

**Houston Regional HIV/AIDS
Resource Group, Inc.**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORT**

December 31, 2019 and 2018



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Houston Regional HIV/AIDS Resource Group, Inc.
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December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Houston Regional HIV/AIDS Resource Group, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Houston Regional HIV/AIDS Resource Group, Inc. (The Resource Group), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston Regional HIV/AIDS Resource Group, Inc. as of December 31, 2019 and 2018, 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.

Other Matters

Our 2019 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state of Texas awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single Audit Circular*, 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020 on our consideration of Houston Regional HIV/AIDS Resource Group, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Houston Regional HIV/AIDS Resource Group, Inc.'s internal control over financial reporting and compliance.

Case, Riggs & Ingram, L.L.C.

Houston, Texas
October 12, 2020

Houston Regional HIV/AIDS Resource Group, Inc.
Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 963,570	\$ 1,177,937
Receivables from federal and state agencies	2,671,198	3,718,916
Advances to service providers	41,834	27,772
Prepaid expenses	4,725	4,271
<hr/>		
Total assets	\$ 3,681,327	\$ 4,928,896
<hr/>		
Liabilities		
Current liabilities		
Accounts payable to service providers	\$ 2,484,379	\$ 3,555,934
Accrued expenses	35,318	31,102
Deferred revenue	870,703	1,031,726
<hr/>		
Total current liabilities	3,390,400	4,618,762
Commitments and contingencies		
Net assets		
Without donor restrictions	290,927	310,134
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Total liabilities and net assets	\$ 3,681,327	\$ 4,928,896
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The accompanying notes are an integral part of these financial statements.

Houston Regional HIV/AIDS Resource Group, Inc.
Statements of Activities

<i>For the years ended December 31,</i>	2019	2018
Revenues and support		
Government grants, net	\$ 14,449,074	\$ 14,147,370
Other revenue	1,944	1,638
<hr/>		
Total revenues and support	14,451,018	14,149,008
Expenses		
Program services		
Allocations to service providers	13,158,654	12,936,813
Program administration	861,429	784,873
<hr/>		
Total program services	14,020,083	13,721,686
Support services		
Management and general	450,142	442,606
<hr/>		
Total expenses	14,470,225	14,164,292
<hr/>		
Change in net assets	(19,207)	(15,284)
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Net assets at beginning of year	310,134	325,418
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Net assets at end of year	\$ 290,927	\$ 310,134
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The accompanying notes are an integral part of these financial statements.

Houston Regional HIV/AIDS Resource Group, Inc.
Statements of Functional Expenses

<i>For the years ended December 31,</i>	2019			2018		
	Program Services	Management and General	Total Program and Support	Program Services	Management and General	Total Program and Support
Allocations to service providers	\$ 13,158,654	\$ -	\$ 13,158,654	\$ 12,936,813	\$ -	\$ 12,936,813
Salaries and related benefits	653,767	293,722	947,489	632,500	284,166	916,666
Professional fees	64,031	91,889	155,920	-	89,983	89,983
Rent	56,475	25,373	81,848	58,150	26,125	84,275
Travel and meetings	26,478	11,896	38,374	35,962	16,157	52,119
Equipment rental	5,276	2,371	7,647	5,695	2,559	8,254
Telephone	10,329	4,641	14,970	9,278	4,168	13,446
Insurance	8,299	3,729	12,028	7,502	3,370	10,872
Office supplies	8,236	3,700	11,936	8,186	3,678	11,864
Maintenance	26,953	12,109	39,062	24,836	11,158	35,994
Printing and miscellaneous expenses	644	289	933	1,860	836	2,696
Postage	941	423	1,364	904	406	1,310
	861,429	450,142	1,311,571	784,873	442,606	1,227,479
Total expenses	\$ 14,020,083	\$ 450,142	\$ 14,470,225	\$ 13,721,686	\$ 442,606	\$ 14,164,292

