	65,892	-	1,004,606
Telephone and utilities	134,992	131,678	7,843	289,373	-	563,886	17,628	-	581,514
Equipment and building maintenance	50,525	266,072	(2,921)	254,051	-	567,727	44,291	-	612,018
Insurance	524	18,138	77	51,040	-	69,779	21,171	-	90,950
Professional Fees	72,629	-	-	34,353	-	106,982	367,751	-	474,733
In-kind Expense	-	-	-	23,515	-	23,515	-	-	23,515
Contribution	-	-	-	-	-	-	500	-	500
Bad Debt Expense	33	15,841	18	3,866	-	19,758	11,861	-	31,619
Indirect Overhead	-	-	-	-	-	-	1,829,339	-	1,829,339
Other Expenses	8,636	48,690	275	298,824	2,252	358,677	42,783	278	401,738
Total Functional Expenses Before Depreciation and Amortization	7,373,601	8,700,993	381,379	13,069,850	43,086	29,568,909	4,508,844	36,780	34,114,533
Depreciation and Amortization	-	16,403	-	66,516	-	82,919	163,439	-	246,358
Total Expenses	\$ 7,373,601	\$ 8,717,396	\$ 381,379	\$ 13,136,366	\$ 43,086	\$ 29,651,828	\$ 4,672,283	\$ 36,780	\$ 34,360,891

BCFS Health and Human Services
Statements of Functional Expenses
Year Ended August 31, 2023

	Program Services						Support Services		
	Residential Services	Human Trafficking Interdiction	Emergency Management Services	Community Services	Special Needs Community	Total Program Services	General and Administrative	Fundraising	2023 Total
Salaries, Wages, Benefits, and Contract Labor									
Salaries and wages	\$ 106,100,922	\$ 3,593,932	\$ 5,906,548	\$ 5,978,459	\$ 259	\$ 121,580,120	\$ 1,864,472	\$ -	\$ 123,444,592
Employee benefits and payroll taxes	24,912,902	784,508	425,096	1,482,130	31	27,604,667	331,092	-	27,935,759
Contract labor	8,575,169	65,296	7,021,169	313,822	-	15,975,456	105,447	-	16,080,903
Foster Care Fees	889,036	-	-	-	-	889,036	-	-	889,036
Medical Fees and Services	816,670	1,214	189,551	1,081	-	1,008,516	(14,026)	-	994,490
Scholarship and Family Assistance	453	18,150	-	2,637,454	3,620	2,659,677	(163)	-	2,659,514
Food Expense	4,708,353	55,467	(97,648)	16,820	-	4,682,992	119,470	-	4,802,462
Program Supplies	4,290,815	80,018	91,181	632,481	2,260	5,096,755	53,402	1,612	5,151,769
Meetings and Training	389,120	31,611	154	157,152	-	578,037	21,991	-	600,028
Special Events and Appeals	-	-	-	59,394	-	59,394	-	18,983	78,377
Transportation and Travel	10,805,164	252,008	1,957,727	277,339	51,835	13,344,073	119,691	-	13,463,764
Facility Costs									
Building, vehicle, and equipment leases	8,689,917	112,472	1,891	701,630	-	9,505,910	117,361	-	9,623,271
Telephone and utilities	2,780,787	68,371	116,410	284,700	-	3,250,268	21,593	-	3,271,861
Equipment and building maintenance	5,504,378	221,356	13,425	122,408	-	5,861,567	62,374	-	5,923,941
Insurance	321,800	15,528	87	46,446	2	383,863	12,979	-	396,842
Professional Fees	461,813	-	-	42,899	-	504,712	720,161	-	1,224,873
In-kind Expense	-	-	-	27,591	-	27,591	-	-	27,591
Contribution	-	-	4,352,975	-	-	4,352,975	1,803	-	4,354,778
Bad Debt Expense	2,815	74	-	2,770	-	5,659	41	-	5,700
Indirect Overhead	-	-	-	-	-	-	20,699,108	-	20,699,108
Other Expenses	1,928,425	18,328	17,081	336,800	-	2,300,634	61,448	-	2,362,082
Total Functional Expenses Before Depreciation and Amortization	181,178,539	5,318,333	19,995,647	13,121,376	58,007	219,671,902	24,298,244	20,595	243,990,741
Depreciation and Amortization	1,357,875	16,403	-	69,667	-	1,443,945	96,318	-	1,540,263
Total Expenses	\$ 182,536,414	\$ 5,334,736	\$ 19,995,647	\$ 13,191,043	\$ 58,007	\$ 221,115,847	\$ 24,394,562	\$ 20,595	\$ 245,531,004

BCFS Health and Human Services
Statements of Cash Flows
Years Ended August 31, 2024 and 2023

	2024	2023
Operating Activities		
Increase (Decrease) in net assets	\$ 420,138	\$ (27,728,713)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization expense	246,358	1,540,263
Bad debt expense	31,619	5,700
Transfer of assets to related party	641	28,324,261
Noncash lease expense	21,985	310,955
Contribution/contract revenue for capital and other assets	-	(442,921)
Change in assets and liabilities		
Accounts receivable	388,419	57,092,653
Other receivable	(27,048)	684,764
Contributions receivable	54,109	(46,141)
Prepaid expenses	(21,475)	1,140,845
Accounts payable	(56,903)	(10,175,329)
Operating lease liabilities	(22,387)	(309,429)
Deferred revenue	(38,599)	38,599
Accrued liabilities	366,520	(9,004,993)
Net Cash Provided by Operating Activities	1,363,377	41,430,514
Investing Activities		
Purchase of leasehold improvements and equipment	(83,953)	(455,210)
Net Cash Used in Investing Activities	(83,953)	(455,210)
Financing Activities		
Payments from (to) related party, net	401,158	(38,519,765)
Proceeds from issuance of debt from RP	-	6,200,000
Collection of contributions/contract revenue for capital and other assets	-	442,921
Net Cash Provided by (Used in) Financing Activities	401,158	(31,876,844)
Increase in Cash	1,680,582	9,098,460
Cash and Cash Equivalents, Beginning of Year	15,538,091	6,439,631
Cash and Cash Equivalents, End of Year	\$ 17,218,673	\$ 15,538,091
Supplemental Cash Flows Information		
Transfer of net assets to related parties	\$ 641	\$ 28,324,261
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 134,729

Note 1. Organization

BCFS Health and Human Services (BCFS HHS) is a nonprofit Texas corporation controlled by FirstDay Foundation. As a controlled entity, BCFS HHS is included in the consolidated financial statements of FirstDay Foundation.

