



Audited Financial Statements  
and  
Single Audit Reports  
December 31, 2019

# MHP SALUD

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
MHP Salud

### **Report on the Financial Statements**

We have audited the accompanying financial statements of MHP Salud (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

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

## ***Report on Summarized Comparative Information***

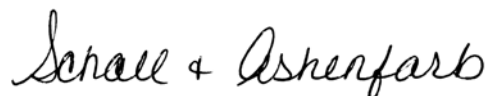
We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



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Schall & Ashenfarb  
Certified Public Accountants, LLC

June 18, 2020

**MHP SALUD**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2019**  
(With comparative totals at December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
<b>Assets</b>		
Cash and cash equivalents	\$940,977	\$1,049,748
Government grants receivable	675,871	629,569
Prepaid expenses and other assets	106,943	78,172
Total assets	<u>\$1,723,791</u>	<u>\$1,757,489</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$139,773	\$104,361
Deferred revenue	0	210,524
Total liabilities	<u>139,773</u>	<u>314,885</u>
Net assets:		
Without donor restrictions	1,227,190	1,442,604
With donor restrictions (Note 5)	356,828	0
Total net assets	<u>1,584,018</u>	<u>1,442,604</u>
Total liabilities and net assets	<u>\$1,723,791</u>	<u>\$1,757,489</u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**MHP SALUD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With comparative totals for the year ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/19</u>	<u>Total 12/31/18</u>
<b>Without Donor Restrictions:</b>				
Public support and revenue:				
Government grants	\$3,600,587		\$3,600,587	\$3,801,744
Contributions	1,990	\$762,794	764,784	296,200
Interest	121		121	116
Other income	54,511		54,511	0
Net assets released from restrictions (Note 5)	405,966	(405,966)	0	46,702
Total public support and revenue	<u>4,063,175</u>	<u>356,828</u>	<u>4,420,003</u>	<u>4,144,762</u>
Expenses:				
Program services	3,256,988		3,256,988	3,244,476
Supporting services:				
Management and general	969,283		969,283	753,869
Fundraising	52,318		52,318	33,887
Total expenses	<u>4,278,589</u>		<u>4,278,589</u>	<u>4,032,232</u>
Change in net assets	(215,414)	356,828	141,414	112,530
Net assets - beginning of year	<u>1,442,604</u>		<u>1,442,604</u>	<u>1,330,074</u>
Net assets - end of year	<u><u>\$1,227,190</u></u>	<u><u>\$356,828</u></u>	<u><u>\$1,584,018</u></u>	<u><u>\$1,442,604</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**MHP SALUD**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With comparative totals for the year ended December 31, 2018)

	<u>Supporting Services</u>			<u>Total Expenses 12/31/19</u>	<u>Total Expenses 12/31/18 *</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$1,855,819	\$518,355	\$38,281	\$2,412,455	\$2,184,666
Employee benefits	<u>704,291</u>	<u>140,013</u>	<u>12,151</u>	<u>856,455</u>	<u>798,064</u>
Total salaries and benefits	2,560,110	658,368	50,432	3,268,910	2,982,730
Professional fees		119,234		119,234	76,976
Supplies	174,830	9,365	253	184,448	134,444
Equipment	14,281	5,870		20,151	33,341
Contracted services	183,253			183,253	276,357
Insurance		10,178		10,178	12,851
IT and technology	91,971	21,588	1,031	114,590	103,216
Occupancy	15,123	50,523	97	65,743	57,100
Travel	203,827	65,000		268,827	321,875
Staff development and recruitment	7,793	10,003	8	17,804	17,109
Other	<u>5,800</u>	<u>19,154</u>	<u>497</u>	<u>25,451</u>	<u>16,233</u>
Total	<u><u>\$3,256,988</u></u>	<u><u>\$969,283</u></u>	<u><u>\$52,318</u></u>	<u><u>\$4,278,589</u></u>	<u><u>\$4,032,232</u></u>

\* - Reclassified for comparative purposes

*The attached notes and auditor's report are an integral part of these financial statements.*

