

THE CENTER FOR HEALTH CARE SERVICES

Mental Health & Substance Abuse Solutions

Where Hope and Healing Begin

SAN ANTONIO, TEXAS



Prepared by the Fiscal Department

ANNUAL FINANCIAL and COMPLIANCE REPORT

AUGUST 31, 2023

THE CENTER FOR HEALTH CARE SERVICES

CERTIFICATE OF BOARD APPROVAL OF AUDIT REPORT

I, Daniel T. Barrett, Chair of the Board of Trustees of the Center for Health Care Services, do hereby certify that this accompanying audit report for fiscal year 2023 from Garza, Gonzalez & Associates, was reviewed and approved at the Regular Meeting of the Board of Trustees held on the 9th Day of April 2024.



Daniel T. Barrett
Chair, Board of Trustees

April 9, 2024
Date

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

THE CENTER FOR HEALTH CARE SERVICES
ANNUAL FINANCIAL and COMPLIANCE REPORT
AUGUST 31, 2023

TABLE OF CONTENTS

Page(s)

INTRODUCTORY SECTION

Certificate of Board Approval of Audit Report	i - ii
Table of Contents	iii
Listing of Officials	iii

FINANCIAL SECTION

Independent Auditor's Report	1-4
Management Discussion and Analysis (Unaudited)	5-20

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Position	22
Statement of Activities	23

Fund Financial Statements

Balance Sheet – Governmental Funds	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	27
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	28
Statement of Fiduciary Net Position – Fiduciary Funds	29
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	30

Notes to the Financial Statements	31-70
-----------------------------------	-------

Required Supplementary Information (Unaudited)

General Fund Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual	72
--	----

SUPPLEMENTARY SECTION (Unaudited)

Capital Assets Used in the Operation of Governmental Funds	
Schedule by Source	74
Schedule by Function and Activity	75
Schedule of Changes by Function and Activity	76

STATISTICAL SECTION (Unaudited)

Schedule of Expenditures by Source of Funds and by Program Category	77-83
Schedule of Total Revenues to Fourth Quarter Financial Report	84
Schedule of Total Expenditures to Fourth Quarter Financial Report	85
Schedule of Indirect and Administrative Cost	86
Schedule of Lease and Rental Services	87
Schedule of Space Occupied in a State Owned Facility	88
Schedule of Insurance in Force	89
Schedule of Bonded Employees	90
Schedule of Professional and Consulting Fees	91

Other Schedules

Schedule of University Health System Sponsorship and Other Funding	93
Schedule of Detailed Revenue and Expenditures Budget and Actual – General Fund	94

SINGLE AUDIT REPORTS

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 <i>Government Auditing Standards</i>	96-97
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance and <i>The State of Texas Single Audit Circular</i>	98-100
Schedule of Expenditures of Federal and State Awards	102-103
Notes to Schedule of Expenditures of Federal and State Awards	104
Schedule of Findings and Questioned Costs	106-107
Summary Schedule of Prior Audit Findings and Questioned Costs	108

THE CENTER FOR HEALTH CARE SERVICES

LISTING OF OFFICIALS

August 31, 2023

Board of Trustees

Daniel T. Barrett	Chairman
Mary Rose Brown	Vice-Chair
Donnie Windham Whited	Secretary
Graciela A. Cigarroa.	Treasurer
Roberta L. Krueger, M.D.	Member
Hon. Sandee Marion	Member
Hon. Polly Jackson Spencer (Ret.)	Member
Richard P. Usatine, M.D.	Member
Margaret M. Vera	Member
Sheriff Javier Salazar	Ex-Officio Member
Sam Williams, Jr.	Board Emeritus
Ira Smith Jr.	Board Emeritus

Executive Staff

Jelynn LeBlanc Jamison	President/Chief Executive Officer
Robert C. Guevara	Chief Financial Officer
Frank Garza	General Counsel
Dr. Amy Pastusek	Chief Medical Officer
James Chapman	Chief Compliance Officer
Tremaine Butler	Chief Information Officer
Allison Greer	VP of Governmental Relations
Juanita Rodriguez	VP of Clinical Outcomes
Melissa Tijerina	VP of Clinical Practice
Brad Benoit	VP of Child Behavioral Health Services
Justin Botter	VP of IDD/Long Term Care
Jesse Peralez	VP of Community and Crisis Response Services
Edward Benavides	VP of Adult Behavioral Health Services

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Center for Health Care Services
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund, the aggregate discretely presented component unit, and the aggregate remaining fiduciary fund information of the Center for Health Care Services (the Center), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, the aggregate discretely presented component unit, and the aggregate remaining fiduciary fund information of the Center, as of August 31, 2023 and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS), and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the National Center for Behavioral Health Solutions were not audited in accordance with GAS.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note I. to the financial statements, in 2023 the Center adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96 (GASB 96), Subscription-Based Information Technology Arrangements (SBITAs), which establishes an accounting model for subscription assets. Accordingly, the Center has recognized a SBITA liability and intangible right-to-use SBITA assets. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, GAS, and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAS, and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison for the General Fund as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of expenditures of federal and state 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); and, the State of Texas *Single Audit Circular*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section, and schedules in the supplementary and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Garza/Gonzalez & Associates". The signature is written in a cursive, flowing style.

March 21, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

Primary Government

As management of the Center for Health Care Services (the Center), we offer readers of the Center's financial statements this narrative overview and analysis of the financial activities of the Center for the fiscal year ended August 31, 2023 and the National Center for Behavioral Health Solutions (Center for Health Care Services Foundation) a component unit of the Center, as of the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the Center's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Center exceeded its liabilities at the close of the most recent fiscal year by \$37,363,278 (net position). Of this amount, \$4,139,147 (unrestricted net position) may be used to meet the Center's ongoing obligations to consumers and creditors and the remaining amount includes \$33,224,131 net investments in capital assets.
- The Center's total net position decreased by (\$5,218,933). The decrease is attributed to program expenses of \$136,033,768 being higher than program revenues of \$129,387,429 and other general revenues of \$1,427,406.
- As of the close of the current fiscal year, the Center's governmental funds reported an ending fund balance of \$7,690,068. The amount that is available for spending is \$7,168,968. The remaining \$521,100 is classified as non-spendable.
- At the end of the current fiscal year, the fund balance for the general fund was \$7,690,068 or 5.26 percent of total general fund expenditures.
- The Center entered into an agreement with CareLink, to become one of University Health System's Behavioral Health Care Providers. In doing so, every Center consumer is offered comprehensive medical and behavioral healthcare, including pharmacy benefits, provided they meet CareLink's criteria.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements and those of the Center for Health Care Services Foundation. The Center's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Center's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Center's assets and liabilities, with the difference between the two reported as *net position* with a separate presentation for the Center for Health Care Services Foundation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Center is improving or declining.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused paid time off liability). Both of the government-wide financial statements distinguish functions of the Center that are principally supported by funds provided from federal, state and local funding resources. The governmental activities of the Center include *Central Administration, Adult Mental Health, Children Mental Health, Medical, Long-Term Care, Restoration, and Transformational Services*. The Center does not have any business-type activities providing funds.

The government-wide financial statements can be found on pages 22 and 23 of this report.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Center consist of government funds and fiduciary funds.

Governmental funds-These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash resources flow into and out of those funds and the balances remaining at the year-end that are available for spending. These funds are reported on using an accounting method called *modified accrual* accounting, that requires the recognition of revenue when earned, only so long as the funds are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. This will present readers with a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Center adopts an annual budget for its general fund. A budgetary comparison schedule on page 71 has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 25 - 28 of this report.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

Fiduciary funds-These funds are used to account for resources held by the Center for the benefit of consumers and employees. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Center's operations. Fiduciary funds are used to account for the resources held by the Center on behalf of consumers in selected programs. The Center for Health Care Services Retirement Plan (the Plan), a legally separate 401(a) defined contribution retirement plan, is reported in its fiduciary fund financial statements. The Center contributes 5% of an employee's gross salary to the 401(a) Plan; in addition to this defined contribution the Center also matches employee contributions into their 457(b) Plan. This match is limited to 3% of their gross salary and the match is deposited into the 401(a) Plan. The custodial fund accounts for resources held for individuals in a custodial capacity. The Center has one custodial fund called the Consumer Custodian Account Fund, which is used to account for the personal funds of the Center's consumers. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 70 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* that is required by Government Accounting Standards Board (GASB), the Department of State Health Services (DSHS) and the Department of Aging and Disability Services (DADS), Uniform Guidance and the State of Texas Single Audit Circular. This other information can be found on pages 71 - 108 of this report.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets exceeded liabilities by \$37,363,278 at the close of the most recent fiscal year.

The smaller portion of the Center's net position (11.08 percent) represents the unrestricted financial resources available for future operations.

The remaining balance of the Center's net position (88.92 percent) represents its investment in capital assets (e.g., land, buildings, furniture, equipment and leasehold improvements), net of accumulated depreciation, and less any related outstanding debt used to acquire those assets.

Total assets increased \$1,827,027 or 2.34 percent as compared to fiscal year 2022. The major factor in the fiscal year 2023 increase of assets is related to the recognition of the SBITA Lease Assets in the amount of \$3,304,517.

Total liabilities increased \$7,042,959 or 19.86 percent as compared to fiscal year 2022. The major factor in the fiscal year 2023 increase in liabilities is related to an increase in Long-Term Liabilities of \$7,229,022, due to lease liabilities totaling \$22,961,654.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

The Center for Health Care Services Summary of Net Position

	<u>August 31, 2023</u>	<u>August 31, 2022</u>
Assets:		
Current and other assets	\$ 19,996,762	\$ 25,069,471
Capital Assets	34,467,652	36,525,232
SBITA Lease Assets, net	3,304,517	-
Right to Use Lease Assets, net	22,091,617	16,438,818
Total Assets	<u>\$ 79,860,548</u>	<u>\$ 78,033,521</u>
Liabilities:		
Current and other liabilities	\$ 17,986,157	\$ 18,169,220
Non-Current liabilities	24,511,113	17,285,091
Total liabilities	<u>\$ 42,497,270</u>	<u>\$ 35,454,311</u>
Net Position:		
Net Investment in capital assets	\$ 33,224,131	\$ 35,986,970
Unrestricted	4,139,147	6,595,241
Total Net Position	<u>\$ 37,363,278</u>	<u>\$ 42,582,211</u>

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

Governmental activities:

Revenues for the Center's governmental activities were \$130,814,835 while total expenses were \$136,033,768. The change in net position was a decrease of (\$5,218,933).

Total revenues increased by \$19,861,991 or 18.01 percent as compared to fiscal year 2022. The key factor for the increase is that operating grants and contributions increased by \$19,213,015 or 24.21 percent and charges for services increased by \$648,976 or 2.15 percent, as compared to fiscal year 2022.

Total expenses increased \$19,294,503 or 16.53 percent as compared to fiscal year 2022. The main expense increase is attributed to the increase in program expenses related to Central Administration (\$6,488,130), Adult Behavioral Health (5,662,109), Restoration Services (\$6,653,423) and Lease expenses (\$3,826,583), as compared to fiscal year 2022.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

The Center for Health Care Services San Antonio, Texas Summary of Changes in Net Position

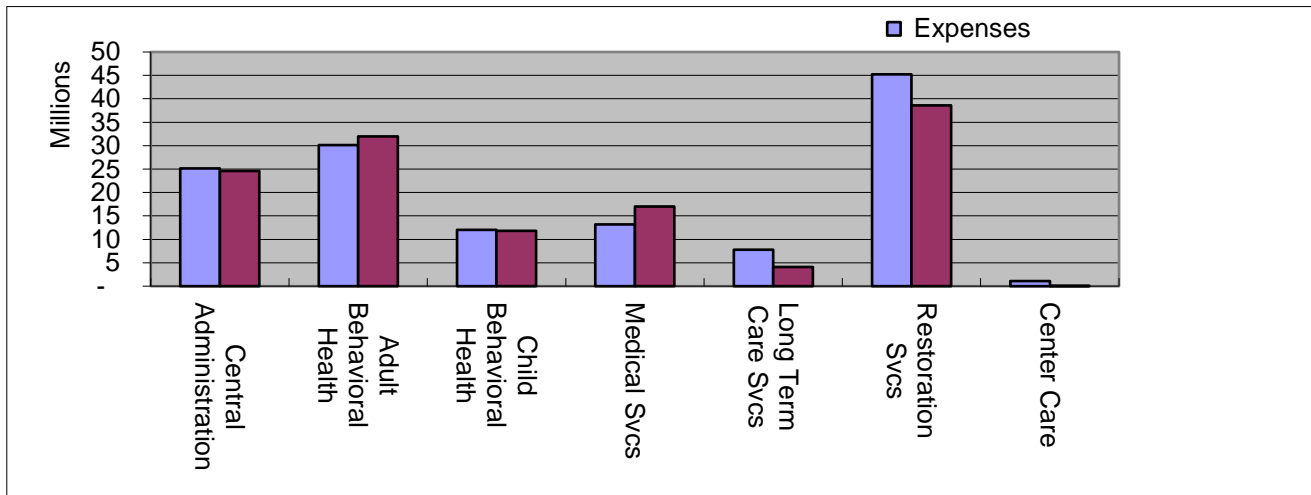
	August 31, 2023	August 31, 2022
Revenues:		
Program Revenues:		
Charges for services	\$ 30,803,245	\$ 30,154,269
Operating grants and contributions	98,584,184	79,371,169
	129,387,429	109,525,438
Other general revenues:		
Investment Earnings	336,706	33,661
Miscellaneous	1,090,700	399,121
Gain/(Loss) on Disposal of Fixed Assets	-	339,914
	1,427,406	772,696
 Total Revenues	 \$ 130,814,835	 \$ 110,298,134
 Expenses:		
Central Administration	\$ 25,296,340	\$ 18,808,210
Adult Behavioral Health	30,148,786	24,486,677
Child Behavioral Health	11,990,991	12,802,812
Medical Services	13,212,890	13,364,852
Long Term Care Services	7,780,977	7,258,302
Restoration Services	45,212,878	38,559,455
Center Care	1,057,952	558,872
Debt Service - Interest	1,332,954	900,085
Total Expenses	136,033,768	116,739,265
 Change in net position	 \$ (5,218,933)	 \$ (6,441,131)

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

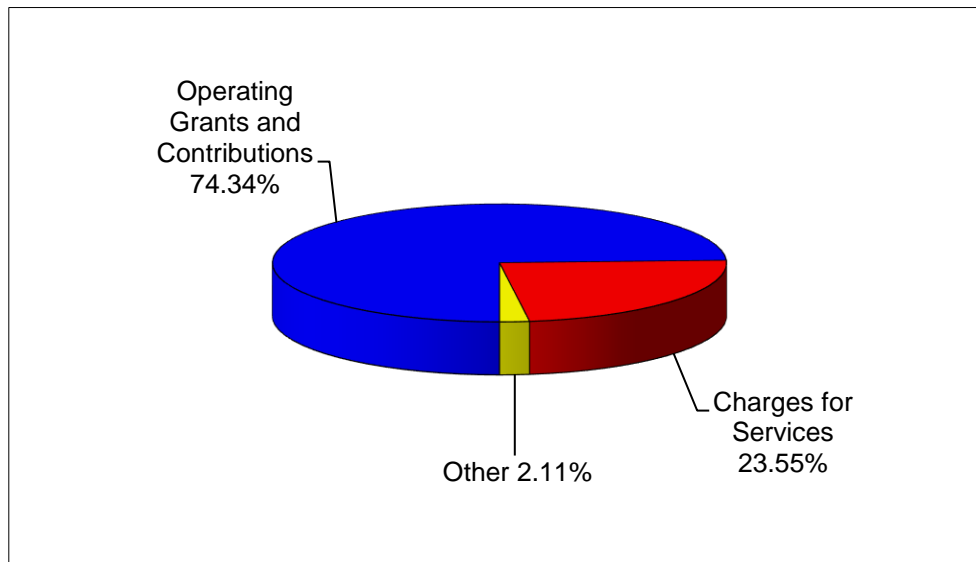
Revenues and Expenses by Program-Governmental Activities

The following graph illustrates total revenue and expense by program (GAAP basis) for the fiscal year ended August 31, 2023.