BCFS HHS provided residential services for children who are abused, neglected, or otherwise separated from their families, coordinating foster care placement, or operating group home facilities. During 2024, all remaining contracts have been novated to an affiliated entity of Firstday Foundation.

BCFS HHS delivers a comprehensive and innovative portfolio of programs designed to uplift children, families, and communities. These include prevention, intervention, and restorative mental health services that address the unique challenges faced by children and families, critical medical care that bridges healthcare gaps in underserved populations, and transitional living services that empower at-risk youth, including those aging out of foster care, to achieve stability and independence.

In its unwavering commitment to vulnerable populations, BCFS HHS provides advocacy, care coordination, and trauma-informed support for survivors of human trafficking, equipping them with the tools and resources needed to rebuild their lives and thrive.

In 2023, BCFS HHS expanded its impact by integrating Project Angel Fares, an inspiring program that offers families of children with disabilities or special medical needs the opportunity to visit Morgan's Wonderland—the world's first ultra-accessible theme park. This integration underscores the organization's dedication to creating inclusive, joyful experiences for families who might otherwise be unable to afford them.

Through strategic partnerships, data-driven practices, and a holistic approach, BCFS HHS transforms lives and fosters resilient, empowered communities. Its legacy of service continues to grow, ensuring that every individual served is met with dignity, compassion, and the highest standards of care.

Support for BCFS HHS comes from many different sources, primarily consisting of federal grants, cooperative agreements, and state grants as well as contributions from FirstDay Foundation.

Note 2. Summary of Significant Accounting Policies

The financial statements of BCFS HHS have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed in preparing the accompanying financial statements are described below.

Use of Estimates

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

Cash and Cash Equivalents

BCFS HHS considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on deposit and resources invested in sweep accounts. At August 31, 2024 and 2023, BCFS HHS' cash accounts exceeded federally insured limits by approximately \$7,550,000 and \$7,944,000, respectively.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from the customer, of which BCFS HHS has an unconditional right to receive. Accounts receivable are primarily due from local government agencies related to contracts held with various U.S. and State of Texas departments, including the U.S. Department of Health and Human Services, the Texas Department of State Health Services, and other various agencies of the State of Texas, other states, and the federal government. Management analyzes the aging of accounts receivable on a monthly basis. Accounts receivable are considered delinquent when they are over 90 days old. BCFS HHS provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. At August 31, 2024 and 2023, the allowance for credit losses was \$191,578 and \$659,610, respectively.

Leasehold Improvements and Equipment

Leasehold improvements and equipment consist of items acquired through government contracts and are recorded at their acquisition cost or fair market value when donated and are depreciated using the straight-line method over their estimated useful lives, ranging from 2 to 20 years. Leasehold improvements are amortized over the life of the contract or the useful life of the improvement, whichever is shorter.

BCFS HHS capitalizes all additions greater than \$5,000.

Long-Lived Asset Impairment

BCFS HHS evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended August 31, 2024 and 2023.

Deferred Revenue

Deferred revenue for BCFS HHS primarily consists of advance payments from government and granting agencies and is recognized when the underlying conditions or event occurs.

Net Assets

Net assets, revenues, gains, and losses are classified based on existence or absence of donor or grantor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to BCFS HHS' customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See Note 10 for additional information about BCFS HHS' revenue.

Contributions

Contributions are provided to BCFS HHS either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on BCFS HHS overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction. Conditional contributions having donor stipulations which are satisfied in the period the gift is recorded as revenue and net assets without donor restrictions.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Additionally, a substantial number of volunteers have donated their time to BCFS HHS' program services, but these amounts have not been reflected in the financial statements because an objective basis is not available to measure the value of such service.

Government Grants

Support funded by grants is recognized as BCFS HHS meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

BCFS Health and Human Services
Notes to Financial Statements
August 31, 2024 and 2023

Functional Allocation of Expenses

The cost of supporting the various programs and other activities has been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program services and general categories based on the level of effort and other methods.

Tax Status

BCFS HHS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and a similar provision of state law through its affiliation with the Baptist General Convention of Texas. However, BCFS HHS is subject to federal income tax on any unrelated business taxable income.

BCFS HHS is required to file an informational return, Form 990, each year with the Internal Revenue Service.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 3. Conditional Grant Commitments

BCFS HHS receives its grant support through periodic claims filed with the respective funding sources not to exceed the limit specified in the funding agreement. Since the financial statements of BCFS HHS are prepared on an accrual basis, all earned portions of the grants not yet received as of August 31, 2024 have been recorded as receivables. Conditional grant commitments include those grants in which BCFS HHS is the subrecipient of the federal or state grant. All other federal and state grants or contracts awarded to BCFS HHS have been evaluated as exchange transactions and excluded from the table below. The following are the conditional grant commitments by program division at August 31, 2024 that are not recognized in the financial statements:

Human trafficking interdiction	\$ 10,319,691
Community services	11,132,553
	<u>\$ 21,452,244</u>

Note 4. Leasehold Improvements and Equipment

The following is a summary of leasehold improvements and equipment and accumulated depreciation and amortization as of August 31, 2024 and 2023:

	2024	2023
Furniture and equipment	\$ 909,542	\$ 886,671
Leasehold improvements	291,170	291,170
Vehicles	486,384	422,641
Computer software	150,872	150,873
	<u>1,837,968</u>	<u>1,751,355</u>
Less accumulated depreciation and amortization	<u>(974,592)</u>	<u>(724,935)</u>
	<u>\$ 863,376</u>	<u>\$ 1,026,420</u>

Note 5. Contributed Nonfinancial Assets

The contributed nonfinancial assets consisted of goods which were recognized within contribution and support revenue. Contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets were utilized for federal programs. BCFS HHS estimated the fair value of goods on the basis of estimates of wholesale values that would be received for selling supplies in the United States.

