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# **BCFS Health and Human Services**

## **Independent Auditor's Reports and Financial Statements**

August 31, 2023

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**BCFS Health and Human Services**  
**August 31, 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 statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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* and the schedule of expenditures of state awards as required by *Texas Grants Management Standards*, 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Board of Directors  
BCFS Health and Human Services

***Other Information***

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, 2024 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,LLP**

**San Antonio, Texas  
January 30, 2024**

**BCFS Health and Human Services**  
**Statement of Financial Position**  
**August 31, 2023**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 15,538,091
Accounts receivable	
Program receivables, net of allowance	4,222,432
Program advances and other receivables	4,022
Contribution and grants receivable	16,302
Unconditional promises to give	50,000
Due from related party	397,609
Prepaid insurance and other	39,996
	<u>20,268,452</u>
Total current assets	<u>20,268,452</u>

**Noncurrent Assets**

Leasehold improvements and equipment, net	1,026,420
Right-of-use assets - operating leases	40,058
	<u>1,066,478</u>
Total noncurrent assets	<u>1,066,478</u>
Total assets	<u><u>\$ 21,334,930</u></u>

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$ 2,587,370
Accrued liabilities	6,190,851
Operating lease liabilities	22,407
Deferred revenue	38,599
	<u>8,839,227</u>
Total current liabilities	<u>8,839,227</u>

**Noncurrent Liabilities**

Loan payable - related party	6,200,000
Operating lease liabilities	19,177
	<u>6,219,177</u>
Total noncurrent liabilities	<u>6,219,177</u>
Total liabilities	<u>15,058,404</u>

**Net Assets**

Without donor restrictions	6,009,037
With donor restrictions	267,489
	<u>6,276,526</u>
Total net assets	<u>6,276,526</u>
Total liabilities and net assets	<u><u>\$ 21,334,930</u></u>

**BCFS Health and Human Services**  
**Statement of Activities**  
**Year Ended August 31, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Program Revenues</b>			
Residential services	\$ 200,604,589	\$ -	\$ 200,604,589
Human trafficking interdiction	5,515,602	-	5,515,602
Emergency management services	19,990,959	-	19,990,959
Community services	13,857,851	-	13,857,851
Total program revenues	<u>239,969,001</u>	<u>-</u>	<u>239,969,001</u>
<b>Contributions and Support Revenues</b>			
Contributions and bequests	320,249	136,430	456,679
Contribution from related party	4,170,117	-	4,170,117
Grant revenue	-	260,999	260,999
Contributions of nonfinancial assets	27,591	-	27,591
Other income	799,244	-	799,244
Net assets released - program restricted satisfied	276,176	(276,176)	-
Total contributions and support revenue	<u>5,593,377</u>	<u>121,253</u>	<u>5,714,630</u>
Total revenues	<u>245,562,378</u>	<u>121,253</u>	<u>245,683,631</u>
<b>Expenses</b>			
Residential services	182,536,414	-	182,536,414
Human trafficking interdiction	5,334,736	-	5,334,736
Emergency management services	19,995,647	-	19,995,647
Community services	13,191,043	-	13,191,043
Special needs community	58,007	-	58,007
Fundraising	20,595	-	20,595
General and administrative	24,394,562	-	24,394,562
Total expenses	<u>245,531,004</u>	<u>-</u>	<u>245,531,004</u>
<b>Revenues Over Expenses</b>	31,374	121,253	152,627
<b>Other Changes in Net Assets</b>			
Transfers from (to) related parties	(28,363,941)	39,680	(28,324,261)
Contribution/contract revenue for capital and other assets	442,921	-	442,921
<b>Increase (Decrease) in Net Assets</b>	(27,889,646)	160,933	(27,728,713)
<b>Net Assets, Beginning of Year</b>	<u>33,898,683</u>	<u>106,556</u>	<u>34,005,239</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,009,037</u>	<u>\$ 267,489</u>	<u>\$ 6,276,526</u>