Center Revenue by Funding Source – Governmental Activities

The following graph illustrates the total Center revenue by funding source (GAAP Basis) for the fiscal year ended August 31, 2023.



THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

As noted earlier, the Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Center's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Center's financing requirements. In particular, *unrestricted fund balance*, may serve as a useful measure of the Center's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Center's governmental funds reported an ending fund balance of \$7,690,068, a decrease of (\$2,602,652) in comparison with the prior year's total of \$10,292,720. The fiscal year 2023 decrease is attributed to a decrease in cash and cash equivalents of (\$6,679,654), an increase in receivables from other governments of \$1,681,219, a decrease in accounts payable of (\$903,166) and a decrease in short term note payables of (\$2,865,598).

The general fund is the chief operating fund of the Center. At the end of the current fiscal year the general fund balance was \$7,690,068 of which \$7,168,968 is unassigned fund balance, which is available for the Center's operations. The remaining balance of \$521,100 is Non-Spendable fund balance. The net decrease in the general fund's fund balance was (\$2,602,652). As compared to fiscal year 2022, total expenses increased \$24,642,494, totaling \$146,201,386. The key factor in the fiscal year 2023 expense increase is attributed to an increase in capital outlay expenses of \$7,900,040 and Business Unit expenses of \$16,472,903.

In addition, compared to fiscal year 2022, total general fund revenues increased \$20,856,616 totaling \$130,814,835. The key factor in the fiscal year 2023 increase in revenue is attributed to an increase in Local funding in the amount of \$14,621,681, an increase in State funding in the amount \$2,138,508, and an increase in Federal funding in the amount of \$4,096,427.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

General Fund Budgetary Highlights

Differences between the final fiscal year 2023 budget and the actual revenues and expenditures can be summarized as follows:

	Final Budget	Actual Amounts	Variance With Final Budget
REVENUES:			
Local	\$ 60,002,713	\$ 60,558,109	\$ 555,396
State	50,694,212	47,740,222	(2,953,990)
Federal	<u>19,965,639</u>	<u>22,516,504</u>	<u>2,550,865</u>
Total Revenues	<u>130,662,564</u>	<u>130,814,835</u>	<u>152,271</u>
EXPENDITURES:			
Current:			
Central Administration	23,295,319	22,411,806	883,513
Adult Behavioral Health	29,280,804	29,055,244	225,560
Child Behavioral Health	13,818,614	11,631,779	2,186,835
Medical Services	13,639,446	12,775,746	863,700
Long Term Care Services	6,848,517	7,594,723	(746,206)
Restoration Services	42,989,325	44,361,749	(1,372,424)
Center Care	790,539	963,979	(173,440)
Capital Outlay	-	12,952,082	(12,952,082)
Debt Service - Principal SBITA	-	1,723,792	(1,723,792)
Debt Service - Interest SBITA	-	22,719	(22,719)
Debt Service - Principal Leases	-	1,564,315	(1,564,315)
Debt Service - Interest Leases	-	1,143,452	(1,143,452)
Total Expenditures	<u>130,662,564</u>	<u>146,201,386</u>	<u>(15,538,822)</u>
Excess/(Deficiency) revenues over expenditures	<u>\$ -</u>	<u>\$ (15,386,551)</u>	<u>\$ (15,386,551)</u>

Variations between the final budget and the actual amounts can be attributed to operations under the following funding sources – Bexar County, SAMHSA, Medicaid, Charity Care Program, HCS, HHSC – Bed Days, and Senate Bill 292. Additionally, the expense budget for Central Administration is increased by the amount of indirect funding (\$15,700,488) received from the operational divisions, and conversely, the expense budgets for the operational divisions are decreased by the same amount.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis
August 31, 2023
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Center’s investment in capital assets for its governmental activities, as of August 31, 2023, amounts to \$59,863,786 (net of accumulated depreciation). This investment in capital assets includes land and buildings, equipment and furniture, leasehold improvements, and Right-To-Use Leases.

Investments in capital assets (net of depreciation) increased \$6,899,736 as compared to fiscal year 2022. The major factors impacting the fiscal year 2023 increase are the addition of assets in SBITA Lease Assets of \$4,956,775 and related depreciation of \$1,652,258 and Right-To-Use Lease Assets of \$7,827,124. Depreciation expense for fiscal year 2023 was \$6,053,879.

Center for Health Care Services Summary of Capital Asset Balances (Net of Depreciation)

	FY 2023	FY 2022
Land	\$ 1,984,351	\$ 1,984,351
Construction in Progress	-	-
Buildings & Improvements	17,593,772	18,362,421
Furniture & Equipment	807,532	1,731,973
Vehicles	27,416	47,916
Leasehold Improvements	14,054,581	14,398,571
SBITA Lease assets	3,304,517	-
Right-To-Use Lease assets	22,091,617	16,438,818
Total Capital Assets	\$ 59,863,786	\$ 52,964,050

Long-Term debt: At the end of the current fiscal year, the Center had long-term debt outstanding of \$30,023,794, of which \$3,550,921, related to compensated absences, \$3,232,984, related to SBITA Leases, and \$23,239,889, related to Right-To-Use Leases.

During the current fiscal year, the Center made payments of \$4,586,783 and accrued \$4,440,225 for accrued compensated absences.

Total debt outstanding is as follows:

	FY 2023	FY 2022
Compensated absences (PTO)	\$ 3,550,921	\$ 3,697,479
SBITA Lease	3,232,984	-
Right-To-Use Lease	23,239,889	16,977,080
Total Long-Term Debt	\$ 30,023,794	\$ 20,674,559

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis

August 31, 2023

(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Center's budget for the upcoming fiscal year (2024) is \$136,273,675, an increase from fiscal year 2023 of \$5,611,111.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Center's finances for all those with an interest in the Center's finances. Questions concerning any of the information should be addressed to Robert C. Guevara, CFO, The Center for Health Care Services, 6800 Park Ten Blvd Suite 200-S, San Antonio, Texas 78213.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis

August 31, 2023

(Unaudited)

CENTER FOR HEALTH CARE SERVICES FOUNDATION

It is management's belief that to exclude essential disclosures from the Center's financial statements as they pertain to the Center for Health Care Services Foundation would be misleading. The Center for Health Care Services Foundation has been identified as a discretely presented component unit as it relates to the primary government. Therefore, relevant disclosures have been included in the Center's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Center for Health Care Services Foundation exceeded its liabilities at the close of the most recent fiscal year by \$989,919 (\$989,919 without donor restrictions).
- Total net position increased by \$203,833. The increase is attributed to an increase in revenue related to Donations.

OVERVIEW OF THE FINANCIAL STATEMENTS

A separate presentation of the Center for Health Care Services Foundation's *statement of net position* is included as of and for the fiscal year ended December 31, 2022.

A separate presentation of the Center for Health Care Services Foundation's *statement of activities* is included as of and for the fiscal year ended December 31, 2022.

FINANCIAL ANALYSIS OF THE CENTER FOR HEALTH CARE SERVICES FOUNDATION

Revenues for the Center for Health Care Services Foundation were \$970,104 while total expenses were \$766,271. The change in net position was an increase of \$203,833.

Total program revenues increased by \$129,819 as compared to fiscal year 2021. The key factor for the increase in program revenues is the increase of In-kind contributions from the Center and donations.

Total program expenses increased by \$9,142 as compared to fiscal year 2021. The expense increase is attributed to the In-kind contributions from the Center.

Total assets increased as a result of an increase in cash and cash equivalents at the end of the fiscal year.

Total liabilities decreased as a result of an decrease in the amounts due to the Center, resulting from timing differences.

THE CENTER FOR HEALTH CARE SERVICES

Management Discussion and Analysis

August 31, 2023

(Unaudited)

REQUESTS FOR INFORMATION

Complete audited financial statements of the Center for Health Care Services Foundation for the fiscal year ending December 31, 2021, can be obtained from the component unit's administrative office and should be addressed to Center for Health Care Services Foundation, 6800 Park Ten Blvd Suite 200-S, San Antonio, Texas 78213.

BASIC FINANCIAL STATEMENTS

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
STATEMENT OF NET POSITION
AUGUST 31, 2023**

	Primary Government	Component Unit
	Governmental Activities	Center for Health Care Services Foundation
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 522,551	\$ 788,244
Receivables:		
From other governments	13,751,678	-
Other	3,548,352	295,328
DPP/IGT deposit	1,653,081	-
Prepaid expenses and other assets	513,237	-
Inventory	7,863	-
Total current assets	19,996,762	1,083,572
Capital assets, net	34,467,652	-
SBITA leased assets, net	3,304,517	-
Right to Use leased assets, net	22,091,617	-
Total Assets	<u>\$ 79,860,548</u>	<u>\$ 1,083,572</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 4,897,961	\$ -
Accrued salaries and wages	2,891,364	-
Note payable	3,029,856	-
Interest Payable	166,783	-
Due to funding source	75,672	-
Unearned revenue	655,840	-
Accrued expenses	756,000	93,653
Noncurrent Liabilities - Due within one year		
SBITA lease liability	1,579,728	-
Right to Use lease liability	1,931,491	-
Compensated absences	2,001,462	-
Total current liabilities	17,986,157	93,653
Noncurrent Liabilities:		
SBITA lease liability	1,653,256	-
Right to Use lease liability	21,308,398	-
Compensated absences	1,549,459	-
Total long-term liabilities	24,511,113	-
Total Liabilities	<u>\$ 42,497,270</u>	<u>\$ 93,653</u>
NET POSITION		
Net Investment in capital assets	33,224,131	-
Restricted	-	-
Unrestricted	4,139,147	989,919
Total Net Position	<u>\$ 37,363,278</u>	<u>\$ 989,919</u>

The accompanying notes to financial statements form an integral part of this statement

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Position		Component Unit
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities		
PRIMARY GOVERNMENT						
Central Administration	\$ 25,296,340	\$ 16,119,820	\$ 9,091,126	\$	(85,394)	
Adult Behavioral Health	30,148,786	4,255,178	28,039,080		2,145,472	
Child Behavioral Health	11,990,991	2,779,848	9,130,921		(80,222)	
Medical Services	13,212,890	1,155,484	15,948,944		3,891,538	
Long Term Care Services	7,780,977	3,503,164	610,739		(3,667,074)	
Restoration Services	45,212,878	2,978,308	35,722,290		(6,512,280)	
Center Care	1,057,952	11,443	41,084		(1,005,425)	
Debt Service - Interest	1,332,954	-	-		(1,332,954)	
TOTAL PRIMARY GOVERNMENT:	\$ 136,033,768	\$ 30,803,245	\$ 98,584,184	\$	(6,646,339)	
Component Unit:						
National Center	\$ 766,271	\$ -	\$ 970,104			\$ 203,833
General Revenues:						
					336,706	
					1,090,700	
					<u>1,427,406</u>	
					(5,218,933)	
					42,582,211	786,086
					<u>\$ 37,363,278</u>	<u>\$ 989,919</u>

The accompanying notes to financial statements form an integral part of this statement

FUND FINANCIAL STATEMENTS

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023**

	Primary Government	
	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 522,551	\$ 522,551
Receivables from other governments	13,751,678	13,751,678
Other receivables	3,548,352	3,548,352
DPP/IGT deposit	1,653,081	1,653,081
Prepaid expenditures and other assets	513,237	513,237
Inventory	7,863	7,863
Total Assets	<u>\$ 19,996,762</u>	<u>\$ 19,996,762</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 4,897,961	\$ 4,897,961
Accrued salaries and wages	2,891,364	2,891,364
Due to funding source	75,672	75,672
Unearned revenue	655,840	655,840
Note payable	3,029,857	3,029,857
Accrued expenses	756,000	756,000
Total Liabilities	<u>12,306,694</u>	<u>12,306,694</u>
Fund Balance:		
Non-Spendable	521,100	521,100
Committed	-	-
Unassigned	7,168,968	7,168,968
Total Fund Balance	<u>7,690,068</u>	<u>7,690,068</u>
Total Liabilities and Fund Balance	<u>\$ 19,996,762</u>	<u>\$ 19,996,762</u>

The accompanying notes to financial statements form an integral part of this statement

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2023**

Total Fund Balance - Governmental Funds	\$	7,690,068
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of the capital assets was \$51,402,672 with related accumulated depreciation of (\$14,877,438), and the cost of the Right-To-Use leased assets was \$18,129,006 with related accumulated amortization of (\$1,690,188). The net effect of including these beginning balances is to increase net position.		52,964,052
2 The long-term liabilities, including Right-To-Use leases (\$16,977,080) and compensated absences (\$3,697,479) are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. The net effect of including the beginning balances for long-term debt in the governmental activities is to decrease net position.		(20,674,559)
3 Current year capital outlays \$12,952,080 are shown as expenditures in the fund financial statements, but they should be shown as increases in capital assets, right-to-use leased assets, and SBITA leased assets in the government-wide financial statements.. The net effect is to increase net position.		12,952,080
4 Current year issuances of Right to Use leases (\$7,827,124) and SBITA leases (\$4,956,776) are shown as other sources in the fund financial statements, but should be shown as an increase to Right to Use leased and SBITA leased liabilities in the government-wide financial statements. Current year principal payments on Right to Use leases of \$1,564,315 and SBITA leases of \$1,723,792 are shown as expenditures in the fund financial statements, but they should be shown as decreases in Right to Use leased and SBITA leased liabilities in the government-wide financial statements. The net effect is to decrease net position.		(9,495,793)
5 Interest expense related to SBITA leased assets total (\$189,502), however only the portion due during the current year \$22,719 was reported in governmental activities. The net effect is to decrease net position.		(166,783)
6 The change in compensated absences of \$146,559, increases net position.		146,559
7 The current year depreciation and amortization expense of (\$6,053,879) increases accumulated depreciation/amortization and the \$1,533 gain in the removal of a Right-To-Use asset results in a decrease to net position.		(6,052,346)
Net Position of Governmental Activities	\$	37,363,278

The accompanying notes to financial statements form an integral part of this statement

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023**

	<u>Primary Government</u>	
	General Fund	Total Governmental Funds
REVENUES:		
Local	\$ 60,558,109	\$ 60,558,109
State	47,740,222	47,740,222
Federal	22,516,504	22,516,504
Total Revenues	<u>130,814,835</u>	<u>130,814,835</u>
EXPENDITURES:		
Current:		
Central Administration	22,411,806	22,411,806
Adult Behavioral Health	29,055,244	29,055,244
Child Behavioral Health	11,631,779	11,631,779
Medical Services	12,775,746	12,775,746
Long Term Care Services	7,594,723	7,594,723
Restoration Services	44,361,749	44,361,749
Center Care	963,979	963,979
Capital Outlay	12,952,082	12,952,082
Debt Service - Principal SBITA	1,723,792	1,723,792
Debt Service - Interest SBITA	22,719	22,719
Debt Service - Principal Leases	1,564,315	1,564,315
Debt Service - Interest Leases	1,143,452	1,143,452
Total Expenditures	<u>146,201,386</u>	<u>146,201,386</u>
Excess/(Deficiency) revenues over expenditures	(15,386,551)	(15,386,551)
OTHER FINANCING SOURCES (USES)		
Right to Use SBITA	4,956,775	4,956,775
Right to Use leases	7,827,124	7,827,124
Total Other Financing Sources (Uses)	<u>12,783,899</u>	<u>12,783,899</u>
Net Change in Fund Balance	(2,602,652)	(2,602,652)
Fund Balance - September 1 (Beginning)	10,292,720	10,292,720
Fund Balance - August 31 (Ending)	<u>\$ 7,690,068</u>	<u>\$ 7,690,068</u>