BCFS HHS also received donated services that do not require specific expertise but are nonetheless central to its operations. The estimated value of the services for the years ended August 31, 2024 and 2023, based on estimated dollar value of volunteer time, amounts to \$66,678 and \$75,587, respectively. In accordance with GAAP, the value of these services is not reflected in the financial statements.

Note 6. Leases

Accounting Policies

BCFS HHS determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. BCFS HHS determines lease classification as operating or finance at the lease commencement date.

BCFS HHS combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid, or deferred rent and lease incentives. BCFS HHS has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the BCFS HHS is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

BCFS HHS has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

BCFS HHS has entered into the following lease arrangements:

Operating Leases

BCFS HHS has leases for building space and vehicles that expire in various years through 2027. These leases generally contain renewal options for periods ranging from one to five years and require BCFS HHS to pay all executory costs (property taxes, maintenance, and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement or early termination clause related to loss of funding from governmental entity.

BCFS Health and Human Services
Notes to Financial Statements
August 31, 2024 and 2023

Short-Term Leases

BCFS HHS leases real estate, equipment, and vehicles to carry out programs. The expected lease terms are less than 12 months or include contingency clauses that could be less than 12 months.

All Leases

BCFS HHS has related-party leases (See Note 9). BCFS HHS' lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended August 31, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Lease cost		
Operating lease cost	\$ 21,985	\$ 310,955
Short-term lease cost	922,988	9,051,695
Variable lease cost	59,633	260,621
	<u>\$ 1,004,606</u>	<u>\$ 9,623,271</u>
Total lease cost		
Other information		
Weighted-average remaining lease term		
Operating leases	1.78 years	2.78 years
Weighted-average discount rate		
Operating leases	3.51%	3.51%

Future minimum lease payments and reconciliation to the statements of financial position at August 31, 2024 are as follows:

2025	\$ 6,319
2026	6,556
2027	<u>6,799</u>
Total future undiscounted lease payments	19,674
Less imputed interest	<u>(477)</u>
Lease liabilities	<u>\$ 19,197</u>
Lease liabilities - current	\$ 6,319
Lease liabilities - noncurrent	<u>12,878</u>
	<u>\$ 19,197</u>

Note 7. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2024 and 2023 are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Community services	\$ 251,278	\$ 267,489
Human trafficking interdiction	66,631	-
	<u><u>\$ 317,909</u></u>	<u><u>\$ 267,489</u></u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Community services	\$ 109,736	\$ 276,176
Human trafficking interdiction	20,013	-
Special needs community	143,479	-
	<u><u>\$ 273,228</u></u>	<u><u>\$ 276,176</u></u>

Note 8. Defined Contribution Plan

BCFS HHS participates in a defined-contribution plan administered by GuideStone Financial Resources of the Southern Baptist Convention. All personnel who have been employed by BCFS HHS full time for two years are eligible to participate in the plan. BCFS HHS contributes from 5.25% to 15% of each participating employee's salary based upon length of service with BCFS HHS. Employees are allowed to contribute to the plan, but their contributions are limited to amounts allowed by the IRC. Contribution expense is recognized when incurred and was \$325,722 and \$2,826,875 in 2024 and 2023, respectively.

In fiscal year 2012, BCFS HHS established a 457(b) defined contribution plan for certain key employees, which is also administered by GuideStone Financial Resources of the Southern Baptist Convention. BCFS HHS contributes from 5.25% to 15% of the key employee's salary based upon length of service with BCFS HHS. Certain key employees are allowed to contribute to the plan, but their contributions are limited to amounts allowed by the IRC. Contribution expense is recognized when incurred and was \$13,931 and \$77,657 for the years ended August 31, 2024 and 2023, respectively.

Note 9. Related Parties

At August 31, 2024 and 2023, advances due (to) from FirstDay Foundation and its affiliated entities of \$(3,551) and \$397,609, respectively, represent monies that have been advanced (to) from BCFS HHS for operational purposes. These advances do not bear interest and do not have specified repayment terms, and, therefore, have been classified as current in the accompanying financial statements.

As of August 31, 2024 and 2023, FirstDay Foundation contributed \$2,460,839 and \$4,170,117, respectively, to BCFS HHS to fund administrative, program, and division operational expenses necessary to maintain or expand divisions or programs. Additionally, as of August 31, 2024 and 2023, BCFS HHS transferred \$0 and \$28,408,293, respectively, of cash to related entities. Other assets and liabilities netting \$641 and \$84,032, respectively, were also transferred to related entities.

FirstDay Foundation leases office space and utilities to BCFS HHS for its various programs. During the years ended August 31, 2024 and 2023, BCFS HHS paid rent and utilities under its annual lease agreements to FirstDay Foundation of \$124,716 and \$594,372, respectively.

FirstDay Foundation also performs administrative services for BCFS HHS. Indirect expenses or overhead are charged to most programs through either a rate negotiated with and approved by the Department of Health and Human Services – Division of Cost Allocation or a rate determined and approved by management. A proposal is submitted annually to the Division of Cost Allocation. The indirect rate represents the ratio between the total indirect costs and benefiting direct costs. Total indirect overhead allocated for the years ended August 31, 2024 and 2023 was \$1,829,339 and \$20,699,108, respectively.