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

	Program Services					Support Services			2023 Total
	Residential Services	Human Trafficking Interdiction	Emergency Management Services	Community Services	Special Needs Community	Total Program Services	General and Administrative	Fundraising	
<b>Salaries, Wages, Benefits, and Contract Labor</b>									
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
<b>Foster Care Fees</b>	889,036	-	-	-	-	889,036	-	-	889,036
<b>Medical Fees and Services</b>	816,670	1,214	189,551	1,081	-	1,008,516	(14,026)	-	994,490
<b>Scholarship and Family Assistance</b>	453	18,150	-	2,637,454	3,620	2,659,677	(163)	-	2,659,514
<b>Food Expense</b>	4,708,353	55,467	(97,648)	16,820	-	4,682,992	119,470	-	4,802,462
<b>Program Supplies</b>	4,290,815	80,018	91,181	632,481	2,260	5,096,755	53,402	1,612	5,151,769
<b>Meetings and Training</b>	389,120	31,611	154	157,152	-	578,037	21,991	-	600,028
<b>Special Events and Appeals</b>	-	-	-	59,394	-	59,394	-	18,983	78,377
<b>Transportation and Travel</b>	10,805,164	252,008	1,957,727	277,339	51,835	13,344,073	119,691	-	13,463,764
<b>Facility Costs</b>									
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
<b>Professional Fees</b>	461,813	-	-	42,899	-	504,712	720,161	-	1,224,873
<b>In-kind Expense</b>	-	-	-	27,591	-	27,591	-	-	27,591
<b>Contribution</b>	-	-	4,352,975	-	-	4,352,975	1,803	-	4,354,778
<b>Bad Debt Expense</b>	2,815	74	-	2,770	-	5,659	41	-	5,700
<b>Indirect Overhead</b>	-	-	-	-	-	-	20,699,108	-	20,699,108
<b>Other Expenses</b>	1,928,425	18,328	17,081	336,800	-	2,300,634	61,448	-	2,362,082
<b>Total Functional Expenses Before Depreciation and Amortization</b>	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
<b>Depreciation and Amortization</b>	1,357,875	16,403	-	69,667	-	1,443,945	96,318	-	1,540,263
<b>Total Expenses</b>	\$ 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**  
**Statement of Cash Flows**  
**Year Ended August 31, 2023**

**Operating Activities**

Decrease in net assets	\$ (27,728,713)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	
Depreciation and amortization expense	1,540,263
Bad debt expense	5,700
Transfer of assets to related party	28,324,261
Noncash lease expense	310,955
Contribution/contract revenue for capital and other assets	(442,921)
Change in assets and liabilities	
Accounts receivable	57,092,653
Other receivable	684,764
Contributions receivable	(46,141)
Prepaid expenses	1,140,845
Accounts payable	(10,175,329)
Operating lease liabilities	(309,429)
Deferred revenue	38,599
Accrued liabilities	<u>(9,004,993)</u>
Net cash provided by operating activities	<u>41,430,514</u>

**Investing Activities**

Purchase of leasehold improvements and equipment	<u>(455,210)</u>
Net cash used in investing activities	<u>(455,210)</u>

**Financing Activities**

Payments to related party, net	(38,519,765)
Proceeds from issuance of debt from RP	6,200,000
Collection of contributions/contract revenue for capital and other assets	<u>442,921</u>
Net cash used in financing activities	<u>(31,876,844)</u>

**Increase in Cash**

9,098,460

**Cash and Cash Equivalents, Beginning of Year**

6,439,631

**Cash and Cash Equivalents, End of Year**

\$ 15,538,091

**Supplemental Cash Flows Information**

Transfer of net assets to related parties	\$ 28,324,261
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 134,729

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

### 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 (formerly known as BCFS).

BCFS HHS provides residential services for children who are abused, neglected, or otherwise separated from their families, coordinating foster care placement or operating group home facilities.

BCFS HHS also offers community services with an array of social service programs that include prevention, intervention, and restorative mental health programs for children and families, critical medical services to impoverished communities, transitional living services for youth who are at-risk (aging out of foster care).

In addition, BCFS HHS provides advocacy, care coordination, and support for survivors of human trafficking.

BCFS HHS is also a national leader in emergency management and response, providing critical emergency support services to federal, state and local governments, as well as private healthcare organizations anywhere in the continental U.S., Tribes and Territories. The Emergency Management Division (EMD) specializes in emergency management, incident management, disaster response, public health and medical emergency response, mass care, mass fatality planning, medical sheltering, and planning for vulnerable populations. Members of the Incident Management Team have responded to nearly every major catastrophic incident to affect this nation.