The accompanying notes to financial statements form an integral part of this statement

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023**

Total Net Change in Fund Balance - Governmental Funds	\$	(2,602,652)
1 Current year capital outlays \$12,952,080 are shown as expenditures in the fund financial statements, but they should be shown as increases in capital assets, right-to-use leased assets, and SBITA leased assets in the government-wide financial statements.. The net effect is to increase net position.		12,952,080
2 Interest expense related to SBITA leased assets total (\$189,502), however only the portion due during the current year \$22,719 was reported in governmental activities. The net effect is to decrease net position.		(166,783)
3 Current year issuances of Right to Use leases (\$7,827,124) and SBITA leases (\$4,956,776) are shown as other sources in the fund financial statements, but should be shown as an increase to Right to Use leased and SBITA leased liabilities in the government-wide financial statements. Current year principal payments on Right to Use leases of \$1,564,315 and SBITA leases of \$1,723,792 are shown as expenditures in the fund financial statements, but they should be shown as decreases in Right to Use leased and SBITA leased liabilities in the government-wide financial statements. The net		(9,495,793)
4 The change in compensated absences of \$146,559, increases net position.		146,559
5 The current year depreciation and amortization expense of (\$6,053,879) increases accumulated depreciation/amortization and the \$1,533 gain in the removal of a Right-To-Use asset results in a decrease to net position.		(6,052,346)
		(5,218,933)
Change in Net Position of Governmental Activities	\$	(5,218,933)

The accompanying notes to financial statements form an integral part of this statement

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

	Pension Trust Fund <u>December 31, 2022</u>	Custodial Fund <u>August 31, 2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,015,552	\$ 241,833
Unsettled Investment/Sales Receivable	7,511	-
Participant Loan Receivable	349,417	-
Employer Contribution Receivable	141,744	-
Investments at Fair Market Value		
US Government Securities	1,789,101	-
Corporate Fixed Income	988,270	-
Preferred Stocks	31,421	-
Common Stocks	13,237,696	-
Exchange - Traded & Closed-End Funds	6,615,210	-
Mutual Funds - Fixed Income	3,897,351	-
Total Assets	<u>\$ 28,073,273</u>	<u>\$ 241,833</u>
LIABILITIES		
Due to Consumers	\$ -	\$ -
Unsettled Investment/Purchases Payable	204,618	-
Total Liabilities	<u>\$ 204,618</u>	<u>\$ -</u>
Net Position		
Restricted for Consumers	-	241,833
Restricted for Pension Benefits	27,868,655	-
Total Net Position	<u>\$ 27,868,655</u>	<u>\$ 241,833</u>

The accompanying notes to financial statements form an integral part of this statement

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

	Pension Trust Fund December 31, 2022	Custodial Fund August 31, 2023
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Investment Income:		
Net Appreciation/(Depreciation) in Fair Market Value of Investments	\$ (3,778,715)	\$ -
Interest and Dividends	22,819	-
Less: Investment Expenses	-	-
Net Income from Investing Activities	(3,755,896)	-
Contributions:		
Employer Match	1,376,307	-
Employer Profit Sharing	2,145,192	-
Employer Deposits	141,744	-
Forfeitures Used	(382,173)	-
Funds Received For Consumers	-	1,011,343
Total Contributions	3,281,071	1,011,343
Total Additions	(474,826)	1,011,343
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Benefits Paid Directly To Participants	2,628,149	-
Forfeitures Received From Distributions	-	-
Funds Paid To Consumers	-	1,002,439
Miscellaneous Expenses	38,162	-
Total Deductions	2,666,311	1,002,439
CHANGE IN NET POSITION	(3,141,137)	8,904
NET POSITION - BEGINNING	31,009,792	232,929
NET POSITION - ENDING	\$ 27,868,655	\$ 241,833

The accompanying notes to financial statements form an integral part of this statement

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Community Mental Health and Mental Retardation Facilities Act (Public Law 88-164) of 1963 provided an opportunity for the creation of the Mental Health and Mental Retardation Center in Bexar County. Through an Act of the 59th State Legislature, the Bexar County Board of Trustees for Mental Health and Mental Retardation Services (the Board) was created as a political subdivision of the state and an integral part of the Texas Department of Mental Health and Mental Retardation. The objective of the Board was to coordinate the mental health and mental retardation services, including addictive services, drug and alcohol abuse services and substance abuse services for Bexar County residents. These services provide for the conservation and restoration of mental health and the treatment of mental retardation. Subsequent to October 24, 1989, the Board began doing business under the name of The Center for Health Care Services (the Center).

As approved June 6, 2000, The County of Bexar (“The County”) and The Bexar County Hospital District, d/b/a University Health System, with the approval and consent of the Texas Department of Mental Health and Mental Retardation have agreed to become the sponsoring agencies for the Center. Under the provisions of this agreement the Center is now governed by a nine-member Board of Trustees.

The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB); and it complies with the requirements of contracts and grants of agencies from which it receives funds.

The Center’s financial statements are presented in accordance with GASB Statement No. 34 which established a financial reporting model for state and local governments that include the addition of Management’s Discussion and Analysis (MD&A), government-wide financial statements, required supplementary information, fund financial statements and notes.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of the financial reports to assess a government's *operational accountability*. This model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

A. Reporting Entity

The Board of Trustees has governance responsibilities over all activities related to the Center (the primary government in these financial statements). The Board consists of four members appointed by the University Health System and five members by the County's Commissioners Court. The University Health System is the sponsoring agency responsible for oversight, review and funding of the Center.

In evaluating how to define the Center for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP (GASB Statement No. 14, "The Reporting Entity", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements Nos. 14 and 34.") The underlying concept of Statement No. 14 is that elected officials are "accountable" to their constituents for their actions. One of the objectives of this concept is to provide users of governmental financial statements with a basis for assessing the accountability of those elected officials. Accordingly, the definition of the financial reporting entity is based on accountability. Statement No. 39 amends Statement No. 14 to provide guidance to determine if certain organizations for which the primary government is not financially accountable should be reported as component units based upon the nature and significance of the relationship with the primary government.

Statement No. 61 further amends Statement No. 14 by providing guidance to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments also address the criteria for blending by ensuring that the primary government included only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial reporting entity consists of: (a) the primary government, (b) a blended component unit, which is a legally separate organization for which the Center is financially accountable, and (c) a discretely presented component unit, which the nature and significance of the relationship with the Center is such that exclusion from the reporting entity's financial statements would be misleading or incomplete.

Using the criteria of GASB Statement Nos. 14, 39, and 61, potential component units were evaluated for inclusion or exclusion in the reporting entity and further evaluated for financial statement presentation. Due to the closeness of the relationship with the Center, a certain component unit's financial statements were blended as though they are part of the Center's operations, and one was discretely presented.

Component Units

The relationship between the following component unit and the Center is such that it meets the criteria, as set forth in GASB Statement Nos. 14, 39, and 61 for inclusion as a blended component unit in the reporting entity:

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit

The Center for Health Care Services Retirement Plan (the Plan)

The Plan is a legally separate 401(a) defined contribution retirement plan; therefore, it is reported as a component unit of the Center and is included in its fiduciary funds. The Center's Board of Trustees act as the trustees of the Plan, and may amend or discontinue the Plan at any time. The Center contributes 5% of qualified participant's salary to the Plan. Effective January 1st, 2010, the Center, at its own discretion, matches the employee's contribution to the 457(b) deferred compensation plan with a contribution to the 401(a) retirement plan. The amount of this match contribution is limited to 3% of each participant's annual pretax compensation. During the current year, the Center contributed \$3,663,244 to the Plan.

The relationship between the following component unit and the Center is such that it meets the criteria, as set forth in GASB Statement Nos. 14, 39, and 61 for inclusion as a discretely presented component unit in the reporting entity:

Discretely Presented Component Unit

The National Center for Behavioral Health Solutions (The Center for Health Care Services Foundation)

The Center for Health Care Services Foundation is a non-profit organization established in 2002 and is dedicated to securing substantial financial resources that advance the capital, clinical, educational, and service delivery goals of The Center. The Center for Health Care Services Foundation is exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code and is classified as a private foundation.

The Center for Health Care Services Foundation is a legally separate corporation and is considered a component unit of the Center. The Center for Health Care Services Foundation is governed by the Board of Directors appointed by the Center. The Center for Health Care Services Foundation's financial information presented in the Government-wide Financial Statements is as of and for the year ended December 31, 2022, which is the latest, audited financial information available.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Center's nonfiduciary activities and its component unit with the interfund activities removed. The Pension Trust Fund, a blended component unit, is not included in the government wide financial statements as it is considered a fiduciary fund. Government activities include programs supported primarily by grants and other intergovernmental revenues.

The net position is segregated into net investment in capital assets, restricted, and unrestricted net position.

The Statement of Activities demonstrates how other people or entities that participate in programs the Center operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function of the Center. Examples include patient fees and third-party revenue, etc. The "operating grants and contributions" column includes amounts paid by organizations outside the Center to help meet the operational requirements of a given function. Examples include state and federal grant revenue. Investment earnings and other items not properly included among program revenues are reported as general revenues, which are used to support all of the Center's functions.

All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide Statement of Net Position. The fund financial statements report on the financial condition and results of operations for all governmental and custodial funds. Since the resources in the custodial funds cannot be used for Center operations, they are not included in the government-wide financial statements. The Center's general fund is the Center's only major fund, and the financial condition and results of operations are reported in a separate column in the governmental funds fund financial statements.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to compensated absences are recognized when the obligations are expected to be liquidated with expendable available financial resources. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. The Center considers all other revenues available if they are collectible within 60 days after year-end.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Center to refund all or part of the unused amount.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Center reports the following major governmental fund:

General Fund - The general fund is the Center's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the Center reports the following fiduciary funds:

Custodial Fund - The custodial fund accounts for resources held for individuals in a custodial capacity. The Center has one custodial fund called the Consumer Custodian Account Fund, which is used to account for the personal funds of the Center's consumers.

Pension Trust Fund – The pension trust fund accounts for the resources held in investments for Center employee pension benefits.

E. Other Accounting Policies

1. Cash and Cash Equivalents

Cash and cash equivalents at August 31, 2023, consist of a combination of interest and non-interest bearing accounts, cash on hand, and temporary investments in a public investment pool. The Pension Trust is additionally authorized to invest in governmental securities, corporate bonds and debentures, and common stock. The investments of the Pension Trust are non-participant directed. Interest revenue on investments is recorded in the applicable operating fund.

The cash and investment policies of the Center are governed by State statutes and the adopted Investment Policy. The Pension Trust is additionally governed by the Employee Retirement Income Security Act of 1974 (ERISA). The Center's policies governing bank depositories require bank depositories to be FDIC insured institutions and depositories must fully collateralize all deposits in excess of FDIC insurance limits.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Inventory

Inventories are stated at the lower of cost or market. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis.

4. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, vehicles, leasehold improvements, Right to Use leased assets, and SBITA leases assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Buildings, furniture and equipment, vehicles, and leasehold improvements of the Center are depreciated; while, Right to Use and SBITA leased assets are amortized, using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life (years)
Buildings and Improvements	10 - 40
Leasehold Improvements	10 - 40
Furniture & Equipment	3 - 10
Vehicles	4
Right to Use and SBITA Leased Assets	Lease Contract Term

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Leave Policies

Regular classified employees working at least 75 percent of a full-time equivalent earn Paid Time Off ("PTO") for each month of work performed. A maximum of 320 hours of leave time is available in any 12-month period. For employees who have completed at least six months of continuous service, accrued PTO is paid upon termination of employment at 100 percent up to a maximum of 320 hours.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

The Center implemented GASB Statement No. 87, Leases, during fiscal year 2022, which no longer differentiates between capital and operating leases. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, the Center, as a lessee, is required to recognize a right-to-use lease liability and an intangible right-to-use lease asset.

A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Center. The right-to-use lease liability is reported in the government-wide financial statements and is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense. In the fund financial statements, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as other sources during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level financial statements.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In fiscal year 2023, the Center implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITA)* which establishes an accounting model for subscription assets. Under this statement, the Center is required to recognize an intangible right-to-use SBITA asset and a corresponding SBITA liability. The subscription liability is recorded at the commencement of the subscription contract term and measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the implicit interest rate in the subscription agreement the SBITA vendor charges the Center, or the Center’s incremental borrowing rate if the interest rate is not readily determinable. The subscription asset is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the subscription term.

The SBITA asset and liability are reported in the government-wide financial statements. In the fund financial statements, the initial measure of a new SBITA arrangement is reported in governmental fund types as other sources during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level financial statements.

7. Fund Equity

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The unrestricted component of net position represents the amount that is not restricted or invested in capital assets.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

A description of the classification of fund balance, the spending order and the use of restricted and unrestricted resources under GASB 54 adopted by the Center follows:

- Non-spendable - amounts not available for appropriation or legally earmarked for a specific use; such as, inventories, prepaid items, and deferred expenditures.
- Restricted - amounts that have been legally separated for a specific purpose; such as, grants, capital acquisitions from bond proceeds and liquidation of long-term debt.
- Committed - amounts that require formal action to be used for a specific purpose; such as, construction improvements not funded by bond proceeds. Formal action by the board to commit funds must occur prior to fiscal year end. If the amount of the commitment is not known at the time of the action, the governing body or their designee shall identify such amount prior to issuing the financial statements.
- Assigned - amounts that do not require formal approval but are intended to be used for a specific purpose, as determined by an official or body to which the board has delegated authority. The board has not currently delegated the authority to a body of government or their designee for the assignment of fund balance.
- Unassigned - residual amounts reported in the general fund, which are available to finance operating expenditures. In other funds, the classification is used only to report a deficit balance related to previously restricted or assigned amounts.
- Spending Order - fund balances shall be considered released from restriction, commitment or assignment as expenditures are incurred for the purpose of the restrictions, commitment or assignment. Where expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted, committed, assigned and unassigned fund balance.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy

The Center does not have a fund balance policy.

8. Restricted/Unrestricted Resources

Under the terms of grant agreements, the Center funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the Center's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

9. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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 reported amounts of revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Center's annual budget for the General Fund is prepared based on estimated expenditures provided on a unit basis summarized by program category. The budget is submitted to the Chief Executive Officer and the Board. The budget must be approved by the Board and the Health and Human Services Commission (HHSC), hereto referred to as the State.

The final budgets are approved by the State, generally before the beginning of the new fiscal year. Budgetary control is maintained at the program level. The Center's management is authorized to transfer budgeted amounts within and among programs. However, the Board must approve revisions that alter the total budget. The Center had an original budget of \$130,662,564 with no amendments. Approximately thirty-eight percent (38.80%) of the Center's revenues were budgeted from the State; therefore, the Center has significant economic dependence on the State.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At August 31, 2023, the carrying amount of the Center's deposits was (\$1,044,860) and the bank balance was \$369,009. As of year-end the Center's deposits were fully collateralized.