During the years ended August 31, 2024 and 2023, BCFS HHS received legal services from a law firm whose shareholder is a board member.

During the year ended August 31, 2023, BCFS HHS received a \$6.2 million noninterest-bearing working capital loan from FirstDay Foundation. The outstanding principal balance of the loan is due August 31, 2028.

Note 10. Revenue from Contracts with Customers

Program Revenue

Performance obligations are determined based on the nature of the goods and services provided by BCFS HHS in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. BCFS HHS believes this method provides a good faith depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Transaction Price and Recognition

BCFS HHS determines the transaction price based on standard charges for goods and services provided based on contracted prices.

Accounting Policies and Practical Expedients Elected

BCFS HHS has elected to apply the portfolio approach to the contracts evaluated under Accounting Standards Codification Topic 606. A portfolio approach is permitted if it is reasonably expected that the approach's impact on the financial statements will not be materially different from the impact of applying the revenue standard on an individual contract basis.

In order to use the portfolio approach, an entity must reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts.

BCFS Health and Human Services
Notes to Financial Statements
August 31, 2024 and 2023

BCFS HHS elected to use the right to invoice practical expedient. This practical expedient allows BCFS HHS to recognize revenue in the amount of consideration to which BCFS HHS has the right to invoice when the amount that BCFS HHS has the right to invoice corresponds directly to the value transferred to the customer.

Contract Balances

The following table provides information about BCFS HHS' receivables from contracts with customers at August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accounts receivable, beginning of year	\$ 852,026	\$ 40,748,100
Accounts receivable, end of year	\$ 428,094	\$ 852,026

Disaggregation of Revenue

The following table presents the revenues from contracts with customers disaggregated by program for the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Residential services	\$ 1,890,362	\$ 7,266,992
Emergency management services	379,104	19,990,959
Community services	2,959,790	3,876,235
Other income	9,330	727,956
	<u>\$ 5,238,586</u>	<u>\$ 31,862,142</u>

Note 11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2024 and 2023 comprise of the following:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 17,218,673	\$ 15,538,091
Program receivables, net of allowance	3,802,394	4,222,432
Program advances and other receivables	31,070	4,022
Contribution and grants receivable	12,193	16,302
Unconditional promises to give	-	50,000
Due from related party	213,750	397,609
Total financial assets	21,278,080	20,228,456
Less donor-imposed restrictions	(317,909)	(267,489)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,960,171</u>	<u>\$ 19,960,967</u>

As part of BCFS HHS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. BCFS HHS' cash flows can have seasonal variations attributable to grant and contract reimbursements from federal and state agencies. To manage liquidity, BCFS HHS operates within a prudent range of financial soundness and BCFS HHS also maintains a working capital loan with a related party (See Note 9) that can be used as needed during the year to manage cash flows.

Note 12. Commitments and Contingencies

BCFS HHS 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 BCFS HHS has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of BCFS HHS, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants as of August 31, 2024 and 2023. BCFS HHS has accrued approximately \$4.1 million as of August 31, 2024 and 2023 related to costs claimed for a federal grant in previous years that are now in dispute with a federal agency. BCFS HHS does not agree with the federal agency's initial findings and will continue to appeal the agency's findings.

Note 13. Significant Concentrations

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

Revenues

BCFS HHS is reimbursed for residential, human trafficking interdiction, emergency management, and community services either through cost reimbursement or on a fee for service basis. A substantial part of BCFS HHS' revenues is derived from federal and state contracts. BCFS HHS' management cannot predict the continued level of funding to be received from these contracts in future years. Therefore, the risk exists that the level of support may be reduced if state and federal funds available for such programs are reduced which may, in turn, significantly impact BCFS HHS' ability to continue providing these services. For the year ended August 31, 2024, one individual contract accounted for approximately 18% of total revenue. For the year ended August 31, 2023, three individual contracts accounted for approximately 46% of total revenue.

Accounts Receivable

BCFS HHS' accounts receivable are primarily due from various federal, state, and local agencies including the U.S. Department of Health and Human Services, Texas Department of State Health Services, U.S. Department of Agriculture, Texas Department of Family Protective Services, and the Texas Workforce Commission, among others. Because of the nature of these institutions, they are not considered a significant credit risk to BCFS HHS.

Note 14. Subsequent Events

Subsequent events have been evaluated through January 30, 2025, which is the date the financial statements were available to be issued.

Other Information

BCFS Health and Human Services
Statement of Activities Without Donor Restrictions by Division (Unaudited)
Year Ended August 31, 2024

	Residential Services	Human Trafficking Interdiction	Emergency Management Services	Community Services
Revenues				
Program Revenues	<u>\$ 7,508,203</u>	<u>\$ 9,258,582</u>	<u>\$ 379,104</u>	<u>\$ 14,060,310</u>
Contributions and Support Revenues				
Contributions and bequests	-	-	-	(4,136)
Contribution from related party	-	200,314	-	354,531
In-kind contributions	-	-	-	23,515
Other income	-	-	3,514	1,490
Net assets released - program restrictions satisfied	-	20,013	-	87,481
Total Contributions and Support Revenues	<u>-</u>	<u>220,327</u>	<u>3,514</u>	<u>462,881</u>
Total Revenues	<u>7,508,203</u>	<u>9,478,909</u>	<u>382,618</u>	<u>14,523,191</u>
Expenses				
Salaries and wages	4,529,052	5,954,723	295,345	6,313,121
Employee benefits and payroll taxes	637,384	1,262,299	58,465	1,428,833
Contract labor	1,889,287	204,713	-	320,123
Medical fees and services	(940)	3,415	33	3,156
Scholarship and family assistance	(23)	9,105	-	1,892,075
Food expense	(244)	62,431	31	6,052
Program supplies	9,063	145,669	1,821	668,709
Meetings and training	712	53,794	-	184,114
Special events and appeals	-	-	-	99,053
Transportation and travel	21,852	417,005	20,352	388,457
Building, vehicle, and equipment leases	20,119	107,420	40	811,135
Telephone and utilities	134,992	131,678	7,843	289,373
Equipment and building maintenance	50,525	266,072	(2,921)	254,051
Insurance	524	18,138	77	51,040
Professional fees	72,629	-	-	34,353
In-kind expense	-	-	-	23,515
Bad debt expense	33	15,841	18	3,866
Indirect overhead	-	-	-	-
Contributions	-	-	-	-
Other expenses	8,636	48,690	275	298,824
Depreciation and amortization	-	16,403	-	66,516
Total Expenses	<u>7,373,601</u>	<u>8,717,396</u>	<u>381,379</u>	<u>13,136,366</u>
Revenues Over (Under) Expenses	<u>134,602</u>	<u>761,513</u>	<u>1,239</u>	<u>1,386,825</u>
Other Changes in Net Assets				
Transfers	-	-	-	-
Increase (Decrease) in Net Assets	<u>\$ 134,602</u>	<u>\$ 761,513</u>	<u>\$ 1,239</u>	<u>\$ 1,386,825</u>