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

Houston Regional HIV/AIDS Resource Group, Inc.
Statements of Cash Flows

<i>For the years ended December 31,</i>	2019	2018
Operating activities		
Changes in net assets	\$ (19,207)	\$ (15,284)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Receivables from federal and state agencies	1,047,718	(101,758)
Advances to service providers	(14,062)	2,751
Prepaid expenses	(454)	(52)
Accounts payable to service providers	(1,071,555)	1,114,118
Accrued expenses	4,216	8,978
Deferred revenue	(161,023)	(987)
Net cash provided by (used in) operating activities	(214,367)	1,007,766
Change in cash and cash equivalents	(214,367)	1,007,766
Cash and cash equivalents at beginning of year	1,177,937	170,171
Cash and cash equivalents at end of year	\$ 963,570	\$ 1,177,937

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

Houston Regional HIV/AIDS Resource Group, Inc. Notes to the Financial Statements

Note 1: DESCRIPTION OF ORGANIZATION

Houston Regional HIV/AIDS Resource Group, Inc. (The Resource Group), is a Texas nonprofit corporation. The Resource Group is the primary administrative agency for the distribution of governmental funding for HIV/AIDS programs in Southeast Texas. In cooperation with private health care agencies, service providers and other community organizations, The Resource Group seeks to maximize all possible medical, psychosocial and educational resources to help persons affected by or at risk of HIV/AIDS.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Considerations

The Resource Group's financial instruments (primarily cash and cash equivalents, receivables, and various liabilities) are carried in the accompanying statements of financial position at amounts which reasonably approximate fair value.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, The Resource Group defines cash equivalents as short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less.

Accounts Receivable and Allowance for Uncollectable Accounts

Accounts receivable consist of grants from federal and state agencies. An allowance for doubtful accounts is provided for when it is believed they may not be collected in full. In evaluating the collectability of the receivable balance, The Resource Group uses a combination of historical loss experience and an agency by agency analysis of the outstanding balance. For the years ended December 31, 2019 and 2018, management did not record an allowance for doubtful accounts.

Houston Regional HIV/AIDS Resource Group, Inc. Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances to Service Providers

Under certain circumstances, The Resource Group will advance funds to service providers before they are due. These funds are prepayments under contracts with the service providers and are classified as advances to service providers in the accompanying statements of financial position. As service providers utilize the funds and report to The Resource Group, the advances are recorded as allocations to service providers in the accompanying statements of activities.

Property and Equipment

Property and equipment are stated at cost, or in the case of donated property, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which management has determined to be five years. Property and equipment held by The Resource Group was fully depreciated at December 31, 2019 and 2018.

Net Assets

The Resource Group reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of The Resource Group, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Resource Group had no net assets with donor restrictions as of December 31, 2019 and 2018.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

The Resource Group receives federal and state awards and passes through a portion of these awards to subrecipients. The federal and state award stipulations were met during the year; therefore, all net assets at year-end are reported as net assets without donor restrictions.

Houston Regional HIV/AIDS Resource Group, Inc. Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Resource Group's revenues are primarily derived from federal and state grants, which are conditioned upon certain performance requirements and/or occurrence of allowable qualifying expenses. Amounts received are recognized as revenue when The Resource Group has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Resource Group received cost-reimbursable grants of \$7,115,138 and \$7,851,141 that have not been recognized at December 31, 2019 and 2018, respectively, because qualifying expenditures have not yet been incurred, with an advance payment of \$870,703 and \$1,031,726, respectively, recognized in the statement of financial position as a deferred revenue.

Functional Expenses

The cost of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. The majority of expenses can generally be directly identified to the program or supporting services to which they relate and are charged accordingly. All expenses except allocations to service providers and professional fees have been allocated among program and supporting services benefited based on management's estimates of time and effort.

Federal Income Taxes

The Resource Group is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(a)(1) and Section 170(b)(1)(A)(vi).

