

**WOMEN'S HEALTH AND
FAMILY PLANNING
ASSOCIATION OF TEXAS**

**Financial Statements and
Supplementary Information
as of and for the Year Ended
March 31, 2017 and
Independent Auditors' Report**

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION:	
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 <i>Government Auditing Standards</i>	11
Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	13
Schedule of Expenditures of Federal Awards	16
Notes to the Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Questioned Costs	19
Schedule of Corrective Action Plan (Auditee Prepared)	22
Schedule of Prior Year Finding (Auditee Prepared)	23



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Women's Health and Family Planning Association of Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of Women's Health and Family Planning Association of Texas ("WHFPT") (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities 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.

Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 WHFPT as of March 31, 2017, 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.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of WHFPT'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 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 WHFPT's internal control over financial reporting and compliance.

Substantial Doubt about WHFPT's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that WHFPT will continue as a going concern. As discussed in Note 1 to the financial statements, WHFPT is uncertain whether it will receive a fiscal year 2019 award of a Title X federal grant from the Department of Health and Human Services, which currently comprises substantially all of WHFPT's revenue. This raises substantial doubt about WHFPT's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Maxwell Locke + Ritter LLP

Austin, Texas
December 8, 2017

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

ASSETS

Cash and cash equivalents	\$ 106,579
Grants receivable	605,285
Amounts due from subrecipients	976,177
Other assets	<u>21,623</u>

TOTAL ASSETS \$ 1,709,664

LIABILITIES AND UNRESTRICTED NET ASSETS

LIABILITIES

Accounts payable	\$ 21,162
Amounts due to subrecipients	1,595,620
Accrued liabilities	<u>32,825</u>
Total liabilities	1,649,607

UNRESTRICTED NET ASSETS 60,057

TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS \$ 1,709,664

See notes to financial statements.

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2017

REVENUES:

Government grants	\$ 14,451,843
Contributions	22,733
Interest income	<u>623</u>
Total revenues	14,475,199

EXPENSES:

Program funds and administration	12,948,238
Employee compensation	1,082,540
Travel and meetings	174,109
Facilities and equipment rental	91,418
Supplies	41,527
Professional services	72,776
Other expenses	<u>35,076</u>
Total expenses	<u>14,445,684</u>

CHANGE IN UNRESTRICTED NET ASSETS 29,515

UNRESTRICTED NET ASSETS, beginning of year 30,542

UNRESTRICTED NET ASSETS, end of year \$ 60,057

See notes to financial statements.

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in unrestricted net assets	\$ 29,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities that provided (used) cash:	
Grants receivable	(153,575)
Amounts due from subrecipients	519,633
Other assets	(8,857)
Accounts payable	(363,185)
Amounts due to subrecipients	75,875
Accrued liabilities	9,757
Deferred grant revenue	<u>(26,380)</u>
Net cash provided by operating activities	82,783
CASH AND CASH EQUIVALENTS, beginning of year	<u>23,796</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 106,579</u></u>

See notes to financial statements.

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

1. HISTORY AND PURPOSE

The Women's Health and Family Planning Association of Texas ("WHFPT") is a 501(c)(3) nonprofit organization founded in 1977, dedicated to the idea that Texans, regardless of financial or insurance status, should have equal access to high-quality reproductive services and control over the timing and spacing of their children. In early 2013, WHFPT became the sole Title X grantee for the state of Texas.

Title X is the only program in Texas through which minors can receive confidential family planning services. Core Title X family planning services include reproductive life plan counseling (or education on pregnancy planning or prevention), contraceptive services, pregnancy testing and counseling, help achieving pregnancy, basic infertility services, HIV screening, STI testing and treatment and preconception health services.

During the four years since WHFPT has been the Title X grantee, the number of women, adolescents and men served through Title X in Texas grew from approximately 115,000 to over 183,000. WHFPT funded 28 agencies and 94 service sites across the 2016-2017 grant year.

WHFPT is uncertain whether it will receive a fiscal year 2019 award of a Title X federal grant from the Department of Health and Human Services, which currently comprises substantially all of WHFPT's revenue. Management plans to meet its obligations by applying for the Title X grant as well as grants from other organizations. However, failure to obtain the Title X award or other grants in a timely manner raises substantial doubt about WHFPT's ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid.

Classification of Net Assets - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of WHFPT and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. WHFPT did not have any temporarily restricted net assets as of March 31, 2017.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. WHFPT has not received any permanently restricted contributions.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents - WHFPT considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Grants Receivable - Grants receivable are recorded at the amount WHFPT expects to receive from the grantor. No amount of allowance for uncollectible grants receivable has been recorded, as historically, WHFPT has not experienced uncollectible amounts.