During 2023, the operations of Project Angel Fares were transferred to BCFS Health and Human Services. Project Angel Fares serves families who have a child with a disability or special needs and otherwise would not be able to afford the opportunity to visit San Antonio, Texas' Morgan's Wonderland.

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.

# **BCFS Health and Human Services**

## **Notes to Financial Statements**

**August 31, 2023**

### ***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, 2023, BCFS HHS' cash accounts exceeded federally insured limits by approximately \$599,000.

### ***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. Payment trends by delinquent accounts are considered by management when writing off bad debts and estimating the allowance for doubtful accounts. Losses are charged against the allowance when management believes the uncollectibility of a receivable is established. At August 31, 2023, the allowance for doubtful accounts was \$659,610.

### ***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 year ended August 31, 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.

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

### 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 techniques

# **BCFS Health and Human Services**

## **Notes to Financial Statements**

**August 31, 2023**

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.

### ***Functional Allocation of Expenses***

The cost of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement 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 (IRS).

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

### Note 3: Conditional Grant Commitments

BCFS HHS receives its grant support through periodic claims filed with the respective funding sources not to exceed a 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, 2023 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, 2023 that are not recognized in the financial statements:

Residential services	\$ 138,185,724
Human trafficking interdiction	8,098,923
Community services	14,744,802
	<u>161,029,449</u>
	<u>\$ 161,029,449</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, 2023:

Furniture and equipment	\$ 886,671
Leasehold improvements	291,170
Vehicles	422,641
Computer software	150,873
	<u>1,751,355</u>
Less accumulated depreciation and amortization	<u>(724,935)</u>
	<u>\$ 1,026,420</u>

# BCFS Health and Human Services

## Notes to Financial Statements

### August 31, 2023

#### 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 year ended August 31, 2023 based on estimated dollar value of volunteer time amounts to \$75,587. In accordance with GAAP, the value of these services is not reflected in the financial statements.

#### Note 6: Leases

##### ***Change in Accounting Principle***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

BCFS HHS adopted Topic 842 on September 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. BCFS HHS elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. BCFS HHS has lease agreements with nonlease components that relate to the lease components. BCFS HHS elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component. Also, BCFS HHS elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. BCFS HHS did not elect the hindsight practical expedient in determining the lease term for existing leases as of September 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$937,669 at September 1, 2022. The standard did not significantly affect the statements of activities or cash flows.

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

### ***Accounting Policies***

BCFS HHS determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement 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 statement 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.

#### ***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.

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

### *All Leases*

BCFS HHS has a 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 year ended August 31, 2023 are:

Lease cost	
Operating lease cost	\$ 310,955
Short-term lease cost	9,051,695
Variable lease cost	<u>260,621</u>
Total lease cost	<u>\$ 9,623,271</u>

Other information	
Weighted-average remaining lease term	
Operating leases	2.78 years
Weighted-average discount rate	
Operating leases	3.51%

Future minimum lease payments and reconciliation to the statement of financial position at August 31, 2023 is as follows:

2024	\$ 22,407
2025	6,343
2026	6,534
2027	<u>6,737</u>
Total future undiscounted lease payments	42,021
Less imputed interest	<u>(437)</u>
Lease liabilities	<u>\$ 41,584</u>
Lease liabilities - current	\$ 22,407
Lease liabilities - long-term	<u>19,177</u>
	<u>\$ 41,584</u>

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

### Note 7: Net Assets

#### ***Net Assets with Donor Restrictions***

Net assets with donor restrictions at August 31 are restricted for the following purposes:

Subject to expenditure for specified purpose:	
Community services	<u>\$ 267,489</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.

Satisfaction of purpose restrictions:	
Community services	<u>\$ 276,176</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 \$2,826,875 in 2023.

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 \$77,657 for the year ended August 31, 2023.

### Note 9: Related Parties

At August 31, 2023, advances due from FirstDay Foundation of \$397,609 represent monies that have been advanced to 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.

# **BCFS Health and Human Services**

## **Notes to Financial Statements**

### **August 31, 2023**

As of August 31, 2023, FirstDay Foundation contributed \$4,170,117 to BCFS HHS for operations and related program costs to cover emergency management services and depreciation from capitalized assets purchased with federal funds. Additionally, as of August 31, 2023, BCFS HHS transferred \$28,408,293 of cash to related entities. Other assets and liabilities netting \$84,032 were also transferred to related entities.