Special Needs Community	Total Program Services	General and Administrative	Fundraising	Total
\$ -	\$ 31,206,199	\$ -	\$ -	\$ 31,206,199
-	(4,136)	13,841	-	9,705
-	554,845	1,885,994	20,000	2,460,839
-	23,515	-	-	23,515
-	5,004	752,760	-	757,764
54,308	161,802	22,255	89,171	273,228
54,308	741,030	2,674,850	109,171	3,525,051
54,308	31,947,229	2,674,850	109,171	34,731,250
-	17,092,241	1,647,848	1,410	18,741,499
-	3,386,981	55,001	205	3,442,187
-	2,414,123	214,002	-	2,628,125
-	5,664	-	-	5,664
-	1,901,157	13,026	-	1,914,183
-	68,270	42	-	68,312
665	825,927	38,247	2,028	866,202
-	238,620	30,574	-	269,194
-	99,053	29,996	32,859	161,908
40,169	887,835	78,892	-	966,727
-	938,714	65,892	-	1,004,606
-	563,886	17,628	-	581,514
-	567,727	44,291	-	612,018
-	69,779	21,171	-	90,950
-	106,982	367,751	-	474,733
-	23,515	-	-	23,515
-	19,758	11,861	-	31,619
-	-	1,829,339	-	1,829,339
-	-	500	-	500
2,252	358,677	42,783	278	401,738
-	82,919	163,439	-	246,358
43,086	29,651,828	4,672,283	36,780	34,360,891
11,222	2,295,401	(1,997,433)	72,391	370,359
-	-	(641)	-	(641)
\$ 11,222	\$ 2,295,401	\$ (1,998,074)	\$ 72,391	\$ 369,718

Supplementary Information

**BCFS Health and Human Services
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services				
Unaccompanied Children Program Basic Shelter Care	93.676	90ZU0335		\$ 723,413
Unaccompanied Children Program Basic Shelter Care	93.676	90ZU0336		804,092
Unaccompanied Children Program Basic Shelter Care	93.676	90ZU0333		1,188,576
Unaccompanied Children Program Transitional Foster Care	93.676	90ZU0332		117,026
Unaccompanied Children Program Residential (Shelter) Services	93.676	90ZU0334		386,593
Unaccompanied Children Program Eastern U.S. Region-Post Release	93.676	90ZU0352		1,972,764
Unaccompanied Children Program Staff Secure	93.676	90ZU0367		307,791
Unaccompanied Children Program Long-term Foster Care	93.676	90ZU0375		69,136
Unaccompanied Children Program Group Home	93.676	90ZU0376		48,449
Total Unaccompanied Children Program Services				5,617,840
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZD0022		1,285,727
Transitional Living for Homeless Youth	93.550	90CX7380		264,482
Health Resources and Services Administration (HRSA)				
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	H49MC27813		993,631
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	H49MC27813		48,528
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	H49MC27813		6,859
Total Health Resources and Services Administration (HRSA)				1,049,018
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2402TXRCMA		113,826
Pass-through Texas Department of Family and Protective Services				
Community-Based Child Abuse Prevention Grants:				
Healthy Outcomes through Prevention & Early Support Programs (HOPES) ARPA - COVID 19	93.590	2101TXBCC6	HHS000855300002	2,414
Fatherhood EFFECT (FE) Program	93.590	2202TXBCAP	HHS000364300004	183,057
Fatherhood EFFECT (FE) Program ARPA - COVID 19	93.590	2101TXBCC6	HHS000364300004	21,053
Community Youth Development Program - ARPA - COVID 19	93.590	2101TXBCC6	HHS000841700010	32,789
Healthy Outcomes through Prevention & Early Support Programs (HOPES)	93.590	2202TXBCAP	HHS000332600010	321,078
Total Community-Based Child Abuse Prevention Grants				560,391