Amounts Due From and To Subrecipients - Annually WHFPT reconciles the actual performance of health services provided by subrecipients to the estimated services stipulated in their original annual contracts. The estimated health services create the basis for subrecipient payments disbursed annually. Once the annual reconciliations are complete, WHFPT settles with underperformers to withhold funds from their award in the following year to satisfy any liability for their underperformance to date. These funds are recorded as amounts due from subrecipients in the statement of financial position. WHFPT also settles with overperformers who exceeded estimated health services by agreeing to additional distributions to be made either from (1) funds collected from underperformers or (2) additional original grant funding available. These amounts are recorded as amounts due to subrecipients in the statement of financial position. Payments to subrecipients are recorded as expenditures in the statement of activities when distributed as agreed to through contracts with subrecipients.

Property and Equipment - Property and equipment, included in other assets on the statement of financial position, consists of a leasehold improvement. WHFPT capitalizes all acquisitions of property and equipment that exceed \$1,000. Repairs and maintenance costs are expensed when incurred. The leasehold improvement is amortized using the straight-line method over the shorter of the life of the asset or the related lease term, which is 5 years.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

Government Grants Revenue Recognition - WHFPT considers all government grants and contracts to be exchange transactions and not contributions. WHFPT recognizes revenue from these grants as allowable expenditures are incurred or services are rendered.

Federal Income Taxes - WHFPT is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except as it relates to any unrelated business income. WHFPT did not incur any significant tax liabilities due to unrelated business income during the year ended March 31, 2017. WHFPT files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. WHFPT is currently evaluating the impact the standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. WHFPT is currently evaluating the impact the standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method. Entities will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. WHFPT is currently evaluating the impact the standard will have on its financial statements.

3. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject WHFPT to concentrations of credit risk consist principally of cash and cash equivalents and grants receivable. WHFPT places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Grant funding from the U.S. Department of Health and Human Services accounted for 100% of grants receivable as of March 31, 2017 and 99.8% of total revenue during the year ended March 31, 2017.

4. FUNCTIONAL ALLOCATION OF EXPENSES

The statement of activities presents WHFPT's expenses by natural classification. The costs of providing services have been summarized on a functional basis below for the year ended March 31, 2017. Certain expenses are allocated between program, general and administrative, and fundraising based on actual use or estimates made by management.

Program	\$ 14,194,464
General and administrative	251,061
Fundraising	<u>159</u>
Total	<u>\$ 14,445,684</u>

5. COMMITMENTS AND CONTINGENCIES

WHFPT leases office space under a non-cancellable operating lease which expires on October 31, 2018. Rental expense totaled approximately \$90,000 during the year ended March 31, 2017. Future minimum lease payments at March 31, 2017 were as follows:

2018	\$ 85,746
2019	<u>48,934</u>
Total	<u>\$ 134,680</u>

WHFPT receives federal grants for specific purposes that are subject to review and audit by federal agencies. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the appropriate agency. In the opinion of WHFPT's management, such disallowances, if any, would not be significant.

6. SUBSEQUENT EVENTS

WHFPT has evaluated subsequent events through December 8, 2017 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.

SUPPLEMENTARY INFORMATION



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300
Round Rock, TX 78664

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*

To the Board of Trustees of
Women's Health and Family Planning Association of Texas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Women's Health and Family Planning Association of Texas ("WHFPT") (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Maxwell Locke + Ritter LLP

Austin, Texas
December 8, 2017



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300
Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Women's Health and Family Planning Association of Texas:

Report on Compliance for the Major Federal Program

We have audited Women's Health and Family Planning Association of Texas' ("WHFPT") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on WHFPT's major federal program for the year ended March 31, 2017. WHFPT's major federal program is 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 statutes, regulations, and the terms and conditions of its federal award applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for WHFPT's major federal program 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 WHFPT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"
This firm is not a CPA firm

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

Opinion on the Major Federal Program

In our opinion, WHFPT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended March 31, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of WHFPT 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 WHFPT's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 WHFPT'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 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, 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. Accordingly, this report is not suitable for any other purpose.

Maxwell Locke + Ritter LLP

Austin, Texas
December 8, 2017

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED MARCH 31, 2017

Federal Grantor Program Title	CFDA Number	Agency Identifying Number	Passed through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct programs-				
Office of Population Affairs:				
Family Planning Services (Title X)	93.217	FPHPA066196-02-03	\$ 12,541,530	\$ 14,034,207
Family Planning Services (HIV)	93.217	FPHPA006109	404,628	404,628
TOTAL FEDERAL AWARDS			\$ 12,946,158	\$ 14,438,835

See notes to schedule of expenditures of federal awards.

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED MARCH 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Women's Health and Family Planning Association of Texas ("WHFPT") under programs of the federal government for the year ended March 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of WHFPT, it is not intended to and does not present the financial position, change in net assets, or cash flows of WHFPT.