**MHP SALUD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With comparative totals for the year ended December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Cash flows from operating activities:		
Change in net assets	\$141,414	\$112,530
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(46,302)	586,559
Prepaid expenses and other assets	(28,771)	(9,352)
Accounts payable and accrued expenses	35,412	(51,819)
Deferred revenue	(210,524)	(39,476)
Total adjustments	<u>(250,185)</u>	<u>485,912</u>
Net cash (used for)/provided by operating activities/net (decrease)/increase in cash and cash equivalents	(108,771)	598,442
Cash and cash equivalents - beginning of year	<u>1,049,748</u>	<u>451,306</u>
Cash and cash equivalents - end of year	<u><u>\$940,977</u></u>	<u><u>\$1,049,748</u></u>
 Supplemental disclosure:		
Taxes and interest paid	<u>\$0</u>	<u>\$0</u>

*The attached notes and auditor's report are an integral part of these financial statements.*



**MHP SALUD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 1 - Organization**

MHP Salud (the “Organization”) is a nonprofit organization that implements community health worker programs to empower underserved Latino communities and promote culturally appropriate strategies to improve its client’s health and well-being. The Organization’s programs primarily operate in Florida, Michigan, Ohio, Washington, and Texas and provide peer health education, increase access to health resources and bring community members together with health providers, employers and policymakers to create positive change. The Organization’s community leaders provide the inspiration, direction and vision necessary to build stronger and healthier communities from within.

For the year ended December 31, 2019, the Organization had the following grants:

1. US Department of Health and Human Services - Tech Assist to Community & Migrant Health Centers & Homeless/Capacity Building Assistance (2018-2019)
2. US Department of Health and Human Services - Tech Assist to Community & Migrant Health Centers & Homeless/Capacity Building Assistance (2019-2020)
3. US Department of Justice – Un Nuevo Manana
4. US Department of Justice – El Arte de Sobrevivir
5. US Department of Justice – Voces Unidas
6. US Department of Justice – ALMA
7. US Department of Justice – El Arte de Sobrevivir Orange Co.
8. US Department of Health and Human Services - Navigator (2018-2019)
9. US Department of Health and Human Services - Navigator (2019-2020)
10. US Department of Health and Human Services - Connecting Kids to Coverage (2019-2020)
11. Ohio Department of Health – SASP
12. Ohio Department of Public Safety - VAWA
13. Texas Health and Human Services Commission – SNAP ED
14. Blue Cross Blue Shield of Texas Foundation – Vivir una Vida Plena
15. Valley Baptist Legacy Foundation – Mentas Fuertes, Pasos Firmes

The Organization has been notified by the Internal Revenue Service that it is a not-for-profit entity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

**Note 2 - Significant Accounting Policies**

a. Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

Effective January 1, 2019 the Organization adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue.

Also, effective January 1, 2019, the Organization adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Organization evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Organization applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

For contributions, the Organization evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Organization to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Accordingly, the Organization's deferred revenue decreased by \$356,828 and contributions increased by the same amount due to management's further interpretation of the Organization's conditional grants in accordance with the adoption of ASU 2018-08.

b. Basis of Presentation

The Organization's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

The Organization has adopted Topic 606 using the modified retrospective method applied to all contracts after January 1, 2019 and continues to use legacy GAAP for all contracts before January 1, 2019.

The Organization analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

Training and consulting services for community health worker programs fall under Topic 606 that have been included with other income in the statement of activities are recognized as the performance obligation is satisfied and services provided. Training and consulting services fees that have yet to be collected at year end are reflected as accounts receivable whereby fees collected in advance of being earned are reflected as deferred revenue.

Revenue from non-exchange transactions may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right of return of payments or release from obligations.

The Organization's government grants are primarily conditional non-exchange transactions and fall under the scope of Topic 605. Revenue from these transactions are recognized when qualifying expenditures are incurred, performance related outcomes are achieved and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes outlined above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Based on a review of outstanding receivables and historical experience, management expects all receivables to be collected and has not established an allowance for doubtful accounts. All government grants receivable at December 31, 2019 are expected to be received in less than one year.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes.

e. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash, money market accounts, and investment securities which are placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, balances were in excess of insured amounts. The Organization did not suffer any losses due to bank failure.

f. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

g. Fixed Assets

Equipment and furniture that exceed \$2,000 and that have a useful life of greater than one year are recorded at cost or at fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset, as follows:

Computer equipment – 5 years

Furniture and fixtures – 5 years

Leasehold improvements – 5 years

h. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Employee benefits

All other expenses have been charged directly to the applicable program or supporting services.

i. Advertising

Advertising costs are expensed as incurred.

j. Donated Goods and Services

Donated services are recognized in circumstances where the service creates or enhances a non-financial asset or where those services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

k. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2016 and later are subject to examination by applicable taxing authorities.

l. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

m. New Accounting Pronouncement

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact this standard will have on future financial statements.