**BCFS Health and Human Services
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2024**

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Every Student Succeeds Act/Preschool Development Grants:				
Healthy Outcomes through Prevention & Early Support Programs (HOPES)	93.434	90TP0088	HHS000332600010	\$ 288,147
Healthy Outcomes through Prevention & Early Support Programs (HOPES)	93.434	90TP0088	HHS000855300002	194,521
Texas Home Visiting Program	93.434	90TP0088	HHS001105400021	<u>561,937</u>
Total Every Student Succeeds Act/Preschool Development Grants				<u>1,044,605</u>
Maternal, Infant, and Early Childhood Home Visiting Grants:				
Texas Home Visiting Program (MIECHV)	93.870	X1046894	HHS001105400021	302,932
Texas Home Visiting Program (MIECHV) ARPA - COVID 19	93.870	X1145258	HHS001105400021	36,873
Texas Home Visiting Program (MIECHV)	93.870	X1046894	HHS001340600008	28,045
Texas Home Visiting Program (MIECHV) ARPA - COVID 19	93.870	X1145258	HHS001340600008	28,000
Texas Home Visiting Program (MIECHV)	93.870	X1046894	HHS001340600012	27,398
Texas Home Visiting Program (MIECHV) ARPA - COVID 19	93.870	X1145258	HHS001340600012	<u>24,046</u>
Total Maternal, Infant, and Early Childhood Home Visiting Grants				<u>447,294</u>
MaryLee Allend Promoting Safe and Stable Families Program: Family and Youth Success (FAYS)	93.556	2301TXFPSS	HHS001198800022	<u>1,419,249</u>
Total Pass-through Texas Department of Family and Protective Services				<u>3,471,539</u>
Pass-through Texas Workforce Commission				
Temporary Assistance for Needy Families - Kerrville	93.558		2023TAN001	9,061
Temporary Assistance for Needy Families - San Antonio	93.558		2023TAN002	13,838
Temporary Assistance for Needy Families - Abilene	93.558		0923TAN001	10,867
Temporary Assistance for Needy Families - Corpus Christi	93.558		2223TAN001	10,508
Temporary Assistance for Needy Families - Tyler	93.558		0823TAN001	10,677
Temporary Assistance for Needy Families - McAllen	93.558		2323TAN001	18,881
Temporary Assistance for Needy Families - Harlingen	93.558		2423TAN001	18,088
Temporary Assistance for Needy Families - Kerrville	93.558		2024TAN001	109,547
Temporary Assistance for Needy Families - San Antonio	93.558		2024TAN002	109,868
Temporary Assistance for Needy Families - Abilene	93.558		0924TAN001	94,931
Temporary Assistance for Needy Families - Corpus Christi	93.558		2224TAN001	138,053
Temporary Assistance for Needy Families - Tyler	93.558		0824TAN001	124,384
Temporary Assistance for Needy Families - McAllen	93.558		2324TAN001	137,569
Temporary Assistance for Needy Families - Harlingen	93.558		2424TAN001	<u>129,754</u>
Total Pass-through Texas Workforce Commission				<u>936,026</u>

**BCFS Health and Human Services
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2024**

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Pass-through Texas Health and Human Services Commission Social Services Block Grant: Family Violence Prevention Services Act (FVPSA)	93.667	2002TXFVPS	HHS001108000010	\$ 246,912
Pass-through University of Texas Health Science Center of San Antonio Teenage Pregnancy Prevention Program	93.297	TP1AH000285		25,000
Total U.S. Department of Health and Human Services				13,010,370
U.S. Department of Treasury				
Pass-through Texas Office of the Governor Coronavirus State and Local Fiscal Recovery Funds Resiliency through Healing - COVID 19	21.027		3295205/2021-CS-21027	27,277
Peers Achieving Success Together (PAST) - COVID 19	21.027		2876106/2021-CS-21027	10,950
Total U.S. Department of Treasury				38,227
U.S. Department of Justice				
Juvenile Mentoring Program: Youth Averted from Delinquency Mentoring	16.726	2020-JU-FX-0017		11,408
Juvenile Mentoring Program: Youth Averted from Delinquency Mentoring	16.726	15PJDP-23-GG-03532-MENT		118,963
Total Juvenile Mentoring Program				130,371
Children Exposed to Violence	16.818	2020-CV-FX-K001		32,773
Pass-through Texas Office of the Governor Crime Victim Assistance Common Thread	16.575	3853404	15POVC-21-GG-00600-ASSI	469,829
Common Thread - Texas	16.575	3853405	15POVC-22-GG-00807-ASSI	6,155,213
Peers Achieving Success Together (PAST)	16.575	2876107	15POVC-22-GG-00807-ASSI	172,923
Resiliency Through Healing	16.575	3295206	15POVC-22-GG-00807-ASSI	266,366
Total Crime Victim Assistance				7,064,331
Edward Byrne Memorial Justice Assistance Grant	16.738		2020-DJ-BX-0034	3,355
Services for Trafficking Victims	16.320		2020-VT-BX-K029	145,374
Total U.S. Department of Justice				7,376,204
Total Expenditures of Federal Awards				\$ 20,424,801

The accompanying notes are an integral part of this Schedule.

**BCFS Health and Human Services
Schedule of Expenditures of State Awards
Year Ended August 31, 2024**

Grantor/Program Title	Grant Number	State Award Identification Number	Total State Expenditures
State of Texas			
Texas Department of Family & Protective Services			
Community Youth Development Program	HHS000841700010	2301TXFPSS	\$ 393,186
Healthy Outcomes through Prevention & Early Support Program (HOPES)	HHS000332600010	2202TXBCAP	1,443,209
Healthy Outcomes through Prevention & Early Support Program (HOPES)	HHS000855300002		623,609
			<u>2,066,818</u>
Community Based Child Abuse Prevention Grants - Home Visiting (SafeCare)	HHS001338500005		60,337
Community Based Child Abuse Prevention Grants - Family Resource Center	HHS001338500006		50,839
			<u>111,176</u>
Texas Home Visiting Services	HHS001105400021	X1046894	141,507
Texas Home Visiting Services	HHS001105400021	X1043611	213
Texas Home Visiting Services	HHS001340600008	X1046894	184,133
Texas Home Visiting Services	HHS001340600012	X1046894	122,148
			<u>448,001</u>
Total Texas Department of Family & Protective Services			<u>3,019,181</u>
Texas Office of the Governor			
Building Bridges Against Trafficking (BBAT)	2024-SF-ST-0015	4931001	56,545
Youth Averted from Delinquency (YAD)	2024-SF-ST-0015	3990704	48,149
			<u>104,694</u>
Total Texas Office of the Governor			<u>104,694</u>
Total State of Texas Awards			<u>3,123,875</u>
State of Louisiana			
Louisiana Department of Children and Family Services			
Human Trafficking, Act 662 of the 2022 Regular Session of the Louisiana Legislature	0000730935/ 1000287690		2,428,265
			<u>2,428,265</u>
Total State of Louisiana Awards			<u>2,428,265</u>
Total Expenditures of State Awards			<u>\$ 5,552,140</u>

The accompanying notes are an integral part of this Schedule.