During the year ended August 31, 2023, the Center invested in Texas Local Government Investment Pool (TexPool). TexPool, a public funds investment pool created by the Treasurer of the State of Texas acting by and through the Texas Treasury Safekeeping Trust Company, is empowered to invest funds and act as custodian of investments purchased with local investment funds. Authorized investments in TexPool include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit, and repurchase agreements and is rated AAA by Standard & Poors. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. Financial information for TexPool can be accessed on the internet (<http://www.texpool.com>).

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

The Center's cash and cash equivalents consist of the following:

	Major Fund
	General Fund
Deposits	\$ (1,110,081)
Cash on Hand	10,010
Health Insurance Fund	65,222
Texpool Investments	1,557,400
Total Cash and Cash Equivalents	\$ 522,551

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Center's investment policy limits the maturities of investments to less than five years from the time of purchase. The Center's investments with TexPool, valued at \$1,557,400 have a weighted average to maturity of 24 days.

Credit Risk: In accordance with the Center's investment policy; investments in investment pools must be rated at least AAA or its equivalent, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A, or equivalent. TexPool is rated AAA by Standard and Poors and as a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors for review.

Investments of the Pension Trust are recorded at fair value and are administered by Frost National Bank. Additional information regarding cash and investments can be found in note IV. B.4.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables from Other Governments

Receivables from other governments are for reimbursement of expenditures and fees for service provided under various programs and grants. All amounts are expected to be collected within the next year. A summary of these receivables is illustrated on the following page:

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

RECEIVABLES FROM OTHER GOVERNMENTS:	
Bexar County	\$ 613,565
Bureau of Justice Assistance	7,154
Day Habilitation	26,978
HR133A - Housing & Homeless	1,695,330
HR133B - Outpatient Expansion	1,921,423
HR133C - Prosumers	20,218
HR133 - Haven for Hope	125,710
ICFMR	60,755
MCOT	71,011
Methodist Health Care Ministries	179,988
MHFA	34,750
Other Funds	665,643
DPP IGT	(1,653,081)
Public Inebriate	314,534
SAMHSA - Eastside	319,816
SAMHSA - Yes	100,943
South Texas Regional Advisory Council	1,955,388
Texas Council on Offender with Mental Impairments (adult & children)	927,452
Texas Department of Criminal Justice	20,674
Texas Department of Housing and Community Affairs - TBRA	62,935
Texas Health and Human Services Commission - CCC	18,578
Texas Health and Human Services Commission - CHW	39,357
Texas Health and Human Services Commission - COPSD	6,313
Texas Health and Human Services Commission - Early On-Set & HR133	140,467
Texas Health and Human Services Commission - ECI ARPA & PDG	28,978
Texas Health and Human Services Commission - General Revenue	391,022
Texas Health and Human Services Commission - MAT	332,260
Texas Health and Human Services Commission - Medicaid Administrative Claiming	2,869,756
Texas Health and Human Services Commission - NAS	40,564
Texas Health and Human Services Commission - OSAR	144,531
Texas Health and Human Services Commission - PATH	66,802
Texas Health and Human Services Commission - PPI	29,377
Texas Health and Human Services Commission - RSS	5,067
Texas Health and Human Services Commission - Senate Bill 292/CONTRACTS	992,669
Texas Health and Human Services Commission - TRA	143,344
Texas Health and Human Services Commission - TRF	161
United Way	17,894
University Health System - Combined	1,013,350
TOTAL	<u>\$ 13,751,676</u>

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Other Receivables

Other receivables are non-grant related from a variety of sources to include Medicaid, Medicare, third party insurance, and client fees. All amounts are expected to be collected within the next year. A summary of these receivables follows:

Client Insurance Claims	\$ 3,541,867
Travel Advances	<u>6,485</u>
Total	<u><u>\$ 3,548,352</u></u>

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the governmental activities for the year ending August 31, 2023, was as follows:

	Balance Sept. 1, 2022	Increases	Decrease	Balance Aug. 31, 2023
Capital Assets Not Being Depreciated:				
Land	\$ 1,984,351	\$ -	\$ -	\$ 1,984,351
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated:	1,984,351	-	-	1,984,351
Capital Assets Being Depreciated/Amortized:				
Buildings and Improvements	28,586,232	71,694	-	28,657,926
Furniture and Equipment	4,632,614	-	-	4,632,614
Vehicles	229,461	18,000	-	247,461
Leasehold Improvements	15,970,014	78,487	-	16,048,501
SBITA Leased Assets	-	4,956,775	-	4,956,775
Right-To-Use Leased Assets	18,129,006	7,827,124	(18,239)	25,937,891
Total Capital Assets Being Depreciated/Amortized:	67,547,327	12,952,080	(18,239)	80,481,168
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	(10,223,810)	(840,344)	-	(11,064,154)
Furniture and Equipment	(2,900,640)	(924,442)	-	(3,825,082)
Vehicles	(181,545)	(38,500)	-	(220,045)
Leasehold Improvements	(1,571,443)	(422,477)	-	(1,993,920)
SBITA Leased Assets	-	(1,652,258)	-	(1,652,258)
Right-To-Use Leased Assets	(1,690,188)	(2,175,858)	19,772	(3,846,274)
Total Accumulated Depreciation/Amortization	(16,567,626)	(6,053,879)	19,772	(22,601,733)
Total Capital Assets Being Depreciated/Amortized, Net:	50,979,701	6,898,201	1,533	57,879,435
Governmental Activities Capital Assets, Net	\$ 52,964,052	\$ 6,898,201	\$ 1,533	\$ 59,863,786

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation/Amortization expense of the governmental activities was charged to functions/ programs as follows:

Central Administration	\$	2,912,838
Adult Behavioral Health		1,126,916
Child Behavioral Health		372,351
Long Term Care Services		194,735
Medical Services		451,662
Restoration Services		900,185
Center Care		95,192
Total	\$	<u>6,053,879</u>

E. Short-Term Note Payable

The Center entered into a revenue-anticipation loan agreement with Frost Bank during the current fiscal year up to the amount of \$15,000,000 with an interest rate set to the Prime Rate, adjusted daily, and a maturity date of August 31, 2023. At the end of the fiscal year, there was an outstanding balance of \$3,029,866, including interest, which was converted into a new revenue-anticipation loan agreement with Frost Bank on September 1, 2023.

Current-year activity related to the revenue anticipation note was as follows:

Balance September 1, 2022	Additions	Deletions	Balance August 31, 2023
<u>\$ 5,895,455</u>	<u>\$ 6,029,856</u>	<u>\$ (8,895,454)</u>	<u>\$ 3,029,857</u>

F. Leases

The Center has entered into lease agreements for fourteen office locations and twenty-four vehicles. The office locations have payments varying from \$770 to \$43,744 per month, with rates scheduled to increase in future years, and an assumed incremental borrowing rate of 5.5%. Vehicle payments range from \$201 to \$744 per month with interest rates varying from 4.15% to 7.14%.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Remaining Principal and Interest on leases are as follows:

Year Ending August 31,	Principal	Interest	Total
2024	\$ 1,931,491	\$ 1,237,408	\$ 3,168,899
2025	2,040,992	1,128,351	3,169,343
2026	1,807,675	1,016,457	2,824,132
2027	1,727,546	920,752	2,648,298
2028	1,517,466	827,835	2,345,301
2029-2033	8,525,141	2,793,539	11,318,680
2034-2038	5,689,578	605,843	6,295,421
Total	<u>\$ 23,239,889</u>	<u>\$ 8,530,185</u>	<u>\$ 31,770,074</u>

G. SBITA Right-to-Use Liability

On September 1, 2022, the Center implemented GASB No. 96, SBITAs for an existing subscription. The SBITA has a 48-month subscription term and is for the use of MyAvatar software. An initial subscription liability was recorded in the amount of \$4,956,776. As of August 31, 2023, the value of the subscription liability is \$3,232,984 and related accrued interest payable is \$166,783. The Center is required to make annual variable principal payments. The SBITA has an interest rate of 5.50%. The net value of the SBITA asset as of August 31, 2023 is \$3,304,517. Amortization expense is \$1,652,258.

Remaining Principal and Interest on SBITA Right to Use are as follows:

Year Ending August 31,	Principal	Interest	Total
2024	\$ 1,579,728	\$ 166,783	\$ 1,746,511
2025	1,653,256	93,256	1,746,512
Total	<u>\$ 3,232,984</u>	<u>\$ 260,039</u>	<u>\$ 3,493,023</u>

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt

During the year ended August 31, 2023, the following changes occurred in long-term debt:

	Balance September 1, 2022	Additions	Retirements	Balance August 31, 2023	Due Within One Year
Rental Payments (i)	\$ -	\$ 2,016,950	\$ (2,016,950)	\$ -	\$ -
SBITA Lease	-	4,956,776	(1,723,792)	3,232,984	1,579,728
Right-To-Use Lease	16,977,080	7,827,124	(1,564,315)	23,239,889	1,931,491
Accrued Compensated Absences	3,697,479	4,440,225	(4,586,783)	3,550,921	2,001,462
Total	<u>\$ 20,674,559</u>	<u>\$ 19,241,075</u>	<u>\$ (9,891,840)</u>	<u>\$ 30,023,794</u>	<u>\$ 5,512,681</u>

(i) See note IV. Other Information H. for explanation of rental payments.

I. Fund Balance Classifications

The fund balance portion totaling \$521,100, reported in the General Fund is related to pre-paid assets in the amount of \$513,237, and inventory in the amount of \$7,863 and therefore non-spendable.

IV. OTHER INFORMATION

A. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; doctors' malpractice; and natural disasters. During fiscal year 2023, the Center was covered under a general/professional liability insurance plan with a combined limit of \$2 million cost, which is considered to be economically justifiable.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

The Center has commercial insurance for all other risks of loss, including employee health benefits, workers' compensation, and employee life, dental, and disability insurance. In the fiscal year 2023, there were no significant reductions in insurance coverage from the previous year. Settled claims have not exceeded the coverage for each of the past two fiscal years. See note IV C (Self-Funded Health Insurance Benefit Plan).

B. Blended Component Unit - The Plan

The Center provides pension benefits for its full-time employees, under a 401(a) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board of Trustees acts as the trustee of the Retirement Plan (Plan) and may amend the Plan at any time.

The Center's total payroll costs in the fiscal year ended August 31, 2023, were \$69,767,603. The Center made the required 5% contribution of \$2,145,192 and the 3% match contribution of \$1,376,307 calculated from the base salary of approximately \$42,903,840 during the period of January 1, 2022 through December 31, 2022.

1. Description of The Plan

The following description of the Center for Health Care Services Retirement Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General – The Plan is a defined contribution pension plan established by the Center for Health Care Services (the "Center") to provide benefits at retirement to qualified Center employees. The Plan covers all full-time employees of the Center who have had at least one year of service. The Plan defines "year of service" as a 12-month period in which a participant works 1,000 hours of service for the Center.

Contributions –The Center is required to contribute 5% of each participant's annual pretax compensation. Effective January 1st, 2010, the Center, at its own discretion, matches the employee's contribution to the 457(b) deferred compensation plan with a contribution to the 401a retirement plan. This amount of this match contribution is limited to 3% of each participant's annual pretax compensation.

As defined in the Plan, employee contributions are not required or allowed, the only source of contributions under the Plan is the employer contributions.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

Participant Accounts – Each participant’s account is credited with the allocations of (a) The Center’s contribution and (b) Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting – Vesting in the Center’s contribution portion of their accounts is based on years of continuous service. Employer contributions will vest to the participants in accordance with the schedule below:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less Than 1	0%
1	0%
2	25%
3	50%
4	75%
5	100%

Participant Loans – The Plan does allow participants to borrow 50% of their vested balance up to a maximum of \$50,000. Participants may only have one outstanding loan from the Plan.

Payment of Benefits – On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant’s vested interest in his or her account, or a portion of the vested account balance. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Forfeitures – Forfeited non-vested accounts are used to subsidize plan administrative expenditures and the continuation of the Center’s 457(b) matching program. For the year ended December 31, 2022, there is a balance of \$81,205 in forfeited non-vested contributions.

Administration of Plan Assets – Alliance Benefit Group serves as the third-party administrator. A third-party administrator performs certain administrative functions. It is the Plan’s investment policy that all administrative expenses are paid from forfeited non-vested contributions.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION - (continued)

Plan Termination – Although it has not expressed any intent to do so, the Center has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of Employee Retirement Income Security Act of 1974 (ERISA). In the event of Plan termination, participants will become 100 percent vested in their accounts.

Federal Income Tax Status – The Internal Revenue Service has determined and informed The Center by a letter dated August 31, 1998, that the Plan and related trust as then designed, was in compliance with applicable requirements of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

2. Summary of accounting policies

Basis of Accounting – The financial statements of the Plan are prepared under the accrual basis of accounting.

Uses of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation – The Plan's investments are stated at fair value.

Payment of Benefits – Benefits are recorded when paid.

Net Appreciation (Depreciation) – Net appreciation (depreciation) includes realized and unrealized gains and losses on investments bought and sold, as well as held during the year.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION - (continued)

3. Nonparticipant-directed investments

Information about the net position and the significant components of the changes in net position relating to the nonparticipant-directed investments is as follows:

	<u>December 31, 2022</u>
Investments at Fair Market Value:	
US Government Securities	\$ 1,789,101
Corporate Fixed Income	988,270
Preferred Stocks	31,421
Common Stocks	13,237,696
Exchange - Traded & Closed-End Funds	6,615,210
Mutual Funds - Fixed Income	3,897,351
Total	\$ 26,559,049

4. Investments – Fair Value Measurement

The Plan categorizes its fair value measurements of its investments within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on valuation inputs used to measure the fair value of the investment and are classified and disclosed in one of the following categories:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets;

Level 2 – Quoted prices in markets that are not considered to be active for identical assets, quoted prices in active or inactive markets for similar assets, and inputs other than quoted prices that are directly observable or indirectly through corroboration with observable market data; and,

Level 3 – Inputs that are both significant to the fair value measurement and unobservable; including, investment specific inputs that are not derived from market data and inputs that cannot be corroborated by market data. The determination of fair value for investments included in this category requires considerable subjectivity and estimation.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

At December 31, 2022, the Plan's fair value measurements for its investments were as follows:

	Fair Value Measurements Using			
	December 31, 2021	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Values				
US Government Securities	\$ 1,789,101	\$ 1,789,101	\$ -	\$ -
Corporate Fixed Income	988,270	-	988,270	-
Preferred Stock	31,421	31,421	-	-
Common Stock	13,237,696	13,237,696	-	-
Exchange Traded & Closed-End Funds	6,615,210	6,615,210	-	-
Mutual Funds – Fixed Income	3,897,351	3,897,351	-	-
Total Investments by Fair Value Level	<u>\$26,559,049</u>	<u>\$25,545,857</u>	<u>\$ 988,270</u>	<u>\$ -</u>

Corporate Fixed Income Securities are valued by a third party service through various market sources, relative credit information, observed market movements, and sector news.

The Finance Committee, for the Board of Trustees, has established an investment policy to achieve consistent and competitive rates of return with an emphasis on preservation of capital.

Concentration of Credit Risk - The Center's investment policy contains no limitations on the amount that can be invested in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There were no investments with any single issuer that exceeded 5%.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (Morgan Stanley), the Center will not be able to recover the value of its investments that are in the possession of an outside party. The Center's investments (\$26,559,049), which are not in the name of the Center, are held by Morgan Stanley. The Center does not limit the amount of investments held by a counterparty not in the Center's name.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center has no policies with respect to credit risk. The Center’s investments in Exchange Traded and Closed-End Funds are not rated by a nationally recognized statistical rating organization. U.S. Government Securities are all rated AAA.