Amounts Due From and To Subrecipients - Annually WHFPT reconciles actual performance of health services provided by subrecipients to the estimated services stipulated in the original annual contracts. The estimated health services create the basis for subrecipient payments disbursed annually. Once the annual reconciliations are complete, WHFPT settles with underperformers to withhold funds from their award in the following year to satisfy any liability for their underperformance to date. These funds are recorded as amounts due from subrecipients in the statement of financial position. WHFPT also settles with overperformers who exceeded estimated health services by agreeing to additional distributions to be made either from (1) funds collected from underperformers or (2) additional original grant funding available. These amounts are recorded as amounts due to subrecipients in the statement of financial position. Payments to subrecipients are reported as expenditures in the statement of activities and the Schedule when distributed as agreed to through contracts with subrecipients, that is, when originally disbursed from original grant funding. Payments to overperformers that are disbursed from amounts received from underperformers are not included again as expenditures of federal awards as they were included in the initial year of disbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule includes the federal activity of WHFPT and is presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements.

WHFPT has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3. RECONCILIATION OF FEDERAL EXPENDITURES

The following is a reconciliation of the total expenditures of federal awards reported in the Schedule to the total expenses reported in the statement of activities for the year ended March 31, 2017:

Total expenditures of federal awards	\$ 14,438,835
Non-federal award related expenses	<u>6,849</u>
Total expenses reported in the statement of activities	<u>\$ 14,445,684</u>

WOMEN’S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2017**

SECTION I - SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued on whether the financial Statements were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Identification of major federal program and type of auditors’ report issued on compliance for major federal program:

CFDA Number	Name of Federal Program	Opinion Type
93.217	Family Planning Services (Title X) and Family Planning Services (HIV)	Unmodified

Internal control over major federal program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

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

Auditee qualified as low-risk auditee? yes no

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED MARCH 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings or questioned costs were required to be reported in accordance with *Government Auditing Standards* for the year ended March 31, 2017.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 NONCOMPLIANCE WITH UNIFORM GUIDANCE REQUIREMENTS FOR SUBRECIPIENT MONITORING

FEDERAL CFDA NUMBER 93.217 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF POPULATION AFFAIRS TITLE X GRANT

Criteria

2 CFR section 200.330 of the Uniform Guidance requires pass-through entities to make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. If it is determined that they do in fact pass funds to subrecipients as defined in that section, the entity is required to then do the following as included in the Uniform Guidance:

- Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1).

Condition/Context

The subaward agreements with the entities did not include all required information under the Uniform Guidance, specifically:

- Federal Award ID
- Federal Award Identification Number (FAIN)
- Federal Award Date of award to the recipient by the Federal agency

Questioned Costs

None.

Effect

WHFPT was not in compliance with the Uniform Guidance requirements as it relates to subrecipient award agreement elements.

Cause

The Uniform Guidance became effective for all new awards and funding increments on existing awards after December 26, 2014. While the latest notice of award authorization included language to alert WHFPT of the transition to Uniform Guidance, there was an oversight by management of the new requirements applicable to required subaward contract elements. The timing of this finding during the fiscal year 2016 audit didn't allow management enough time to correct this oversight in fiscal 2017, resulting in agreements that were executed that did not contain all required elements and thus did not fully comply with the Uniform Guidance requirements.

Recommendations:

As included in the Uniform Guidance, WHFPT should consider the following to ensure appropriate compliance with the requirements for subrecipient monitoring, and specifically, agreement elements:

- WHFPT should make any necessary revisions to outstanding subaward agreements and to all future subaward documents, to ensure that they include the terms and conditions of the subaward at the time of subaward (or subsequent subaward modification), including making the subrecipient aware of the award information required by 2 CFR section 200.331(a).

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

SCHEDULE OF CORRECTIVE ACTION PLAN YEAR ENDED MARCH 31, 2017

Finding 2016-001

Planned Corrective Action: WHFPT staff began correcting the appropriate contract and agreement templates during fiscal year 2017 upon identifying the issue during the fiscal year 2016 audit; however, only two new contracts were executed after the issue was identified and prior to the end of the fiscal year. Contract modifications were not made prior to the end of the fiscal year, thus the finding continued into fiscal year 2017. Corrections to contract and agreement templates focused on including the Federal Award ID, the Federal Award Identification Number, and the Date of the Federal Award to WHFPT by the Federal agency to all contracts, agreements and other sub award documents to ensure that subrecipients are aware of the award information required by 2 CFR section 200.331(a). WHFPT included the corrections in all Letters of Agreement signed on April 1, 2017 and all Sub-recipient Agreements signed on September 1, 2017. WHFPT will continue to ensure modifications are made to contracts going forward.

Responsible Party: Kami Geoffray, Executive Director

Estimated Completion Date: September 1, 2017

WOMEN'S HEALTH AND FAMILY PLANNING ASSOCIATION OF TEXAS

SCHEDULE OF PRIOR YEAR FINDING YEAR ENDED MARCH 31, 2017

Finding 2016-001 was repeated during the current fiscal year. Refer to Section III of the Schedule of Findings and Questioned Costs.