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

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 year ended August 31, 2023 was \$20,699,108.

During the year ended August 31, 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 non-interest 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 ASC 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.

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

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 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:

Accounts receivable, beginning of year	\$ 40,748,100
Accounts receivable, end of year	\$ 852,026

### **Disaggregation of Revenue**

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

Residential services	\$ 7,266,992
Emergency management services	19,990,959
Community services	3,876,235
Other income	799,244
	<hr/>
	\$ 31,933,430
	<hr/> <hr/>

### **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, 2023 comprise the following:

Financial assets at year-end	
Cash	\$ 15,538,091
Program receivables, net of allowance	4,222,432
Program advances and other receivables	4,022
Contribution and grants receivable	16,302
Unconditional promises to give	50,000
Due from related party	397,609
	<hr/>
Total financial assets	20,228,456
Less donor-imposed restrictions	<hr/> (267,489)
Financial assets available to meet cash needs for general expenditures within one year	<hr/> <hr/> \$ 19,960,967

# BCFS Health and Human Services

## Notes to Financial Statements

August 31, 2023

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 can be awarded subsidies by FirstDay Foundation to fund operating needs not covered by grants.

### 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, 2023. BCFS HHS has accrued approximately \$4.1 million as of August 31, 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 has entered into contracts with local, state, and federal agencies to provide all hazards incident management and emergency response. The majority of emergency work has been performed in Louisiana and Texas; however, EMD provides emergency management services across the nation and is responsible for all mass care response to catastrophic incidents occurring west of the Mississippi River and for all federal disaster case management nationwide. BCFS HHS is reimbursed for residential 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, 2023, three individual contracts accounted for approximately 46% of total revenue.

# **BCFS Health and Human Services**

## **Notes to Financial Statements**

**August 31, 2023**

### ***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, 2024, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**BCFS Health and Human Services**  
**Statement of Activities Without Donor Restrictions by Division (Unaudited)**  
**Year Ended August 31, 2023**

	Residential Services	Human Trafficking Interdiction	Emergency Management Services	Community Services
<b>Program Revenues</b>	\$ 200,604,589	\$ 5,515,602	\$ 19,990,959	\$ 13,857,851
<b>Contributions and Support Revenues</b>				
Contributions and bequests	249,954	-	-	-
Contribution from related party	-	277,134	-	296,160
In-kind contributions	-	-	-	27,591
Other income	379,383	8,000	33,933	1,760
Net assets released - program restrictions satisfied	-	668	-	211,236
Total contributions and support revenues	629,337	285,802	33,933	536,747
Total revenues	201,233,926	5,801,404	20,024,892	14,394,598
<b>Expenses</b>				
Salaries and wages	106,100,922	3,593,932	5,906,548	5,978,459
Employee benefits and payroll taxes	24,912,902	784,508	425,096	1,482,130
Contract labor	8,575,169	65,296	7,021,169	313,822
Foster care fees	889,036	-	-	-
Medical fees and services	816,670	1,214	189,551	1,081
Scholarship and family assistance	453	18,150	-	2,637,454
Food expense	4,708,353	55,467	(97,648)	16,820
Program supplies	4,290,815	80,018	91,181	632,481
Meetings and training	389,120	31,611	154	157,152
Special events and appeals	-	-	-	59,394
Transportation and travel	10,805,164	252,008	1,957,727	277,339
Building, vehicle, and equipment leases	8,689,917	112,472	1,891	701,630
Telephone and utilities	2,780,787	68,371	116,410	284,700
Equipment and building maintenance	5,504,378	221,356	13,425	122,408
Insurance	321,800	15,528	87	46,446
Professional fees	461,813	-	-	42,899
In-kind expense	-	-	-	27,591
Bad debt expense	2,815	74	-	2,770
Indirect overhead	-	-	-	-
Contributions	-	-	4,352,975	-
Other expenses	1,928,425	18,328	17,081	336,800
Depreciation and amortization	1,357,875	16,403	-	69,667
Total expenses	182,536,414	5,334,736	19,995,647	13,191,043
<b>Revenues Over (Under) Expenses</b>	18,697,512	466,668	29,245	1,203,555
<b>Other Changes in Net Assets</b>				
Contract revenue for capital assets	442,921	-	-	-
Transfers	(239,765)	-	(28,408,293)	-
<b>Increase (Decrease) in Net Assets</b>	\$ 18,900,668	\$ 466,668	\$ (28,379,048)	\$ 1,203,555