The ratings of the Plan’s investments in corporate fixed income are as follows:

Rating	Amount	Percentage
AA2	\$ 83,878	8.49%
A1	284,320	28.77%
A2	160,060	16.20%
A3	163,592	16.54%
BAA1	135,397	13.70%
BAA2	161,023	16.29%
Total	\$ 988,270	100%

Interest Rate Risk: In accordance with the Center’s investment policy, the Center does not purchase any investments with maturities greater than 30 years. Government/Corporate bonds and debentures of the Plan had a weighted average maturity of 7.48 years as of December 31, 2022.

The Center’s investments in Mutual Funds – Fixed Income had the following weighted average maturities as of December 31, 2022:

	Weighted Average Maturity (yrs)
Western Core Plus Fixed	15.78
Vanguard ST Bond ETF (BSV)	3.00

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

During 2022, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated/ (depreciated) in value as follows:

	Year Ended December 31, 2022
Appreciation/(Depreciation) on Investments	\$ (3,778,715)
Interest and Dividends	22,819
Total	\$ (3,755,896)

Information on the changes in net position related to nonparticipant-directed investments is reported in the Statement of Changes in Fiduciary Net Position.

C. Self-Funded Health Insurance Benefit Plan

For the year-ended August 31, 2023, the Center maintained its self-funded health insurance benefit plan under guidelines issued by the U.S. Department of Labor in accordance with the Employee Retirement Income Security Act (ERISA). Under this plan, the Center assumes responsibility for paying employee health insurance claims directly.

The Center utilizes United Healthcare as a third-party administrative service to manage claims. United Healthcare calculates the premium amounts each year that are sufficient to fund the Center's health programs on a pay-as-you-go basis; in addition, the Center increases the premium to fund 120% of the expected liability. Obligations for claims under this benefit plan are accrued in the Center's Self-Funded Health Insurance Benefit Plan based on the Center's estimates of the aggregate liability for claims made and claims incurred but not reported (IBNR).

The liability for the Self-Funded Health Insurance Benefit Plan is based on the estimated aggregate amount outstanding at the statement of net position date for unpaid benefits. Liabilities for the Health Insurance are reported when it is probable that a loss has occurred as of the statement of net position date, and the amount of the loss can be reasonably estimated. These liabilities include a provision for IBNR claims.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

The Center is exposed to potential risk of higher than estimated insurance claims. To limit potential risk and exposure to higher than estimated claims, the Center maintains stop-loss liability insurance. For the past three years, claims settlements have not exceeded insurance coverage limits and there were no significant reductions in insurance coverage. The liability insurance program includes:

- \$100,000 of excess liability coverage for individual employees
- \$1,000,000 of liability coverage for yearly cost of aggregated claims

During the fiscal year, a total of \$8,865,331 was incurred in benefits and operating costs. Claims and administrative fees paid during the fiscal year were \$8,808,791. GASB Statement No. 10 as amended by GASB Statement No. 30, requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the liability can be reasonably estimated. IBNR claims were \$756,000 as of August 31, 2023, and are included in accrued expenses in the accompanying statements of financial position and are reflected in the liability as disclosed below.

The following is a summary of changes in claims liability for the year-ended August 31, 2023:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Liability
2023	\$ 699,460	\$ 8,865,331	\$ (8,808,791)	\$ 756,000

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

D. Deferred Compensation Plan

The Center offers its employees a Deferred Compensation Plan (the "Plan") consistent with Internal Revenue Code Section 457(b). Vesting in the Plan is immediate with asset ownership remaining with the employer until the employee terminates employment, retires, or experiences an unforeseeable emergency. Employees may contribute voluntarily to the Plan an amount not to exceed the lesser of 100 percent of annual salary or \$17,500 normal limit and \$5,500 additional catch-up contributions for participants aged 50 or older for a total of \$23,000. All assets of the Plan are held by Morgan Stanley in investments similar to the 401a defined contribution plan.

The deferred compensation assets are not considered assets of the Center and therefore not shown on the balance sheet at August 31, 2023.

E. Related Party Transactions

The Center has entered into an agreement whereby the County of Bexar and the University Health System (UHS) serve as sponsoring agencies of the Center. In turn, these organizations appoint the Center's Board Members and conduct other sponsorship responsibilities. For the year ended August 31, 2023, the Center recognized revenue of \$2,726,050 in required local match from UHS that is reported as local revenues.

In addition to the required local match, the Center received a methadone subsidy and entered into an agreement with CareLink. CareLink is a UHS membership program available to Bexar County residents, which helps pay for the cost of comprehensive medical and behavioral healthcare services that a consumer receives. The agreement allowed the Center to become one of CareLink Behavioral Health Care Network Providers, which allowed the Center to earn \$372,509 through a fee for services contract. Center consumers that meet CareLink Eligibility criteria are offered comprehensive medical and behavioral healthcare services, including pharmacy benefits.

The Center and UHS also designed the Mommies Program to provide prenatal/parental education and treatment for mothers addicted to opiates. The Center received \$204,890 during the fiscal year.

Furthermore, during fiscal year 2022 the Center and UHS executed another agreement that allows the Center to provide both psychiatric and integrated primary health care in the east side of Bexar County. During the current fiscal year, funding totaled \$956,752.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

The Center and UHS are partners in the Community Alternatives to Incarceration Program (CAIP), which addresses gaps in care, so that individuals who have a mental illness and are involved in the justice system are appropriately referred into treatment and support programs. During the current fiscal year, UHS has contributed \$1,013,716 towards this program.

The County of Bexar and the Center have designed a program to stabilize, restore, and divert persons with mental illness from incarceration and to facilitate their entry into treatment. Services provided under this program include Jail Diversion, Mental Health Court, and Assisted Outpatient Treatment services. During the current fiscal year, the County of Bexar has provided \$2,632,971 towards this program.

During the fiscal year 2014, the Center joined Tejas Health Management Association (Tejas), an Unincorporated Non-Profit Association organized under the Texas Business Organization Code, Chapter 252. Tejas was organized for the purposes of providing or arranging services to facilitate the goals and missions common to community centers established in Texas. Tejas has a three-member board in which the Community Centers: Austin Travis County Integral Care, Bluebonnet Trails Community Services, and the Center for Health Care Services each appoint one Board Member.

F. Commitments and Contingencies

The Center receives significant financial assistance from federal and state agencies in the form of grants. These programs are subject to financial and compliance audits by the grantors or other representatives and regulatory authorities. The purpose of these audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. Any disallowed claims resulting from such audits become a liability to the General Fund. In the opinion of management, any potential liabilities resulting from disallowed claims will not materially affect the financial statements of the Center.

During the normal course of business, the Center is sometimes involved in lawsuits; however, management estimates that any potential claims against the Center not covered by insurance and resulting from such litigation would not materially affect the basic financial statements of the Center.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

The Center is self-insured for a significant portion of its employee health benefits program. However, the Center maintains stop-loss coverage with third party insurers to limit individual claims and total exposure under this program. The Center estimates its accrued liability for the ultimate costs to close known claims, including claims incurred but not yet reported as of the balance sheet date. The recorded estimated liability for self-insurance is based on the insurance companies incurred loss estimates and management's judgment, including assumptions and factors related to the frequency and severity of claims, claims development history, and claims settlement practices. However, this accrued liability does not include any estimates that may still be outstanding and negotiated through United Healthcare. The ultimate settlement of loss contingencies and self-insurance reserves may differ significantly from amounts that are accrued in these financial statements.

G. Paul Elizondo Adult Behavioral Health Clinic (Clinic)

The Clinic, formerly the Inner City Center, is a multi-facility campus that is located at 928 W. Commerce and was developed by new construction and the renovation of existing buildings in a blighted downtown City block.

The Clinic shall be owned by the County but shall be operated by the Center, for and on behalf of the County, as a community mental health and mental retardation center facility to provide for the support, maintenance and operation of mental health services, substance abuse services, and mental retardation services, as authorized by applicable law, including but not limited to, the County's specialty court, therapeutic justice and jail diversion programs (civil and criminal justice system facilities) and justice system services for adults (related to civil and criminal justice activities of the County).

The County and the Center have entered into three different agreements for the construction, funding and development, and operation of the Clinic, as described below.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

Ground Lease Agreement. This ground lease agreement, dated November 15, 2016, names the County as the *Tenant* and the Center as the *Landlord*, and is for the construction of the Clinic on .8758 acres of a 2.1174 acre tract of land owned by the Center. The lease term commences on the agreement date and ends (1) the date that all amounts due and owing on the *Obligations* (as described in the Development Agreement) are paid in their entirety by the Center or by the Center exercising the purchase option, or (2) thirty years after the operations start date, as described in the Operating Agreement, whichever occurs first. At termination date, the Clinic shall become the property of the Center.

Commencing on the agreement date and continuing throughout the term of the Ground Lease Agreement, the County shall pay to the Center \$1.00, as annual base rent.

During the term of the Ground Lease Agreement, the County shall at all times own an undivided interest in the Clinic; while, the Center shall at all times own an undivided interest in improvements now existing or hereafter constructed on its land, excluding the Clinic. As such, the County has capitalized all costs related to the construction of the Clinic and will account for the building as an asset in their financial statements; and, the Center has recorded the land and all improvements, paid for by the Center, as an asset in its financial statements.

The Center may exercise the purchase option, which is the option to purchase the County's interest in the Clinic on and on any date after the first optional redemption date for the *Obligations*, in an amount sufficient to pay principal of all outstanding *Obligations*, redemption premium, and accrued interest thereon, together with any other amounts then due or past due.

Funding & Development Agreement (Development Agreement). This development agreement dated November 15, 2016, which is the commencement date, terminated in October 2018 the Clinic's construction completion date. During the term of this agreement, the Center was named the *Developer*. As the *Developer*, the Center was responsible for the design and construction of the Clinic.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

As part of the development agreement, the County agreed to provide to the Center funding up to approximately \$23,000,000 (*Obligations* referenced in the Ground Lease Agreement), to support the development and construction of the Clinic. This amount was a portion of the funding necessary to construct the Clinic and represents the proceeds received by the County through the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2016A. The Center also agreed to provide additional funding of approximately \$6,000,000 for improvements to the Clinic; and, the land necessary for the construction and development of the Clinic.

Interlocal Cooperation, Operating, and License Agreement (Operating Agreement). This operating agreement, which has an effective date of November 15, 2016, along with the First Amendment with a September 3, 2019 effective date, names the Center as the *Operator* of the Clinic. The term of this operating agreement commences on the effective date and terminates upon the end of the term of the Ground Lease Agreement. The operations start date occurs on the day following the project completion date, as defined in the Development Agreement.

In consideration of the County’s agreement to finance the Clinic with the *Obligations* described in the Development Agreement, the Center shall be obligated to pay the County for debt service on the *Obligations* representing principal in an approximate amount of, and in no event to exceed, \$23,000,000, plus premium, if any, plus interest accruing thereon, and including any amounts used to pay the costs of issuance thereof. The Center shall pay the County amounts at the times and on the dates as set forth in the following Schedule of Annual Rental Payments.

ANNUAL RENTAL PAYMENTS			
Year Ending August 31,	Principal	Interest	Total
2024	\$ 1,395,000	\$ 625,700	\$ 2,020,700
2025	1,460,000	555,950	2,015,950
2026	1,535,000	482,950	2,017,950
2027	1,610,000	406,200	2,016,200
2028	1,695,000	325,700	2,020,700
2029-2031	5,565,000	488,900	6,053,900
Total Payments	\$ 13,260,000	\$ 2,885,400	\$ 16,145,400

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

Since the County will benefit from the operation of the mental health services at the Clinic, to be delivered by the Center, the County may, at its sole discretion, choose annually to offset all or any portion of the above cash annual rental payments with certain services. In the initial Operating Agreement, the services to be provided by the Center in lieu of the annual rental payment were for services for the County's Substance Use Jail Diversion Program and Youth Services Program located at the Clinic. In accordance with the First Amendment to the Operating Agreement, in satisfaction of the annual rental payment, the County agrees to allow the Center to perform these services at the Clinic as well as other facilities operated by the Center; allows the Center to develop specialty units (such as Crisis Stabilization Unit) which are necessary to meet the needs of mentally ill clients in satisfaction of the annual rental payment; and, agrees to allow the Center to use all or any portion of the local match required by Senate Bill 292 as set forth in the Bexar County Community Collaborative dated January 1, 2018 (Bexar County Collaborative MOU), in satisfaction of the annual rental payment. If the County elects to offset the annual rental payment with services, the services are to be described in the Annual Services Supplement, which is required to be completed by the County each fiscal year and provided to the Center.

For fiscal year 2023, the Center was required to make a \$2,016,950 rental payment in accordance with the Schedule of Annual Rental Payments. In satisfaction of the annual rental payment, the entire amount was offset with \$1,624,864 in services described in the 2019 Annual Services Supplement and by local match totaling \$7,153,175 towards the fiscal year 2023 Senate Bill 292 pursuant to the terms of the Bexar County Collaborative MOU.

The Center believes it has fulfilled the cumulative required annual rental payments through August 31, 2023., However, the County reflects a receivable from the Center estimated to be \$5 million. The Center is currently in discussions with the County to reconcile this discrepancy. The likelihood that the Center will be liable to the County can not be determined as of the date of this report.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

IV. OTHER INFORMATION (Continued)

The Capital Improvement and Repair Fund. In accordance with the Operating Agreement, on or prior to the operations start date, the Center shall establish the Capital Improvement and Repair Fund and shall commence the funding of same during the first year of operation of the Clinic with the goal of funding it within thirty-six (36) months of the operations start date. The Capital Improvement and Repair Fund will be a funding source for the maintenance, repair, refurbishment, upgrades, improvements, and replacement of the components comprising the Clinic, including (without limitation) all infrastructure, fixtures, equipment, surfaces, and structures used in the operation of the Clinic to ensure it meets the safety and quality standards.

The Center shall fund the Capital Improvement and Repair Fund from revenues remaining after payment of all usual and customary operating expenses of the Clinic or from other sources, but only after funding the Reserve Fund. The Center shall use its best efforts to maintain a reserve in the Capital Improvement and Repair Fund of \$300,000. At August 31, 2023, no amounts have been deposited to the Capital Improvement and Repair Fund.

The Reserve Fund. In accordance with the Operating Agreement, on or prior to the operations start date, the Center shall establish the Reserve Fund, and shall commence funding during the first year of operation of the Clinic. The purpose of the Reserve Fund is to pay unanticipated Clinic operating expenses that were not funded in the operating budget or deficiencies in the allocation of funding the Clinic's operating expenses.

The Center shall fund the Reserve Fund from the Clinic's operating revenues, with a goal of the Reserve Fund to be funded within thirty-six (36) months of the operations start date in an amount equal to three (3) months of the average total monthly Clinic operating expenses. At August 31, 2023, no amounts have been deposited to the Reserve Fund.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

V. Discretely Presented Component Unit

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The National Center for Behavioral Health Solutions (The Center for Health Care Services Foundation)

The Center for Health Care Services Foundation is a non-profit organization established in 2002 and is dedicated to securing substantial financial resources that advance the capital, clinical, educational, and service delivery goals of The Center. The Center for Health Care Services Foundation is exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code and is classified as a private foundation.

The Center for Health Care Services Foundation is a legally separate corporation and is considered a component unit of the Center for Health Care Services (the Center). The Center for Health Care Services Foundation is governed by the Board of Directors appointed by the Center. The Center for Health Care Services Foundation's financial information presented in the Government-wide Financial Statements is as of and for the year ended December 31, 2022, which is the latest, audited financial information available.