The Resource Group accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2019 and 2018, management believes there were no uncertain tax positions.

Subsequent Events

The Resource Group has evaluated subsequent events through the date the financial statements are available to be issued, October 12, 2020. See Note 10 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Houston Regional HIV/AIDS Resource Group, Inc. Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Financial Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which The Resource Group serves as a resource recipient for fiscal years beginning after December 15, 2018. Thus, on January 1, 2019, The Resource Group applied the provisions of this ASU on a modified prospective basis, which did not result in a material impact to the financial statements.

Recent Financial Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Resource Group is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

As a grant administration agency, The Resource Group is primarily grant-funded for its operations, which consist of operational expenses and pass-throughs to subcontractors providing direct client services. The Resource Group regularly monitors liquidity required to meet its operating needs. The Resource Group receives two grant advances per year to ensure cash reserves to cover at least 30 days of expenses, since during the grant cycle reimbursements are received for submitted expenses already incurred. The cash reimbursement process normally has a turn-around time of under 60 days. Funds are not released to subcontractors until The Resource Group has received reimbursement. The Resource Group also receives donations which are used for non-grant related expenses. These expenses are not incurred unless funds are available to cover them.

Financial assets available for expenditure consist of the following:

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$ 963,570	\$ 1,177,937
Receivables from federal and state agencies	2,671,198	3,718,916
	\$ 3,634,768	\$ 4,896,853

Houston Regional HIV/AIDS Resource Group, Inc.
Notes to the Financial Statements

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

<i>December 31,</i>	2019	2018
Grant funds earned, applied for by year end	\$ 2,397,946	\$ 3,142,390
Grant funds earned, unapplied for by year end	273,252	576,526
	\$ 2,671,198	\$ 3,718,916

Note 5: GOVERNMENT GRANTS

Revenue from government grants included the following:

<i>For the years ended December 31,</i>	2019	2018
U.S. Department of Health and Human Services	\$ 8,949,510	\$ 8,448,917
Texas Department of Health	4,293,435	4,658,695
U.S. Department of Housing and Urban Development	1,200,129	1,036,184
Miscellaneous grants, grant adjustments and refunds in current year	6,000	3,574
	\$ 14,449,074	\$ 14,147,370

Note 6: CONCENTRATIONS OF CREDIT RISK

At various times during the year, The Resource Group may have bank deposits in excess of Federal Deposit Insurance Corporation insurance limits of \$250,000 per institution. Management believes any credit risk is low due to the overall financial strength of the financial institutions.

The Resource Group receives all of its support from federal and state agencies. Such concentrations may make The Resource Group vulnerable in the event of a loss, or significant reduction, in governmental funding for HIV/AIDS programs.

Note 7: COMMITMENTS AND CONTINGENCIES

Government Grants

Federal and state grants require the fulfillment of certain conditions as set forth by the grant documents. Under the terms of certain contracts, funding agencies have the right to audit program services provided and expenditures claimed. As of year-end, various contracts remain subject to such review. Failure to fulfill the terms and conditions of the grants could result in the return of funds to the grantors. There were no grant adjustments during the years ended December 31, 2019 and 2018.

Houston Regional HIV/AIDS Resource Group, Inc.
Notes to the Financial Statements

Note 7: COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments

The Resource Group leases office space and certain equipment under noncancelable operating leases expiring through November 2021. Rent expense totaled \$89,495 and \$92,529 for the years ended December 31, 2019 and 2018, respectively. Future minimum lease payments required under the leases are as follows:

<i>Years ending December 31,</i>	
2020	\$ 82,013
2021	75,179
	\$ 157,192

Note 8: EMPLOYEE BENEFIT PLANS

Effective January 1, 2011, The Resource Group established a defined contribution retirement plan named The Resource Group 401(k) Plan (the Plan). The Plan covers substantially all employees of The Resource Group, and allows for pre-tax 401(k), Roth deferrals and rollover contributions, as allowed by law, after the completion of one year of service. The Resource Group will make a Safe Harbor non-elective contribution to the account of each eligible participant equal to three percent (3%) of the employee’s compensation for the plan year. The Resource Group may match up to six percent (6%) of the elective participant’s deferrals and make discretionary profit sharing contributions. For the years ended December 31, 2019 and 2018, The Resource Group made a Safe Harbor contribution in the amount of \$20,073 and \$18,467, respectively. Employer contributions are vested to the participants based on years of service. Participants are fully vested after six years.