<b>Special Needs Community</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
\$ -	\$ 239,969,001	\$ -	\$ -	\$ 239,969,001
-	249,954	70,295	-	320,249
-	573,294	3,576,823	20,000	4,170,117
-	27,591	-	-	27,591
-	423,076	304,880	71,288	799,244
39,680	251,584	24,592	-	276,176
39,680	1,525,499	3,976,590	91,288	5,593,377
39,680	241,494,500	3,976,590	91,288	245,562,378
259	121,580,120	1,864,472	-	123,444,592
31	27,604,667	331,092	-	27,935,759
-	15,975,456	105,447	-	16,080,903
-	889,036	-	-	889,036
-	1,008,516	(14,026)	-	994,490
3,620	2,659,677	(163)	-	2,659,514
-	4,682,992	119,470	-	4,802,462
2,260	5,096,755	53,402	1,612	5,151,769
-	578,037	21,991	-	600,028
-	59,394	-	18,983	78,377
51,835	13,344,073	119,691	-	13,463,764
-	9,505,910	117,361	-	9,623,271
-	3,250,268	21,593	-	3,271,861
-	5,861,567	62,374	-	5,923,941
2	383,863	12,979	-	396,842
-	504,712	720,161	-	1,224,873
-	27,591	-	-	27,591
-	5,659	41	-	5,700
-	-	20,699,108	-	20,699,108
-	4,352,975	1,803	-	4,354,778
-	2,300,634	61,448	-	2,362,082
-	1,443,945	96,318	-	1,540,263
58,007	221,115,847	24,394,562	20,595	245,531,004
(18,327)	20,378,653	(20,417,972)	70,693	31,374
-	442,921	-	-	442,921
284,117	(28,363,941)	-	-	(28,363,941)
\$ 265,790	\$ (7,542,367)	\$ (20,417,972)	\$ 70,693	\$ (27,889,646)

**BCFS Health and Human Services**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended August 31, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
Unaccompanied Alien Children Program Basic Shelter Care	93.676	90ZU0335		\$ 30,902,818
Unaccompanied Alien Children Program Basic Shelter Care	93.676	90ZU0336		33,878,545
Unaccompanied Alien Children Program Basic Shelter Care	93.676	90ZU0333		48,232,329
Unaccompanied Alien Children Program Transitional Foster Care	93.676	90ZU0332		7,048,322
Unaccompanied Alien Children Program Residential (Shelter) Services	93.676	90ZU0334		10,188,224
Unaccompanied Alien Children Program Eastern U.S. Region-post Release	93.676	90ZU0352		17,867,953
Unaccompanied Alien Children Program Staff Secure	93.676	90ZU0367		5,181,450
Unaccompanied Alien Children Program Long-term Foster Care	93.676	90ZU0375		2,268,888
Unaccompanied Alien Children Program Group Home	93.676	90ZU0376		1,209,576
Unaccompanied Alien Children Program Basic Shelter Care	93.676	90ZU0411		10,729,275
Unaccompanied Alien Children Program Basic Shelter Care	93.676	90ZU0412		24,518,457
Total Unaccompanied Alien Children Program Services				<u>192,025,837</u>
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZD0022		1,290,372
Transitional Living for Homeless Youth	93.550	90CX7302		23,887
Transitional Living for Homeless Youth	93.550	90CX7380		248,826
Total Transitional Living for Homeless Youth				<u>272,713</u>
Health Resources and Services Administration (HRSA)				
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	H49MC27813		1,330,490
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	H49MC27813		65,952
Healthy Start Initiative - Eliminating Racial/Ethnic Disparities	93.926	H49MC27813		8,322
Total Health Resources and Services Administration (HRSA)				<u>1,404,764</u>
Pass-through Texas Health and Human Services Commission				
Family Violence Prevention and Services Act (FVPSA)	93.671		HHS00118000010	142,590
Pass-through Texas Department of Family & Protective Services				
Refugee Cash and Medical Assistance Program	93.566		1702TXRCMA	9,220
Refugee Cash and Medical Assistance Program	93.566		2302TXRCMA	158,244
Total Refugee Cash and Medical Assistance Program				<u>167,464</u>
Community-Based Child Abuse Prevention Grants	93.590		HHS000364300004	196,825
Community-Based Child Abuse Prevention Grants - COVID-19	93.590		HHS000332600010	280,753
Total Community-Based Child Abuse Prevention Grants				<u>477,578</u>