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements focus on the Foundation as a whole and are prepared on the accrual basis of accounting and in accordance with the *Financial Accounting Standards Board–Accounting Standards Codification* (FASB–ASC), which is the source of generally accepted accounting principles (GAAP) for non-governmental entities.

In accordance with the FASB–ASC, the Foundation distinguishes between contributions that increase net assets with donor restrictions, and net assets without donor restrictions. It also recognizes contributed services meeting certain criteria, at fair values. Therefore, the Foundation records contributions, including unconditional promises to give, in the period received or pledged. Contributions are recorded at the fair value of the assets received and are classified as either with or without donor restrictions, depending on whether the donor has imposed a restriction on the use of such assets.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

V. Discretely Presented Component Unit (Continued)

Support received from contributions is recorded as revenue only as expenses are incurred. Receivables from contributors represent amounts due under the terms of agreements. Management considers all amounts recorded to be collectible. Revenues billed and collected in advance for services under grants and contracts are deferred and recorded as revenues in the period in which the related services are rendered.

B. Other Accounting Policies

1. Cash and Cash Equivalents

The Center for Health Care Services Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents at December 31, 2022 consist of a non interest bearing account. The Center for Health Care Services Foundation's deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000.

2. Net Assets without and with Donor Restrictions

Unrestricted Net Position – Represents Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Restricted Net Position – Represents Net Assets With Donor Restrictions – Net assets with donor restrictions are those whose use is limited by donor-imposed, time, and/or purpose restrictions.

3. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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 reported amounts of revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

THE CENTER FOR HEALTH CARE SERVICES
San Antonio, Texas
Notes to the Financial Statements
August 31, 2023

V. Discretely Presented Component Unit (Continued)

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The balance of cash and cash equivalents on December 31, 2022, consisted of the following:

	Amount
Cash in Bank	\$ 788,244
Total	<u>\$ 788,244</u>

Credit Risk: The Center for Health Care Services Foundation maintains cash balances at one bank. Deposits at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances were in excess of FDIC coverage throughout the year and at December 31, 2022.

III. OTHER INFORMATION

A. Economic Dependency

A significant portion of the Center for Health Care Services Foundation's revenue is from an agreement with Methodist Healthcare Ministries. Revenue from this agreement totaled \$401,104 for the year ended December 31, 2022, and approximated thirty-six (41.35%) percent of total revenue.

REQUIRED SUPPLEMENTARY INFORMATION

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2023 (Unaudited)**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
Local	\$ 60,002,713	\$ 60,002,713	\$ 60,558,109	\$ 555,396
State	50,694,212	50,694,212	47,740,222	(2,953,990)
Federal	19,965,639	19,965,639	22,516,504	2,550,865
Total Revenues	130,662,564	130,662,564	130,814,835	152,271
EXPENDITURES:				
Current:				
Central Administration	23,295,319	23,295,319	22,411,806	883,513
Adult Behavioral Health	29,280,804	29,280,804	29,055,244	225,560
Child Behavioral Health	13,818,614	13,818,614	11,631,779	2,186,835
Medical Services	13,639,446	13,639,446	12,775,746	863,700
Long Term Care Services	6,848,517	6,848,517	7,594,723	(746,206)
Restoration Services	42,989,325	42,989,325	44,361,749	(1,372,424)
Center Care	790,539	790,539	963,979	(173,440)
Capital Outlay	-	-	12,952,082	(12,952,082)
Debt Service - Principal SBITA	-	-	1,723,792	(1,723,792)
Debt Service - Interest SBITA	-	-	22,719	(22,719)
Debt Service - Principal Leases	-	-	1,564,315	(1,564,315)
Debt Service - Interest Leases	-	-	1,143,452	(1,143,452)
Total Expenditures	130,662,564	130,662,564	146,201,386	(15,538,822)
Excess/(Deficiency) revenues over expenditures	-	-	(15,386,551)	(15,386,551)
OTHER FINANCING SOURCES (USES)				
Right to Use SBITA	-	-	4,956,775	4,956,775
Right-to-Use Leases	-	-	7,827,124	7,827,124
Total Other Financing Sources (Uses)	-	-	12,783,899	12,783,899
Net Change in Fund Balance	-	-	(2,602,652)	(2,602,652)
Fund Balance - September 1 (Beginning)	10,292,720	10,292,720	10,292,720	-
Fund Balance - August 31 (Ending)	\$ 10,292,720	\$ 10,292,720	\$ 7,690,068	\$ (2,602,652)

SUPPLEMENTARY AND STATISTICAL SECTION

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
Capital Assets Used in the Operation of Governmental Funds (Unaudited)
Schedule by Source**

August 31, 2023

GOVERNMENTAL FUNDS CAPITAL ASSETS

	<u>Total</u>
Land	\$ 1,984,351
Construction in Progress	-
Buildings	28,657,926
Furniture	4,632,614
Vehicles	247,461
Leasehold improvements	16,048,501
SBITA Lease Assets	4,956,775
Right-To-Use Lease Assets	<u>25,937,891</u>
 Total Governmental Fund Capital Assets	 <u><u>\$ 82,465,519</u></u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

General Fund	<u>\$ 82,465,519</u>
 Total Investment in Governmental Funds Capital Asset	 <u><u>\$ 82,465,519</u></u>

THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
Capital Assets Used in the Operation of Governmental Funds (Unaudited)
Schedule by Function and Activity

August 31, 2023

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Furniture</u>	<u>Vehicles</u>	<u>Leasehold Improvements</u>	<u>SBITA Lease Assets</u>	<u>Right-To-Use Lease Assets</u>	<u>Total</u>
Central Administration	\$ 490,920	\$ 584,919	\$ 4,205,711	\$ -	\$ 392,828	\$ 4,956,775	\$ 8,719,677	\$ 19,350,830
Long Term Care	271,591	4,795,275	-	47,546	127,303	-	711,870	5,953,585
Restoration	792,857	13,248,682	109,560	20,666	-	-	2,146,488	16,318,253
Adult BH Services	428,983	6,676,842	230,675	159,783	15,449,070	-	7,579,130	30,524,483
Child BH Services	-	3,352,208	86,668	19,466	79,300	-	2,464,365	6,002,007
Medical Services	-	-	-	-	-	-	3,363,840	3,363,840
Center Care	-	-	-	-	-	-	952,521	952,521
Total Governmental Fund Capital Assets	<u>\$ 1,984,351</u>	<u>\$ 28,657,926</u>	<u>\$ 4,632,614</u>	<u>\$ 247,461</u>	<u>\$ 16,048,501</u>	<u>\$ 4,956,775</u>	<u>\$ 25,937,891</u>	<u>\$ 82,465,519</u>

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS**
Capital Assets Used in the Operation of Governmental Funds (Unaudited)
Schedule of Changes by Function and Activity

August 31, 2023

<u>Function</u>	<u>Governmental Fund Capital Assets September 1, 2022</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Additions</u>	<u>Retirements</u>	<u>Governmental Fund Capital Assets August 31, 2023</u>
Central Administration	\$ 11,356,323	\$ -	\$ -	\$ 8,012,746	\$(18,239.00)	\$ 19,350,830
Long Term Care	5,714,382	-	-	239,203	-	5,953,585
Restoration	15,755,320	-	-	562,933	-	16,318,253
Adult BH Services	28,130,947	-	-	2,393,536	-	30,524,483
Child BH Services	5,375,121	-	-	626,886	-	6,002,007
Medical Services	2,525,204	-	-	838,636	-	3,363,840
Center Care	<u>674,379</u>	<u>-</u>	<u>-</u>	<u>278,142</u>	<u>-</u>	<u>952,521</u>
Total Governmental Fund Capital Assets	<u>\$ 69,531,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,952,082</u>	<u>\$ (18,239)</u>	<u>\$ 82,465,519</u>

THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES BY SOURCE OF FUNDS AND BY PROGRAM CATEGORY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)

	CRISIS SERVICES				TOTAL CRISIS SERVICES EXPENDITURES
	CRISIS RESIDENTIAL	CRISIS OUTPATIENT	CRISIS SCREENING ELIGIBILITY	CRISIS OTHER	
Required Local Match	\$ 18,929	\$ 238,793	\$ 65,801	\$ -	\$ 323,523
Additional Local Funds	119,154	673,273	227,383	-	1,019,810
Earned Income	-	-	-	-	-
Other State	-	-	-	-	-
Other Federal	-	-	-	-	-
General Revenue, MH	-	-	-	-	-
General Revenue - Crisis Services	251,638	3,418,104	804,687	-	4,474,429
PATH	-	-	-	-	-
MH Block Grant	-	-	-	-	-
Total expenditures	\$ <u>389,721</u>	\$ <u>4,330,170</u>	\$ <u>1,097,871</u>	\$ <u>-</u>	\$ <u>5,817,762</u>

THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES BY SOURCE OF FUNDS AND BY PROGRAM CATEGORY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)

	ADULT BEHAVIORAL HEALTH								TOTAL MH ADULT EXPENDITURES
	NEW GEN. MEDICATION	FLEX FUNDS	MEDICAID TYPE SERVICES	SCREENING & ELIGIBILITY	ALL OTHER OUTPATIENT	CRISIS RESIDENTIAL	CRISIS OUTPATIENT	CRISIS SCREENING ELIGIBILITY	
Required Local Match	\$ -	\$ -	\$ 1,338,052	\$ 315,591	\$ 1,056	\$ 29,955	\$ 214,805	\$ 72,349	\$ 1,971,808
Additional Local Funds	5,688,195	1,105,752	1,268,749	74,118	574,733	490,155	5,458,922	586,175	15,246,799
Earned Income	-	-	-	-	-	-	-	-	-
Other State	-	-	4,936,975	705,928	-	4,536,720	-	-	10,179,623
Other Federal	-	-	9,741,258	6,945,430	8,634	119,035	814,343	241,756	17,870,456
General Revenue, MH	-	-	13,757,913	3,392,777	111,021	332,833	2,386,720	803,876	20,785,140
Title XX	-	-	309,549	-	-	-	-	-	309,549
MH Block Grant	-	-	799,776	113,794	-	-	-	-	913,570
1115 Tranformational Waiver	-	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ 5,688,195</u>	<u>\$ 1,105,752</u>	<u>\$ 32,152,272</u>	<u>\$ 11,547,638</u>	<u>\$ 695,444</u>	<u>\$ 5,508,698</u>	<u>\$ 8,874,790</u>	<u>\$ 1,704,156</u>	<u>\$ 67,276,945</u>

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES BY SOURCE OF FUNDS AND BY PROGRAM CATEGORY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

	LONG TERM CARE SERVICES	
	Other Services (Both GA & AA Allocations)	TOTAL LONG TERM CARE EXPENDITURES
Required Local Match	\$ -	\$ -
Additional Local Funds	-	-
Earned Income	-	-
HCS	2,960,649	2,960,649
ICF-MR	290,102	290,102
TXHLW	240,015	240,015
Other State	-	-
Other Waivers	33,543	33,543
Total expenditures	\$ 3,524,309	\$ 3,524,309

THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES BY SOURCE OF FUNDS AND BY PROGRAM CATEGORY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)

CHILD BEHAVIORAL HEALTH

	<u>FAMILY SUPPORT SERVICES</u>	<u>MEDICAID TYPE SERVICES</u>	<u>SCREENING & ELIGIBILITY</u>	<u>CRISIS OUTPATIENT</u>	<u>CRISIS SCREENING & ELIGIBILITY</u>	<u>TOTAL CHILD AND ADOLESCENT EXPENDITURES</u>
Required Local Match	\$ 14,793	\$ 231,624	\$ 66,318	\$ 44,211	\$ 8,449	\$ 365,395
Additional Local Funds	1,150	593,673	4,336	83,243	28,003	710,405
Earned Income	-	-	-	-	-	-
Other State	3,101	263,448	29,032	-	-	295,581
Other Federal	248,043	4,645,154	970,702	30,901	6,509	5,901,309
General Revenue, CMH	137,363	2,088,695	634,974	399,332	74,518	3,334,882
TANF to Title XX	-	-	-	-	-	-
TANF	13,000	233,403	49,044	91,898	19,359	406,704
MH Block Grant	14,007	251,499	52,846	-	-	318,352
1115 Transformational Waiver / YES	-	-	-	-	-	-
Total expenditures	<u>\$ 431,457</u>	<u>\$ 8,307,496</u>	<u>\$ 1,807,252</u>	<u>\$ 649,585</u>	<u>\$ 136,838</u>	<u>\$ 11,332,628</u>

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES BY SOURCE OF FUNDS AND BY PROGRAM CATEGORY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

	COMMUNITY HOSPITAL	
	COMMUNITY HOSPITAL	TOTAL COMMUNITY HOSPITAL EXPENDITURES
Required Local Match	\$ -	\$ -
Additional Local Funds	1,805,951	1,805,951
Earned Income	-	-
Other State	-	-
Other Federal	-	-
General Revenue, MH	-	-
Project Private Beds	7,661,675	7,661,675
New Generation Medications	-	-
PATH	-	-
MH Block Grant	-	-
Total expenditures	\$ 9,467,626	\$ 9,467,626

THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES BY SOURCE OF FUNDS AND BY PROGRAM CATEGORY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)

	OTHER SERVICES	
	OTHER SERVICES (GA Only)	TOTAL EXPENDITURES OTHER SERVICES NON PRIORITY POPULATION
Required Local Match	\$ -	\$ -
Additional Local Funds	1,336,319	1,336,319
Earned Income	-	-
TxHmL Waiver / DAHS	-	-
General Revenue, MH	-	-
DSHS General Revenue - Other	-	-
Other Federal	24,720,028	24,720,028
Other State	9,421,957	9,421,957
1115 Transformational Waiver	-	-
Total expenditures	\$ 35,478,304	\$ 35,478,304

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES BY SOURCE OF FUNDS AND BY PROGRAM CATEGORY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

	TOTAL								EXCESS REVENUE OVER EXPENDITURES
	TOTAL MH ADULT EXPENDITURES	TOTAL CRISIS SERVICES EXPENDITURES	TOTAL LONG TERM CARE EXPENDITURES	TOTAL CHILD AND ADOLESCENT EXPENDITURES	TOTAL COMMUNITY HOSPITAL EXPENDITURES	TOTAL OTHER SERVICES EXPENDITURES	GRAND TOTAL EXPENDITURES	TOTAL REVENUES	
Required Local Match	\$ 1,971,808	\$ 323,523	\$ -	\$ 365,395	\$ -	\$ -	\$ 2,660,726	\$ 2,660,726	\$ -
Additional Local Funds	15,246,799	1,019,810	-	710,405	1,805,951	1,336,319	20,119,284	20,119,284	-
Earned Income	-	-	-	-	-	-	-	(2,082,739)	(2,082,739)
Other State	10,179,623	-	-	295,581	-	9,421,957	19,897,161	19,897,161	-
Other Federal	17,870,456	-	-	5,901,309	-	24,720,028	48,491,793	48,491,793	-
General Revenue, MH	20,785,140	-	-	-	-	-	20,785,140	20,785,140	-
DSHS General Revenue - Other	-	-	-	-	7,661,675	-	7,661,675	7,661,675	-
General Revenue - Crisis Services	-	4,474,429	-	-	-	-	4,474,429	4,474,429	-
General Revenue, CMH	-	-	-	3,334,882	-	-	3,334,882	3,334,882	-
PATH	-	-	-	-	-	-	-	-	-
MH Block Grant	913,570	-	-	318,352	-	-	1,231,922	1,231,922	-
TANF to Title XX	309,549	-	-	-	-	-	309,549	309,549	-
TANF	-	-	-	406,704	-	-	406,704	406,704	-
HCS / ICF-MR / TX Home Living/ DAHS	-	-	3,524,309	-	-	-	3,524,309	3,524,309	-
1115 Tranformational Waiver / YES	-	-	-	-	-	-	-	-	-
Total	<u>\$ 67,276,945</u>	<u>\$ 5,817,762</u>	<u>\$ 3,524,309</u>	<u>\$ 11,332,628</u>	<u>\$ 9,467,626</u>	<u>\$ 35,478,304</u>	<u>\$ 132,897,574</u>	<u>\$ 130,814,835</u>	<u>\$ (2,082,739)</u>
						SBITA Leases	4,956,775	-	
						Right-to-Use Leases	7,827,124	-	
						Financial Adjustments	4,883,460	3,552,855	
						Self-Insurance Fund	1,324,648	2,135,340	
						In-Kind Pap Rx	(5,688,195)	(5,688,195)	
						Audited Financials	<u>\$ 146,201,386</u>	<u>\$ 130,814,835</u>	