**Note 3 - Operating Leases**

The Organization has offices in Texas and Michigan under non-cancelable leases that expire at various dates through October 31, 2020.

Minimum future obligations for all commitments are as follows:

Year ending:	2020	<u>\$46,900</u>
Total		<u>\$46,900</u>

Total rent expense was \$56,450 and \$46,277 for the years ended December 31, 2019 and 2018, respectively.

**Note 4 - Retirement Plans**

The Organization maintains a 401(k) retirement plan with both employer and employee contributions. The Organization's contributions to the retirement plan totaled \$204,661 and \$188,016 for the years ended December 31, 2019 and 2018, respectively.

**Note 5 - Net Assets With Donor Restrictions**

Activity in the class of net assets with donor restrictions is as follows:

	<u>December 31, 2019</u>			
	Beginning Balance <u>1/1/19</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/19</u>
Program restricted:				
Live a Fulfilling Life	\$0	\$312,010	(\$162,010)	\$150,000
Strong Minds, Firm Steps	<u>0</u>	<u>450,784</u>	<u>(243,956)</u>	<u>206,828</u>
Total program restricted	<u>\$0</u>	<u>\$762,794</u>	<u>(\$405,966)</u>	<u>\$356,828</u>

There was no activity in the class of net assets with donor restrictions during the year ended December 31, 2018.

**Note 6 - Availability and Liquidity**

Financial assets at December 31, 2019 available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$940,977	
Government grants receivable	<u>675,871</u>	
Total financial assets		\$1,616,848
Less amounts not available to be used within one year:		
Program restricted contributions		<u>(356,828)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$1,260,020</u>

The Organization regularly monitors liquidity to meet its operating needs. The Organization attempts to operate with a balanced budget and anticipates collecting sufficient revenue from current year and future year government and other grants to cover general expenditures.

**Note 7 - Subsequent Events**

Management has evaluated the impact of all subsequent events through June 18, 2020 which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Organization's donors, members, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for the Organization's services and harm the Organization's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on the Organization's business cannot be quantified.

**MHP SALUD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Grantor	Federal CFDA #	Grant Number	Federal Expenditures **
<b><u>U.S. Department of Health and Human Services:</u></b>			
Technical and Non-Financial Assistance to Health Centers, direct	93.129	U30CS09744	\$650,016
Children's Health Insurance Program, direct	93.767	1Y1CMS331694-01-00	178,829
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges, direct	93.332	6 NAVCA180311-01-01/ 6 NAVCA190367-01-01	<u>957,191</u>
Total U.S. Department of Health and Human Services			<u><b>1,786,036</b></u>
<b><u>U.S. Department of Agriculture:</u></b>			
SNAP Cluster ***			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, pass-through the Texas Health and Human Services Commission	10.561	529-17-0046-00001	<u>1,067,244 *</u>
Total U.S. Department of Agriculture			<u><b>1,067,244</b></u>
<b><u>U.S. Department of Justice</u></b>			
Grants to Enhance Culturally Specific Services for Victims of Sexual Assaults, Domestic Violence, Dating Violence and Stalking Assistance Program , direct	16.016	2017-UW-AX-0018	180,252
Sexual Assault Services Culturally Specific Program, direct	16.023	2016-KS-AX-0006	56,489
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program, direct	16.589	2016-WR-AX-0040	151,866
Grants for Outreach and Services to Underserved Populations, direct	16.889	2016-UD-AX-0002	141,307
Crime Victim Assistance/Discretionary Grants, direct	16.582	2018-V3-GX-K052	85,364
Sexual Assault Services Formula Program, pass-through the Ohio Department of Health	16.017	09960032SA0319	100,000
Violence Against Women Formula Grants, pass-through the Ohio Department of Public Safety	16.588	2018-WF-VA5-8942	<u>32,031</u>
Total U.S. Department of Justice			<u><b>747,309</b></u>
<b>Total Federal Expenditures</b>			<u><b>\$3,600,589</b></u>

\*Indicates a major program.

\*\*No programs used subrecipients.

\*\*\* This program was part of the SNAP Cluster:

CFDA 10.551 Supplemental Nutrition Assistance Program (SNAP)

CFDA 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

**MHP SALUD**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2019**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of MHP Salud (the "Organization") under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule of Federal Awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB's *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Under federal cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 - Sub-Recipients**

There were no amounts provided to subrecipients from federal awards received during the year ended December 31, 2019.