**BCFS Health and Human Services**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended August 31, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Maternal Infant and Early Childhood Home Visiting (MIECHV)	93.870		HHS001105400021	\$ 391,125
Temporary Assistance for Needy Families (TANF) Cluster Pass-through Texas Health and Human Services Commission Temporary Assistance for Needy Families - Family Violence Program Special Nonresidential Projects (PEAF)	93.558		HHS000679900002	17,218
Pass-through Texas Workforce Commission				
Temporary Assistance for Needy Families - Kerrville	93.558		2022TAN001	10,713
Temporary Assistance for Needy Families - San Antonio	93.558		2022TAN002	6,926
Temporary Assistance for Needy Families - Abilene	93.558		0922TAN001	12,931
Temporary Assistance for Needy Families - Corpus Christi	93.558		2222TAN001	10,871
Temporary Assistance for Needy Families - Tyler	93.558		0822TAN001	8,762
Temporary Assistance for Needy Families - McAllen	93.558		2322TAN001	13,494
Temporary Assistance for Needy Families - Harlingen	93.558		2422TAN001	8,186
Temporary Assistance for Needy Families - Kerrville	93.558		2023TAN001	135,135
Temporary Assistance for Needy Families - San Antonio	93.558		2023TAN002	126,357
Temporary Assistance for Needy Families - Abilene	93.558		0923TAN001	135,735
Temporary Assistance for Needy Families - Corpus Christi	93.558		2223TAN001	134,099
Temporary Assistance for Needy Families - Tyler	93.558		0823TAN001	124,829
Temporary Assistance for Needy Families - McAllen	93.558		2323TAN001	127,973
Temporary Assistance for Needy Families - Harlingen	93.558		2423TAN001	114,680
Total TANF Cluster				<u>987,909</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>197,160,352</u>
<b>U.S. Department of Treasury</b>				
Pass-through Texas Office of the Governor-Criminal Justice Division (CJD) Coronavirus State Fiscal Recovery Fund (Victims of Crime - SB8)	21.027	2021-CS-21027		<u>258,632</u>
<b>Total U.S. Department of Treasury</b>				<u>258,632</u>

**BCFS Health and Human Services**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended August 31, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Justice</b>				
Juvenile Mentoring Program	16.726	2020-JU-FX-0017		\$ 178,741
Children Exposed to Violence	16.818	2020-CV-FX-K001		<u>409,220</u>
Pass-through Texas Office of the Governor				
Crime Victim Assistance				
2018 ELTR: Emergency Residential Services for				
Common Thread - Consolidating	16.575		2020-V2-GX-0004	447,779
Common Thread - Consolidating	16.575		15POVC-21-GG-00600-ASSI	4,198,887
Peers Achieving Success Together (PAST)	16.575		2020-V2-GX-0004	10,171
Peers Achieving Success Together (PAST)	16.575		2021-CS-21027	116,252
Resiliency Through Healing	16.575		2020-V2-GX-0004	<u>40,130</u>
				<u>4,813,219</u>
Edward Byrne Memorial Justice Assistance Grant	16.738		2020-DJ-BX-0034	<u>46,377</u>
Services for Trafficking Victims	16.320		2020-VT-BX-K029	<u>290,592</u>
<b>Total U.S. Department of Justice</b>				<u>5,738,149</u>
<b>U.S. Department of Agriculture</b>				
Child Nutrition Program Cluster				
Pass-through Texas Department of Agriculture				
School Breakfast Program	10.553		01225	532,025
Pass-through California Department of Education				
School Breakfast Program	10.553		AA071Z	<u>681</u>
				532,706
Pass-through Texas Department of Agriculture				
National School Lunch Program	10.555		01225	864,705
National School Lunch Program - After School Snacks Program	10.555		01225	213,616
National School Lunch Program - Supply Chain Assistance	10.555		6TX300400	17,237
Pass-through California Department of Education				
National School Lunch Program	10.555		AA071Z	1,311
National School Lunch Program - After School Snacks Program	10.555		AA071Z	<u>153</u>
				1,097,022
Total Child Nutrition Cluster				<u>1,629,728</u>
Pass-through Texas Department of Agriculture				
Child Nutrition Discretionary Grants Limited Availability - Equipment Grant	10.579		01225	<u>14,383</u>
<b>Total U.S. Department of Agriculture</b>				<u>1,644,111</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 204,801,244</u>