Note 9: INSURANCE IN EFFECT

During the year ended December 31, 2019, The Resource Group had the following insurance policies in effect:

Insurance type:	Coverage:
Workers Compensation	\$100,000 coverage for bodily injury by disease and by accident or employee and \$500,000 limit for bodily injury by disease.
Commercial	\$1,000,000 general aggregate limits of liability; \$1,000,000 bodily injury and property damage liability limit on any one occurrence subject to the general aggregate limits of liability; \$100,000 due to damage to premises that are rented; \$1,000,000 personal and advertising injury liability; \$5,000 in medical payments with any one person subject to general aggregate limits.

Houston Regional HIV/AIDS Resource Group, Inc.
Notes to the Financial Statements

Note 9: INSURANCE IN EFFECT (Continued)

Insurance type:	Coverage:
Business Property	\$20,200 personal property; \$5,000 business income and extra expense coverage.
Long-Term Disability	Monthly benefit equal to 60% of monthly earnings to a maximum of \$5,000 after a 90 day waiting period.
Directors and Officers	\$7,000,000 limit of liability for directors and officers liability.
Employee Practices	\$2,000,000 limit of liability for employee practices liability.

Note 10: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2019 through October 12, 2020, the date The Resource Group's financial statements were available to be issued.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of The Resource Group. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

SINGLE AUDIT

Houston Regional HIV/AIDS Resource Group, Inc.
Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-through Grantor/Program Title/Period	CFDA Number	Pass-through Grantor's I.D. Number	Program or Award Amount	2019 Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development					
Passed through Texas Department of State Health Services:					
Housing Opportunities for Persons with AIDS					
02/01/18 to 08/31/20	14.241	537-17-0195-00001	\$ 3,211,116	\$ 1,200,129	\$ 1,200,129
Total U.S. Department of Housing and Urban Development			3,211,116	1,200,129	1,200,129
U.S. Department of Health and Human Services					
Passed through Health Resources and Services Administration:					
Coordinated Services and Access to Research for Women, Infants, Children, Youth and Families					
Ryan White Title D					
08/01/18 to 07/31/19	93.153	H12HA24804-07-00	887,818	432,043	338,298
08/01/19 to 07/31/20	93.153	H12HA24804-08-00	887,818	238,925	179,357
			1,775,636	670,968	517,655
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease					
Ryan White Title C					
05/01/18 to 04/30/19	93.918	H76HA00684-19-01	830,438	327,801	256,899
05/01/19 to 04/30/20	93.918	H76HA00684-20-00	830,438	450,700	357,489
			1,660,876	778,501	614,388

See Independent Auditors' Report and accompanying notes to the schedules of expenditures of federal and state of Texas awards.

**Houston Regional HIV/AIDS Resource Group, Inc.
Schedule of Expenditures of Federal Awards (Continued)**

Federal Grantor/Pass-through Grantor/Program Title/Period	CFDA Number	Pass-through Grantor's I.D. Number	Program or Award Amount	2019 Expenditures	Expenditures to Subrecipients
Passed through Texas Department of State Health Services:					
HIV Care Formula Grants					
Ryan White Title B					
04/01/18 to 03/31/20	93.917	537-17-0196-00001	\$ 14,134,449	\$ 7,500,041	\$ 6,740,286
Total U.S. Department of Health and Human Services			17,570,961	8,949,510	7,872,329
Total expenditures of federal awards			\$ 20,782,077	\$ 10,149,639	\$ 9,072,458

See Independent Auditors' Report and accompanying notes to the schedules of expenditures of federal and state of Texas awards.