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF TOTAL REVENUE TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

Object of Expenditure	Revenues			Audited Financial Statements
	CARE Report III	Additions	Deletions	
Local Sources				
City Government Tax Funds	\$ 2,034,360	\$ -	\$ -	\$ 2,034,360
County Government Tax Funds	7,989,101	-	-	7,989,101
Other Taxing Authorities Funds	-	-	-	-
Medicaid 1115 Transformational Waiver	-	-	-	-
Patient Fees, - Insurance, - Reimbursements	1,718,672	-	-	1,718,672
Misc. Income & Contributions	6,404,619	42,411,357	-	48,815,976
Total Local Sources	18,146,752	42,411,357	-	60,558,109
State General Revenue	36,256,127	-	-	36,256,127
Home & Community Based Services	2,960,648	-	(2,960,648)	-
Intermediate Care Facility/Mental Retardation	290,102	-	(290,102)	-
TxHmL Waiver	240,015	-	(240,015)	-
Other Waivers	33,542	-	(33,542)	-
Other State Sources				
Texas Department of Criminal Justice	62,000	-	-	62,000
Department State Health Services-Substance Abuse	1,541,233	-	-	1,541,233
Mental Health First Aid	-	-	-	-
Dept Assistive & Rehabilitative Services - Rehab	-	-	-	-
Department Assistive & Rehabilitative Services-ECI	1,532,804	-	(1,166,698)	366,106
Texas Council on Offenders with Mental Impairment	2,615,749	-	-	2,615,749
Other State Agencies	14,145,075	-	(7,246,068)	6,899,007
Total Other State Sources	19,896,861	-	(8,412,766)	11,484,095
Total State Sources	59,677,295	-	(8,412,766)	47,740,222
Federal Sources				
Medicaid Rehabilitation Services from TMHP	147,796	-	(147,796)	-
Medicaid Svc Coordination from TMHP-DADS (fed and State)	-	-	-	-
Medicaid Targeted Case Mgmt from TMHP (fed only)	671,494	-	(671,494)	-
Medicaid Services Coordination from TMHP DARS ECI (Fed & State)	-	-	-	-
Medicaid Administrative Claiming	4,622,138	-	(1)	4,622,137
Medicaid Card Services	3,572,224	-	(3,572,224)	-
Federal Emergency Management Agency	-	-	-	-
Agency Crisis County CFDA 97.032	-	-	-	-
Other Federal	39,289,948	-	(24,318,216)	14,971,732
Centers for Medicaid & Medicare Services	-	-	-	-
PATH	433,002	-	(12,647)	420,355
Medicaid 1115 Transformational Waiver	-	-	-	-
TANF to Title XX	-	-	-	-
Federal Social Services Block Grant	-	423,709	-	423,709
Title XX Social Services Block Grant	309,549	-	(17,005)	292,544
Mental Health Block Grant	1,231,922	-	-	1,231,922
TANF	406,704	147,401	-	554,105
Total Federal Sources	50,684,777	571,110	(28,739,383)	22,516,504
Total Revenue	\$ 128,508,824	\$ 42,982,467	\$ (40,676,456)	\$ 130,814,835

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

Object of Expenditure	Expenditures			Audited Financial Statements
	CARE Report III	Additions	Deletions	
Personnel	\$ 69,767,603	\$ -	\$ -	\$ 69,767,603
Employee Benefits	17,737,174	1,324,648	-	19,061,822
Professional & Consultant Fees	22,552,512	-	(2,188,927)	20,363,585
Training & Travel	659,362	-	(3,631)	655,731
Debt Service	-	-	-	-
Non Capitalized Equipment	1,589,706	-	-	1,589,706
Capital Outlay	168,183	-	-	168,183
Pharmaceutical Expense	656,431	-	-	656,431
SBITA	-	6,703,286	-	6,703,286
Right-To-Use	-	10,534,891	-	10,534,891
Pharmaceutical Expense (PAP) Only	5,688,195	-	-	5,688,195
Other Operating Expense	18,962,093	-	(7,950,140)	11,011,953
Total Expenditures	\$ 137,781,259	\$ 18,562,825	\$ (10,142,698)	\$ 146,201,386

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF INDIRECT AND ADMINISTRATIVE COST
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

EXPENDITURES	TOTAL COSTS	NON ALLOWABLE COSTS	DEPRECIATION	TOTAL ADJUSTED COSTS	DIRECT COSTS	INDIRECT COSTS
Salaries	\$ 69,767,603	\$ (273,352)	\$ -	\$ 69,494,251	\$ 55,963,650	\$ 13,530,601
Employee Benefits	19,061,822	(64,568)	-	18,997,254	15,723,291	3,273,963
Capital Outlay	168,183	(168,183)	-	-	-	-
Depreciation	-	-	6,053,879	6,053,879	3,141,041	2,912,838
Other Operating	<u>57,203,778</u>	<u>(887,123)</u>	<u>-</u>	<u>56,316,655</u>	<u>53,789,034</u>	<u>2,527,621</u>
TOTAL EXPENDITURES	\$ <u>146,201,386</u>	\$ <u>(1,393,226)</u>	\$ <u>6,053,879</u>	\$ <u>150,862,039</u>	\$ <u>128,617,016</u>	\$ <u>22,245,023</u>

TOTAL INDIRECT COSTS \$ 22,245,023
TOTAL DIRECT COSTS 128,617,016

INDIRECT COST RATE 17.30%

NONALLOWABLE COSTS

Tx Council Fees	\$ 82,946
Public Relations	1,061,375
Entertainment	59,327
Operating Transfers	-
Fines and Penalties	21,395
Capital Outlay	168,183
TOTAL	\$ <u>1,393,226</u>

OTHER OPERATING EXPENSES

Travel	\$ 655,731
Buildings	8,514,224
Consumable Supplies	1,472,454
Pharmaceuticals	5,688,195
Consulting / Contracts	20,196,802
Vehicle Operating Cost	302,789
Insurance	682,928
Client Expenditures	5,570,596
Furniture and Equipment	1,333,391
Miscellaneous	12,786,668
TOTAL	\$ <u>57,203,778</u>

Total Exp Inc Statement \$ 146,201,386

Total Expenses above 146,201,386

Variance \$ -

Miscellaneous

Staff Development	\$ 458,189
Banking Fees	406,360
Equipment Leases	180,326
Pre-Employment	113,536
Laboratory Expenses	164,153
Other Operating	<u>11,464,104</u>

Total \$ 12,786,668

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF LEASE AND RENTAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

Lessor / Vendor	Location	Period	Terms	
8122 Datapoint	8122 Datapoint Dr.	09/01/22 to 08/31/23	\$ 9,869.25	Month
Ackerman-Artemis	315 N San Saba	09/01/22 to 08/31/23	\$ 20,448.00	Month
Altera Legacy Oaks	5372 Fredericksburg Rd	09/01/22 to 08/31/23	\$ 38,161.22	Month
Billy T. Cattan	802 E Crestwood	09/01/22 to 08/31/23	\$ 258.75	Month
Canon Financial Services	Multiple Locations	09/01/22 to 08/31/23	Varies	Month
County of Bexar	101 W. Nueva St.	09/01/22 to 08/31/23	\$ 9,600.00	Month
Crossways	6812 Bandera Rd	09/01/22 to 08/31/23	\$ 26,975.25	Month
Dady, Philip	7137 W Military Dr	09/01/22 to 08/31/23	\$ 6,688.59	Month
DP Park Ten	6800 Park Ten Blvd	11/01/22 to 08/31/23	\$ 91,343.38	Month
Enterprise Fleet Services	Multiple Locations	09/01/22 to 08/31/23	Varies	Month
Faherty Real Estate	6655 Park Ten Blvd	04/01/23 to 08/31/23	\$ 38,815.76	Month
Haven for Hope	One Haven for Hope Way	09/01/22 to 08/31/23	\$ 10,360.00	Month
Housing Authority	1954 E. Houston St.	09/01/22 to 08/31/23	\$ 16,885.38	Month
LCJ Group	1007 Paulsun	09/01/22 to 08/31/23	\$ 6,664.06	Month
Mmay Properties	2039 E Houston	06/30/23 to 08/31/23	\$ 4,712.00	Month
Multi Assistance	5210 Thousand Oaks	09/01/22 to 08/31/23	\$ 2,204.46	Month

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF SPACE OCCUPIED IN A STATE OWNED FACILITY
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

<u>Location</u>	<u>Building Utilization</u>	<u>Square Footage</u>	<u>Cost Per Square Foot</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
San Antonio State Hospital	Case Mgmt.	11,785	\$ 0.15	\$ 1,743	\$ 20,918

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

<u>Insurer</u>	<u>Policy Period</u>		<u>Coverage</u>	<u>Limits or Amounts</u>
Texas Council Risk Management Fund (TCRMF)	9/1/2022	- 8/31/2023	Workers Compensation	Statutory
(TCRMF)	9/1/2022	- 8/31/2023	General Liability	\$1,000,000 Per Occurrence \$1,000,000 Annual Aggregate \$1,000 Deductible
(TCRMF)	9/1/2022	- 8/31/2023	Professional Liability	\$1,000,000 Per Occurrence \$3,000,000 Annual Aggregate \$1,000 Deductible
(TCRMF)	9/1/2022	- 8/31/2023	Automobile Liability	\$1,000,000 Per Occurrence \$1,000 Deductible
(TCRMF)	9/1/2022	- 8/31/2023	Collision	Actual cash value for physical damage
(TCRMF)	9/1/2022	- 8/31/2023	Errors & Omissions Liability	\$1,000,000 Combined Single Limit \$1,000,000 Annual Aggregate \$10,000 Deductible
(TCRMF)	9/1/2022	- 8/31/2023	Property	All risk coverage basis Real & Personal Property at cost Mobile Equipment actual cash value Auto Physical Damage actual cash value Catastrophe Coverage actual cash value \$35,374,004 Blanket Limit each Occurrence \$5,000 Blanket per Occurrence Deductible
The Hartford	5/7/2022 5/8/2023	- - 5/7/2024	Public Employee Bond	\$200,000 with \$1,000 Deductible
Admiral Insurance	4/23/2022 4/24/2023	- - 4/23/2024	Professional Liability for Primary Care	\$500,000 each claim \$1,500,000 Annual Aggregate \$2,500 deductible
SunLife	1/1/2023	- 12/31/2023	Employee Dental	\$1,000 Dental
UnitedHealthcare	1/1/2023	- 12/31/2023	Employee Vision	N/A
UnitedHealthcare	1/1/2023	- 12/31/2023	Medical, Medical Reimbursement	N/A
Unum Life Insurance	1/1/2023	- 12/31/2023	Employee Disability, Life, STD, LTD, AD&D, EPL	N/A

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF BONDED EMPLOYEES
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

<u>Name</u>	<u>Surety Company</u>	<u>Amount</u>
All Employees	The Hartford*	\$200,000 \$ 10,000 deductible

*Paid to the Texas Council Risk Management Fund

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TX
SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

<u>NAME</u>	<u>CITY</u>	<u>TYPE OF SERVICE</u>	<u>AMOUNT</u>
ABA Center for Excel	San Antonio, Tx	Behavioral Support Services	\$1,948.49
Aleman, Robin	Amelia, OH	Professional Services	\$4,000.00
ATC Healthcare Services	Chicago, IL	Nursing Services	\$91,304.39
Avail Solutions, Inc	Tyler, Tx	Crisis Helpline and Intake Line Services	\$366,500.00
Baroody, George	Kerrville, TX	Professional Services	\$11,970.00
Behavior Saviors	San Antonio, Tx	Behavioral Support Services	\$102,802.25
Bond, Consuelo	Spring Branch, TX	Speech Therapist	\$1,368.00
Broaddus Planning	Austin, Tx	Professional Services	\$199,408.18
Brown, Thomas	San Antonio, Tx	Professional Services	\$50,221.50
Burke Center	Lufkin, Tx	Telemedicine Services	\$299,575.00
Cerner Software	St. Louis, Mo	Data Management software/support	\$228,398.73
Chavez, Berenice	San Antonio, Tx	Music Therapist	\$14,732.96
Clarity Child Guidance	San Antonio, Tx	Professional Services	\$405,827.00
Company Mileage	Dallas, Tx	Electronic mileage tracking system	\$15,180.00
Davidson Troilo Ream & Garza	San Antonio, Tx	Legal Services	\$365,695.28
Davis, Michele	Rockwall, Tx	Professional Services	\$6,877.56
Deegear, Pamela	San Antonio, Tx	Grant consultant	\$75,000.00
Donald Mooney	San Antonio, Tx	Nursing Services	\$201,741.88
Employou, LLC	San Antonio, Tx	Professional Services	\$76,440.00
Engles, Lily	San Antonio, Tx	Psychiatry Services	\$67,007.25
Excel..Rise Above The Rest	San Antonio, Tx	Consumer rehabilitation	\$138,047.22
Fairley, Carlton	San Antonio, Tx	Recreational Therapy	\$81,945.12
Galan, Michele	Helotes, Tx	Community Living Support	\$48,420.00
Gallup, Inc	Chicago, IL	Professional Services	\$113,945.00
Garrett, Jennifer	San Antonio, Tx	Behavioral Support Services	\$10,256.25
Garza/Gonzalez & Assoc	San Antonio, Tx	Auditing Services	\$104,000.00
Health & Healing Tra	San Antonio, Tx	Professional Services	\$88,800.00
HHSC	Austin, Tx	Medicaid Children Application Services	\$17,112.00
Holder, Heather	San Antonio, Tx	Professional Services	\$6,000.00
Hollingsworth, Brandon	Boerne, TX	Psychiatry Services	\$6,387.50
Imagine Therapies	San Antonio, Tx	Consumer Therapy Services	\$45,616.51
Inflow Communication	Beaverton, OR	Professional Services	\$66,501.50
KGB Texas Marketing	San Antonio, Tx	Advertising Services	\$180,760.00
Locumtenens	Atlanta, Ga	Temporary clinical staffing	\$1,494,361.25
Lozoya, Daniel	San Antonio, Tx	Community Living Support	\$22,860.00
Moriarty, Jennifer	San Antonio, Tx	Professional Services	\$1,500.00
National Cinema	Dallas, Tx	Advertising Services	\$34,500.00
Netter, Jami	San Antonio, Tx	Professional Services	\$25,004.40
RiverCity Rehabilitation	San Antonio, Tx	Rehabilitation Services	\$7,042.00
Romero, Marcus	San Antonio, Tx	Professional Services	\$9,175.55
Salary.com	Boston, MA	Professional Services	\$12,200.00
Southtown Psychiatry	San Antonio, Tx	Psychiatry Services	\$291,052.00
Site B Data Services	San Antonio, Tx	Remote data and hardware hosting	\$18,268.57
So Me Digital Bloom	Helotes, Tx	Professional Services	\$24,857.18
Unifirst Holdings	Dallas, Tx	Professional Services	\$32,255.57
UTHSCSA	San Antonio, Tx	Project Evaluation and CMO Services	\$408,656.22
Vasquez, Abigail	San Antonio, Tx	Professional Services	\$5,300.00
Vital Signs	San Antonio, Tx	Interpreting Services	\$27,351.69
Wood, Raleigh	San Antonio, Tx	Psychiatry Services	\$7,200.00
Worldwide Languages	San Antonio, Tx	Interpreting Services	\$166,766.80
Zmark Health LLC	Palmyra, PA	Credentialing Services	\$18,112.50