**Note 4 - Indirect Cost Rate**

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance as it has a negotiated indirect cost rate.

**Note 5 - Ohio Department of Health award**

The Organization received Sexual Assault Services Formula Program award passed through the Ohio Department of Health in the amount of \$100,000 for the year ended December 31, 2019. \$64,956 was received during the year and \$35,044 was due from the Ohio Department of Health at year end.



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

To the Board of Trustees of  
MHP Salud

**Report on the Financial Statements**

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 MHP Salud (the "Organization") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 18, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

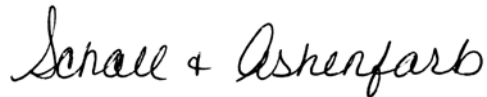
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Organization's financial statements are free of 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 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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Schall & Ashenfarb  
Certified Public Accountants, LLC

June 18, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of  
MHP Salud

**Report on Compliance for Each Major Federal Program**

We have audited MHP Salud's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

## Report on Internal Control over Compliance

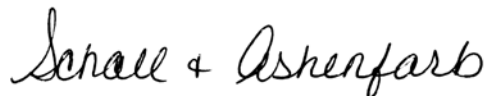
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-01 that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Schall & Ashenfarb  
Certified Public Accountants, LLC

June 18, 2020

**MHP SALUD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	UNMODIFIED
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency identified Not considered to be material weaknesses?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency identified Not considered to be material weaknesses?	<u>X</u> Yes     ___ No

Type of auditor’s report issued on compliance for major programs:	UNMODIFIED
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 516(a)?	___ Yes <u>X</u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.561</u>	<u>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> Yes     ___ No

**MHP SALUD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Section II – Financial Statement Findings**

Current Year:

None

Prior Year Follow-Up:

None

**MHP SALUD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**2019-001 – Procurement**

Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Sponsor Award Number: 529-17-0046-00001

Sponsor Agency: Texas Health and Human Services Commission

Criteria: The final regulations of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (“UG”) made substantial changes to the cost principles related to procurement effective for the December 31, 2019 year. Under the UG, there are several new methods that must be followed:

- Micro purchases, which apply to goods and services less than \$10,000, do not require competitive quotes but does require attempts at equitable distribution to avoid all purchases from the same vendor.
- Small purchases, which apply to goods and services directly charged to federal awards that are more than \$10,000 but below the Simplified Acquisition Threshold (\$250,000), require multiple rate quotes from qualified sources.
- Sealed bids when services are above the \$250,000 level and which are most applicable for construction.
- Competitive proposals to be used when sealed bids are not practical.

There are 5 standards that an organization must comply with regardless of which procurement method is used:

- Written procedures,
- Expenses must be necessary and reasonable,
- Subject to open competition,
- Code of conduct and conflict of interest policies must be adhered to, and
- Contain proper documentation including the detail of the purchase transaction, support of the procurement method used and the basis of the award and price.

Citation: 2 CFR 200.320

Condition: The Organization’s procurement policy did not contain the criteria outlined in the regulation.

Cause: The Organization did not update the procurement policy to be in line with the new requirements under Uniform Guidance.

Effect: There is a risk that purchases will be made that do not contain the proper bids or be documented in a manner that is consistent with federal guidelines.

Questioned Costs: None.

Context: The policy did not contain all the criteria for procurement thresholds above the micro purchase level.

Repeat Finding: No

Recommendation: We recommend that management make changes to the current policy to be consistent with the federal requirements.

Views of Responsible Officials: See Corrective Action Plan attached.





OUTCOMES-DRIVEN  
EXPERIENCED  
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[mhpsalud.org](http://mhpsalud.org)

Finding: 2019-001 – Procurement

Agency: MHP Salud

Responsible Official: Brynna Burguard, Chief Allocation and Resources Officer

Anticipated Completion Date: 6/30/2020

Agency's Response: Concur

MHP Salud agrees with this finding and will implement the following:

- Modify the Purchasing and Procurement policy within the MHP Salud Finance Manual to align with all federal requirements
- Develop a Procurement Pre-Authorization Procedure to accompany the Purchasing and Procurement policy outlined in the MHP Salud Finance Manual and support the proactive monitoring of adherence to all procurement guidelines before purchases are made
- Distribute the updated policy and new procedure
- Provide training on the updated policy and new procedure