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, 2023**

Grantor/Program Title	Grant Number	Federal Award Identification Number (FAIN)	Total State Expenditures
<b>State Awards</b>			
<b>State of Texas</b>			
Texas Department of Family & Protective Services			
Community Youth Development Program	HHS000841700010	2101TXFPSS	\$ 381,862
Family Based Safety Services (FBSS)	HHS000332600010		87,465
Early Childhood Systems Building (ECSB)	HHS000855300002/ HHS000332600010		100,666
Healthy Outcomes through Prevention & Early Support Program (HOPES I)	HHS000332600010	2001TXFFTA	1,229,737
Healthy Outcomes through Prevention & Early Support Program (HOPES II)	HHS000855300002	2001TXFFTA	519,672
			<u>1,749,409</u>
National Family Support Network (NFSN)	24555173		10,964
Family and Youth Success (FAYS)	24555173	2101TXFPSS	1,192,839
Enhanced Family Violence Services	HHS001102100032		185,879
<b>Total Texas Department of Family &amp; Protective Services</b>			<u>3,709,084</u>
Texas Office of the Governor			
Youth Averted From Delinquency (YAD)	2023-SF-ST-0015		72,950
<b>Total Texas Office of the Governor</b>			<u>72,950</u>
<b>Total State of Texas Awards</b>			<u>3,782,034</u>
<b>State of Louisiana</b>			
Louisiana Department of Children and Family Services			
Human Trafficking, Act 662 of the 2022 Regular Session of the Louisiana Legislature	2000730935		531,967
<b>Total State of Louisiana Awards</b>			<u>531,967</u>
<b>Total Expenditures of State Awards</b>			<u>\$ 4,314,001</u>

**BCFS Health and Human Services**  
**Notes to the Schedules of Expenditures of Federal and State Awards**  
**Year Ended August 31, 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, 2023. 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, 2023.



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## **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 the statement of financial position as of August 31, 2023, 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, 2024.

### ***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,LLP**

**San Antonio, Texas  
January 30, 2024**



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## **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, 2023. 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 and state programs for the year ended August 31, 2023.

#### ***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, and 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.

### **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.

Board of Directors  
BCFS Health and Human Services

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, LLP**

**San Antonio, Texas  
January 30, 2024**



**BCFS Health and Human Services**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2023**

8. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

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

*State Awards*

10. Internal control over major state awards program:

Significant deficiency(ies) identified?  Yes  None reported

Material weakness(es) identified?  Yes  No

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

Unmodified  Qualified  Adverse  Disclaimer

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

Yes  No

13. Identification of major state program:

<b>Name of State Program</b>
Family and Youth Success (FAYS)

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

**BCFS Health and Human Services**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2023**

**Section II – Financial Statement Findings**

Reference Number	Finding
No matters are reportable.	

**Section III – Federal Award Findings and Questioned Costs**

Reference Number	Finding
No matters are reportable.	

**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, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.



# **BCFS Health and Human Services**

## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

August 31, 2023





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## 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's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2022 through August 31, 2023. 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, 2022 through August 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. 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

For the categories below, FORVIS 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 Agreed-Upon Procedures 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 selected four additional accounts. Randomly select one from the fiscal period month (sample size was five accounts for August 2023), 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.
- 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) Non-Payroll 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 non-payroll 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 non-payroll 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 Bank Reconciliations procedure, randomly select five non-payroll-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 2023. 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 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. Observed 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 selected one payment from the fiscal year for each of the five contracts, obtained 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, 2023 through August 31, 2023. 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 procedure and discussed the results with management:

- a. Obtain and inspected the entity's most recent documentation that it has backed up its critical data and observe 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. Obtain and inspected the entity's most recent documentation that is 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. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. FORVIS 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 #9c. 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.

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*. 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, LLP**

San Antonio, Texas  
February 29, 2024