BCFS Health and Human Services
Notes to the Schedules of Expenditures of Federal and State Awards
Years Ended August 31, 2024 and 2023

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (Schedules) include the federal and state award activity of BCFS HHS under programs of the federal and state governments for the year ended August 31, 2024. The accompanying notes are an integral part of these Schedules. The information in these Schedules 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), the *Texas Grant Management Standards* (TxGMS), and Louisiana Legislative Auditor (LLA). Because the Schedules present only a selected portion of the operations of BCFS HHS, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of BCFS HHS.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or the cost principles contained in TxGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

BCFS HHS has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance and TxGMS.

Note 4. Subrecipients

Of the federal and state expenditures presented in the Schedules, BCFS HHS provided no federal or state awards to subrecipients.

Note 5. Federal and State Loan Programs

BCFS HHS did not have any federal or state loan programs during the year ended August 31, 2024.

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

Independent Auditor's Report

Board of Directors
BCFS Health and Human Services
San Antonio, Texas

We have audited, 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 (*Government Auditing Standards*), the financial statements of BCFS Health and Human Services (BCFS HHS), which comprise BCFS HHS' statement of financial position as of August 31, 2024 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCFS HHS' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BCFS HHS' internal control. Accordingly, we do not express an opinion on the effectiveness of the BCFS HHS' 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 BCFS HHS' 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCFS HHS' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCFS HHS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**San Antonio, Texas
January 30, 2025**

Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
BCFS Health and Human Services
San Antonio, Texas

Report on Compliance for Each Major Federal and State Programs

Opinion on Each Major Federal and State Program

We have audited BCFS Health and Human Services' (BCFS HHS) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and Texas Grants Management Standards (TxGMS) that could have a direct and material effect on each of BCFS HHS' major federal and state programs for the year ended August 31, 2024. BCFS HHS' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, BCFS HHS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance), and TxGMS. Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of BCFS HHS 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 and state program. Our audit does not provide a legal determination of BCFS HHS' 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 BCFS HHS' federal and state 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 BCFS HHS' 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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and TxGMS 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 BCFS HHS' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and TxGMS, 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 BCFS HHS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BCFS HHS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of BCFS HHS' 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on BCFS HHS' response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. BCFS HHS' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. BCFS HHS is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. BCFS HHS' corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 or state 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 or state 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 or state 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 were not 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 and TxGMS. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

San Antonio, Texas
January 30, 2025

BCFS Health and Human Services
Schedule of Findings and Questioned Costs
Year Ended August 31, 2024

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

5. Type of auditor's report issued on compliance for major federal programs:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ Yes ☐ No

7. Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grant
93.926	Healthy Start Initiative – Eliminating Racial/Ethnic Disparities
93.434	Every Student Succeeds Act/Preschool Development Grants
93.556	MaryLee Allen Promoting Safe and Stable Families
93.558	Temporary Assistance for the Needy Families (TANF)
16.575	Crime Victim Assistance

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

State Awards

10. Internal control over major state program:

Material weakness(es) identified?

☐ Yes

☒ No

Significant deficiency(ies) identified?

☐ Yes

☒ None reported

11. Type of auditor's report issued on compliance for major state program:

☒ Unmodified

☐ Qualified

☐ Adverse

☐ Disclaimer

12. Any audit findings disclosed that are required to be reported by the Texas Grant Management Standards?

☐ Yes

☒ No

13. Identification of major state program:

Name of State Program

Healthy Outcomes through Prevention & Early Support Program (HOPES)

14. Dollar threshold used to distinguish between Type A and Type B programs as defined by the State of Texas Grant Management Standards: \$750,000.

15. Auditee qualified as a low-risk auditee as that term is defined in the Texas Grant Management Standards?

☒ Yes

☐ No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2024-001	<p>Healthy Marriage Promotion and Responsible Fatherhood Grants - 90ZD0022, U.S. Department of Health and Human Services - Program Year 2024 AL: 93.086.</p> <p>Criteria or Specific Requirement: Reporting – Awarded Applicants are required to submit Quarterly Federal Financial Reports, and Quarterly Performance Reports.</p> <p>Condition: BCFS Health and Human Services' controls did not ensure that required reports were submitted timely.</p> <p>Questioned Costs: None.</p> <p>Context: Out of eight financial and performance reports in the aggregate, a sample of four (two financial reports and two performance reports) were selected for testing, and one performance report was not submitted timely. Our sample was not, and was not intended to be, statistically valid.</p> <p>Effect: Required reports were not submitted timely.</p> <p>Cause: BCFS Health and Human Services did not have controls in place to monitor the submission deadlines for timely submission.</p> <p>Identification: As a Repeat Finding: Not a repeat finding.</p> <p>Recommendation: BCFS Health and Human Services should strengthen the internal controls as it relates to submitting required reports to the Federal Government by establishing policies and procedures to ensure that reporting information is submitted timely.</p> <p>Views of Responsible Officials and Planned Corrective Actions: We agree with the finding. See separate report for planned corrective actions.</p> <p>Anticipated completion date: August 31, 2025</p>

Section IV – State Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

**BCFS Health and Human Services
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2024**

Reference Number	Summary of Finding	Status
No matters are reportable.		

BCFS Health and Human Services

Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head

For the Year Ended August 31, 2024

Agency Head Name: Louisiana Department of Children and Family Services


There were no compensation, benefits and other payments paid from September 1, 2023 to August 31, 2024 from public funds.