**Houston Regional HIV/AIDS Resource Group, Inc.
Schedule of Expenditures of State of Texas Awards**

State Grantor/Pass-through Grantor/Program Title/Period	CFDA Number	Pass-through Grantor's I.D. Number	Program or Award Amount	2019 Expenditures	Expenditures to Subrecipients
Texas Department of State Health Services					
State HIV Services Grants 09/01/18 to 08/31/20	N/A	537-18-0097-00001	\$ 7,792,188	\$ 3,673,200	\$ 3,673,200
Ryan White Title B 04/01/17 to 03/31/19	N/A	537-17-0196-00001	1,891,587	620,235	412,996
Total expenditures of state of Texas awards			\$ 9,683,775	\$ 4,293,435	\$ 4,086,196

See Independent Auditors' Report and accompanying notes to the schedules of expenditures of federal and state of Texas awards.

Houston Regional HIV/AIDS Resource Group, Inc.

Notes to the Schedules of Expenditures of Federal and State of Texas Awards

Note 1: BASIS OF PRESENTATION OF SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE OF TEXAS AWARDS

The accompanying Schedules of Expenditures of Federal and State of Texas Awards (the Schedules) present the Federal and State of Texas program fund expenditures of all Federal and State of Texas award programs of Houston Regional HIV/AIDS Resource Group, Inc. (The Resource Group) for the year ended December 31, 2019. 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) and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of The Resource Group's financial statements.

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 as found in the Uniform Guidance for federal awards and *Uniform Grant Management Standards* for state of Texas awards.

The Resource Group has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. In addition, The Resource Group did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended December 31, 2019.

Note 3: RELATIONSHIP TO FINANCIAL REPORTS SUBMITTED TO GRANTOR AGENCIES

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals included in the next report filed with the agencies, matching requirements not included in the Schedules of Expenditures of Federal and State of Texas Awards and different program year ends.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Houston Regional HIV/AIDS Resource Group, Inc.
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Houston Regional HIV/AIDS Resource Group, Inc. (The Resource Group), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Resource Group's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Resource Group's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Resource Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
October 12, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Directors
Houston Regional HIV/AIDS Resource Group, Inc.
Houston, Texas

Report on Compliance for each Major Federal and State Program

We have audited Houston Regional HIV/AIDS Resource Group, Inc.'s (The Resource Group) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of The Resource Group's major federal and state programs for the year ended December 31, 2019. The Resource Group's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of The Resource Group's compliance.

Opinion on Each Major Federal and State Program

In our opinion, The Resource Group complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Case, Riggs & Ingram, L.L.C.

Houston, Texas
October 12, 2020

Houston Regional HIV/AIDS Resource Group, Inc. Schedule of Findings and Questioned Costs

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to financial statements noted? | No |

Federal Awards and State of Texas Awards

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and the <i>State of Texas Single Audit Circular</i> ? | No |

4. Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.917	HIV Care Formula Grants
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
<u>Grantor Number</u>	<u>Name of State Program</u>
n/a	State HIV Services Grant
n/a	HIV Care Formula Grants

5. Dollar threshold used to distinguish between type A and type B programs:

Federal	\$750,000
State	\$300,000

- | | |
|--|-----|
| 6. Auditee qualified as low risk federal auditee? | Yes |
| 7. Auditee qualified as low risk State of Texas auditee? | Yes |

**Houston Regional HIV/AIDS Resource Group, Inc.
Schedule of Findings and Questioned Costs (Continued)**

SECTION II: FINANCIAL STATEMENT FINDINGS

None for the year ended December 31, 2019

SECTION III: FEDERAL AND STATE OF TEXAS AWARD FINDINGS AND QUESTIONED COSTS

None for the year ended December 31, 2019

SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS

None for the year ended December 31, 2018