BCFS Health and Human Services

Independent Accountant's Report on Applying Agreed-Upon Procedures

August 31, 2024



Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors and the Louisiana Legislative Auditor
BCFS Health and Human Services
San Antonio, Texas

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2023 through August 31, 2024. BCFS Health and Human Services' management is responsible for the C/C areas identified in the SAUPs.

BCFS Health and Human Services has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period September 1, 2023 through August 31, 2024. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

General Procedures

The following agreed-upon procedures categories were omitted as these report categories are considered not applicable:

1. Collections (excluding electronic funds transfers)
2. Ethics
3. Debt service
4. Fraud notice
5. Prevention of sexual harassment
6. Board of Directors (Board) or finance committee minutes for governmental entities
7. Written policies (ethics, debt service, prevention of sexual harassment)

For the categories below, Forvis Mazars compared and agreed a sample consisting of five items, unless otherwise noted, from the supporting schedules to adequate supporting documentation. In addition, we performed the appropriate LLA SAUPs for the following as noted below:

1) Written Policies and Procedures

Procedure: Obtain and inspect the entity's written policies and procedures and observe whether they address budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, travel and expense reimbursement, credit cards, and information technology disaster recover/business continuity which are applicable to public funds and the entity's operations.

Finding: No exceptions noted.

2) Finance Committee

Procedure: Obtain and inspect the finance committee minutes for the fiscal period, as well as the Board's charter, bylaws, or equivalent document in effect during the fiscal period, and:

- (A) Observe that the finance committee met with a quorum at least monthly, or on a frequency in accordance with the committee's charter, bylaws, or other equivalent document.
- (B) Observe that the finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Finding: No exceptions noted.

3) Bank Reconciliations

Procedure: Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing was complete. Obtain the entity's main operating account and randomly select four additional accounts. Randomly select one from the fiscal period month (sample size was five accounts for August 2024), obtain and inspect the corresponding bank statement and reconciliation for each selected account and observe that:

- (A) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date.
- (B) Bank reconciliations include written evidence that a member of management or a Board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within one month of the date the reconciliation was prepared.
- (C) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Finding: No exceptions noted.

4) Nonpayroll Disbursements

Procedure: Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five). Sample size was one location as all disbursements are processed from centralized location. Obtain a listing of those employees involved with nonpayroll purchasing and payment functions.

Obtain written policies and procedures relating to employee job duties, and observe that job duties are properly segregated such that:

- (A) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase.
- (B) At least two employees are involved in processing and approving payments to vendors.
- (C) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- (D) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- (E) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Finding: No exceptions noted.

Procedure: For the location selected above, obtain the entity's nonpayroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction, and:

- (A) Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity.
- (B) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested above, as applicable.

Finding: No exceptions noted.

Procedure: Using the entity's main operating account and the month selected in the Bank Reconciliations procedure, randomly select five nonpayroll-related electronic disbursements (or all electronic disbursements if less than five) and observe that each electronic disbursement was:

- (A) Approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy.
- (B) Approved by the required number of authorized signers per the entity's policy.

Finding: No exceptions noted.

5) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

Procedure: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period (Sample size was five cards).

Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Sample selection was August 2024. Obtain supporting documentation and:

- (A) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder.
- (B) Observe finance charges and late fees were not assessed on the selected statements.

Finding: No exceptions noted.

Procedure: Using the monthly statements or combined statements selected in the procedure above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions. Sample size was 41. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Finding: No exceptions noted.

6) Travel and Travel-Related Expense Reimbursements (Excluding Card Transactions)

Procedure: Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

- (A) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration.
- (B) Observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- (C) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1.
- (D) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Finding: No exceptions noted.

7) Contracts

Procedure: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Sample size was five selected from active vendor listing. Obtain management's representation that the listing is complete.

Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

- (A) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law, if required by law.
- (B) Observe whether the contract was approved by the governing body/board, if required by policy or law.
- (C) If the contract was amended, observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms.
- (D) Randomly select one payment from the fiscal year for each of the five contracts, obtain the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice related payment agreed to the terms and conditions of the contract.

Finding: No exceptions noted.

8) Payroll and Personnel

Procedure: Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files. Sample size was five employees.

Finding: No exceptions noted.

Procedure: Randomly select one pay period during the fiscal period. Pay period selected was August 16, 2024 through August 31, 2024. For the five employees or officials selected under procedure above, obtain attendance records, and leave documentation for the pay period, and:

- (A) Observe that all selected employees documented their daily attendance and leave.
- (B) Observe whether supervisors approved the attendance and leave of the selected employees.
- (C) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- (D) Observe the rate paid to the employees agreed to the authorized salary/pay rate found within the personnel file.

Finding: No exceptions noted.

Procedure: Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

Finding: No exceptions noted.

Procedure: Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Finding: No exceptions noted.

9) Information Technology Disaster Recovery/Business Continuity

Procedure: We performed the following procedures and discussed the results with management:

- (A) Obtained and inspected the entity's most recent documentation that it has backed up its critical data and observed evidence that such backup (a) occurred within the past week, (b) was not stored on the local server or network, and (c) was encrypted.
- (B) Obtained and inspected the entity's most recent documentation that has tested/verified that its backups can be restored and observe evidence that the test/verification was successfully performed within the past three months.
- (C) Obtained a listing of the entity's computers currently in use at their related locations, and management's representation that the listing is complete. Forvis Mazars randomly selected five computers and observed while management demonstrated that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Finding: No exceptions noted.

Procedure: Randomly select five terminated employees (or all terminated employees if less than five) using the list of terminated employees obtained in procedure #8. Sample size was three terminated employees. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Finding: No exceptions noted.

Procedure: Using the five randomly selected employees/officials from the Payroll and Personnel procedure, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267.

Findings: No exceptions noted.

We were engaged by BCFS Health and Human Services to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of BCFS Health and Human Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Forvis Mazars, LLP

**San Antonio, Texas
February 25, 2025**