OTHER SCHEDULES

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF UNIVERSITY HEALTH SYSTEM SPONSORSHIP and OTHER FUNDING
FOR THE YEAR ENDED AUGUST 31, 2023 (UNAUDITED)**

	<u>Sponsorship Local Match</u>	<u>Other Funding and Contract</u>	<u>Total</u>
Revenues			
Cash Contributions - Sponsorship	\$ 2,726,050	\$ -	\$ 2,726,050
Carelink - Substance Abuse	-	(137)	(137)
UHS Methadone Subsidy	-	372,645	372,645
UHS Mommies Program	-	204,890	204,890
UHS Eastside	-	956,752	956,752
CareLink Behavioral Health Care Network	-	1,013,716	1,013,716
Fee for Service Contract	-	132,975	132,975
	<hr/>	<hr/>	<hr/>
Total Revenues	2,726,050	2,680,842	5,406,892
Expenses by Program			
Mental Health Services	94,968	2,041,092	2,136,060
Children's Mental Health Services	721,848	1,182	723,029
Medical Services	17,388	(388)	17,000
Long Term Care Services	407,183	-	407,183
Center Care	-	(305)	(305)
Restoration Services	1,484,663	639,261	2,123,924
	<hr/>	<hr/>	<hr/>
Total Expenses by Program	2,726,050	2,680,842	5,406,892

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF DETAILED REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
For The Year Ended August 31, 2023**

	Current Annual Budget	Year to Date Actual	Dollar Variance
REVENUES			
Local Funds			
Client Fees, Rents & Insurance	\$ 935,876	\$ 1,313,660	\$ 377,784
Carelink	687,170	132,355	(554,815)
University Health System	5,641,669	4,450,140	(1,191,529)
Medicaid	6,452,115	4,425,163	(2,026,952)
Medicare	1,017,059	1,011,952	(5,107)
HCS	3,879,646	2,960,600	(919,046)
UHS Methadone	147,585	372,645	225,060
Interest Income	7,192	336,706	329,514
Other Local	41,234,401	45,554,888	4,320,487
Total Local Funds	\$ 60,002,713	\$ 60,558,109	\$ 555,396
State Funds			
DSHS - General Revenue	\$ 27,693,788	\$ 27,714,724	\$ 20,936
DSHS - Other Revenue	8,626,811	8,541,103	(85,708)
TCOOMMI	2,562,817	2,677,749	114,932
Early Childhood Intervention	1,964,195	1,356,457	(607,738)
Other State	9,846,601	7,450,189	(2,396,412)
Total State Funds	\$ 50,694,212	\$ 47,740,222	\$ (2,953,990)
Federal Funds			
DSHS-SA	\$ 5,668,680	\$ 2,824,536	\$ (2,844,144)
Block Grants	2,018,797	1,948,175	(70,622)
Other Federal	12,278,162	17,743,793	5,465,631
Total Federal Funds	\$ 19,965,639	\$ 22,516,504	\$ 2,550,865
TOTAL REVENUES	\$ 130,662,564	\$ 130,814,835	\$ 152,271
EXPENDITURES			
Salaries	\$ 69,832,513	\$ 69,767,063	\$ 65,450
Fringe Benefits	17,037,952	19,061,822	(2,023,870)
Travel/Workshop	1,222,335	655,731	566,604
Prescription Drugs & Medicine	521,823	563,981	(42,158)
Consumable Supplies	1,364,680	1,472,454	(107,774)
Capital Outlay	378,052	12,952,082	(12,574,030)
Capital Outlay-Computers	170,861	-	170,861
Furniture & Equipment	616,978	1,333,391	(716,413)
Facility, Telephone & Utility	7,370,035	4,059,946	3,310,089
Contracts & Consultants	23,090,140	20,186,802	2,903,338
Professional Fees	442,000	452,653	(10,653)
Vehicle Costs	345,290	302,789	42,501
Insurance Costs	678,818	682,928	(4,110)
Other Operating Costs	2,315,883	4,013,458	(1,697,575)
Client Support Costs	4,852,774	5,570,596	(717,822)
Debt Service - Principal SBITA	-	1,723,792	(1,723,792)
Debt Service - Interest SBITA	-	22,719	(22,719)
Debt Service - Principal Leases	-	1,564,315	(1,564,315)
Debt Service - Interest Leases	-	1,143,452	(1,143,452)
Miscellaneous Expenses	422,430	671,412	(248,982)
TOTAL EXPENDITURES	\$ 130,662,564	\$ 146,201,386	\$ (15,538,822)
Excess/(Deficiency) revenues over expenditures	<u>\$ -</u>	<u>\$ (15,386,551)</u>	<u>\$ (15,386,551)</u>
OTHER FINANCING SOURCES (USES)			
Right to Use SBITA	-	4,956,775	4,956,775
Right to Use Leases	-	7,827,124	7,827,124
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 12,783,899</u>	<u>\$ 12,783,899</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (2,602,652)</u>	<u>\$ (2,602,652)</u>

SINGLE AUDIT REPORTS

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
The Center for Health Care Services
San Antonio, 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 the governmental activities, the general fund, the aggregate discretely presented component unit, and the aggregate remaining fiduciary fund information, of the Center for Health Care Services (the Center), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated March 21, 2024. Our report includes an emphasis of matter paragraph for a change in accounting principle. The financial statements of the National Center for Behavioral Health Solutions, the aggregate discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the National Center for Behavioral Health Solutions.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the Center in a separate letter dated March 21, 2024

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 Center'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.

A handwritten signature in cursive script that reads "Garza/Gonzalez & Associates". The signature is written in black ink and is positioned above the date.

March 21, 2024

INDEPENDENT AUDITOR'S 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

To the Board of Trustees
The Center for Health Care Services
San Antonio, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited The Center for Health Care Services' (the Center) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement*; *State of Texas Single Audit Circular (TSAC)*; and, *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (Guidelines)*, that could have a direct and material effect on each of the Center's major federal and state programs for the year ended August 31, 2023. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center 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 August 31, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS); 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); TSAC; and, the Guidelines. Our responsibilities under those standards, the Uniform Guidance, TSAC, and the Guidelines, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, GAS, the Uniform Guidance, TSAC and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, GAS, the Uniform Guidance, TSAC and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TSAC, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

We noted certain matters that we reported to management of the Center in a separate letter dated March 21, 2024.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Handwritten signature in black ink that reads "Garza/Gonzalez & Associates". The signature is written in a cursive style.

March 21, 2024

**SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS**

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Grant Period		Total Year end Expenditures
			From	To	
FEDERAL AWARDS					
<u>U.S. Department of Health and Human Services:</u>					
Passed through from:					
Texas Health and Human Services Commission					
Projects for Assistance in Transition from Homeless (PATH)	93.150	HHS000231500014	09/01/22	08/31/23	420,355
ECI Comp Svcs - Child Find	93.434	HHS000640200032	09/01/22	08/31/23	50,000
Preschool Devel Therapist Ret	93.434	HHS000640200032	09/01/22	08/31/23	8,379
			Total 93.434		58,379
TANF Pandemic Emergency	93.558	HHS001120200036	09/01/22	08/31/23	554,105
Temporary Assistance for Needy Families	93.558	HHS000640200032	09/01/22	08/31/23	36,200
			Total 93.558		590,305
Federal Social Services Block Grant Title XX	93.667	HHS001022200009	09/01/22	08/31/23	423,709
	93.667	HHS001022200009	09/01/22	08/31/23	292,544
			Total 93.667		716,253
Medicaid Administrative Claiming	93.778	529-09-0032-00022	09/01/22	08/31/23	4,344,613
ECI - Medical Assistance Program	93.778	529-11-0040-00019	09/01/22	08/31/23	277,524
			Total 93.778		4,622,137
Texas Targeted Opioid Response OSAR	93.788	HHS000782500010	09/01/22	08/31/23	65,001
Federal Mental Health Block Grant	93.958	HHS001022200009	09/01/22	08/31/23	1,231,922
Consumer Operated Services	93.958	HHS001022200009	09/01/22	08/31/23	116,400
Mental Health First Aid	93.958	HHS000186600001	09/01/22	08/31/23	138,045
Housing for MH Homeless	93.958	HHS001108400034	09/01/22	08/31/23	2,485,444
Outpatient Expansion	93.958	HHS001108400034	09/01/22	08/31/23	2,677,488
Consumer Operated Services	93.958	HHS001108400034	09/01/22	08/31/23	110,641
Job Development - Supported Employment Svcs	93.958	HHS001022200009	09/01/22	08/31/23	283,606
Supportive Housing	93.958	HHS001022200009	09/01/22	08/31/23	3,886
ARPA Crisis Outreach	93.958	HHS001108400034	09/01/22	08/31/23	71,011
Community Mental Health Center	93.958	1H79SM085780-01	09/01/22	08/31/23	1,634,010
Early On-Set	93.958	2016-049458-001	09/01/22	08/31/23	605,819
			Total 93.958		9,358,272
Substance Abuse Prevention Treatment					
COPSD	93.959	HHS000663700144	09/01/22	08/31/23	59,736
Treatment Adult Services	93.959	HHS000663700190	09/01/22	08/31/23	1,215,645
Specialized Female Services	93.959	HHS000663700244	09/01/22	08/31/23	121,421
NeoNatal Abstinence Syndrome - PPW	93.959	HHS000781000003	09/01/22	08/31/23	26,787
OSAR	93.959	HHS000782500010	09/01/22	08/31/23	752,778
Comprehensive Continuum of Care	93.959	HHS000663700066	09/01/22	08/31/23	170,619
Medication Assisted Therapy	93.959	HHS000874400001	09/01/22	08/31/23	1,478,273
SAPT Covid Housing Initiative	93.959	HHS001108400034	09/01/22	08/31/23	318,083
Community Health Worker	93.959	HHS000780700003	09/01/22	08/31/23	423,828
Pregnant, Parenting Intervention	93.959	HHS000889000001	09/01/22	08/31/23	207,900
			Total 93.959		4,775,070
Passed through from:					
Health Resources and Services Administration					
Provider Relief Funds	93.498	unknown	09/01/22	08/31/23	649,847
Passed through from:					
Substance Abuse and Mental Health Services Administration					
Projects of Regional and National Significance					
Youth Early Onset Services	93.243	1H79SM086161-01	09/01/22	08/31/23	100,943
Certified Community Behavioral Health Center	93.829	1H79SM081917-01	09/01/22	08/31/23	94,740
			Total U.S. Department of Health and Human Services		21,451,302
<u>U.S. Department of Education:</u>					
Passed through from:					
Texas Health and Human Services Commission					
ECI - Special Education Grants to States	84.027	HHS000640200032	09/01/22	08/31/23	63,360
ECI - Special Education Grants for Infants/Families	84.181	HHS000640200032	09/01/22	08/31/23	824,486
ECI - IDEA Part D	84.325	HHS000640200032	09/01/22	08/31/23	7,926
			Total U.S. Department of Education		895,772
<u>U.S. Department of Housing and Urban Development</u>					
Passed through from:					
Texas Department of Housing and Community Affairs					
Tenant Based Rental Assistance	14.239	2021-0025	09/01/22	08/31/23	819,277
Total expenditures of federal awards					\$ 23,166,351

See accompanying notes to Schedule of Expenditures of Federal and State Awards

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued
FOR THE YEAR ENDED AUGUST 31, 2023**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period		Total Year end Expenditures
			From	To	
STATE AWARDS					
Texas Health and Human Services Commission					
General Revenue - Other	None	HHS001022200009	09/01/22	08/31/23	\$ 20,685,855
General Revenue - Education Service	None	HHS001022200009	09/01/22	08/31/23	70,469
General Revenue - Crisis Services	None	HHS001022200009	09/01/22	08/31/23	3,594,700
General Revenue - CMH	None	HHS001022200009	09/01/22	08/31/23	3,334,883
General Revenue - Competency Restoration	None	HHS001022200009	09/01/22	08/31/23	618,428
General Revenue - Bed Days	None	HHS001022200009	09/01/22	08/31/23	7,661,675
General Revenue - Crisis Observation	None	HHS001022200009	09/01/22	08/31/23	261,300
OSAR	None	HHS000782500010	09/01/22	08/31/23	153,964
Veteran Services	None	HHS001022200009	09/01/22	08/31/23	99,286
Supportive Housing	None	HHS001022200009	09/01/22	08/31/23	696,360
Mental Health First Aid	None	HHS000186600001	09/01/22	08/31/23	86,000
NeoNatal Abstinence Syndrome - RSS	None	HHS000781000002	09/01/22	08/31/23	63,281
NeoNatal Abstinence Syndrome - PPW	None	HHS000781000003	09/01/22	08/31/23	53,807
Pregnant, Parenting Intervention	None	HHS000889000001	09/01/22	08/31/23	70,052
COPSD	None	HHS000663700144	09/01/22	08/31/23	3,224
Treatment Adult Services	None	HHS000663700190	09/01/22	08/31/23	55,290
Specialized Female Services	None	HHS000663700244	09/01/22	08/31/23	21,971
Senate Bill 292	None	HHS000134400002	09/01/22	08/31/23	7,153,175
Projects for Assistance in Transition from Homeless (PATH)	None	HHS000231500014	09/01/22	08/31/23	12,647
					44,696,367
Texas Health and Human Services Commission					
Early Childhood Intervention (State Only)	None	HHS000640200032	09/01/22	08/31/23	360,954
Early Childhood Intervention (Respite)	None	HHS000640200032	09/01/22	08/31/23	5,152
					366,106
Total expenditures of state awards					45,062,473
Total expenditures of Federal and State awards					\$ 68,228,824

See accompanying notes to Schedule of Expenditures of Federal and State Awards

**THE CENTER FOR HEALTH CARE SERVICES
SAN ANTONIO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all applicable state and federal financial assistance programs of the Center for Health Care Services (the Center). The Center's reporting entity is defined in Note 1 to The Center's basic financial statements. State and federal assistance received directly from state and federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule. The Center has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 to the Center's basic financial statements. Federal and state grants are considered to be earned to the extent of expenditures made under the provision of the grant; and accordingly, when such funds are received, they are recorded as unearned revenue until earned.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

State and federal financial assistance programs are reported in the Center's basic financial statements in the General Fund. Total federal financial assistance per the accompanying Schedule of Expenditures of State and Federal Awards does not include monies received from Medicare and Medicaid or monies received under the vendor contract for Title XIX-ICF/MR totaling \$8,397,715. These monies are included in total local revenues in the basic financial statements. Federal financial assistance expended for the Provider Relief Fund program, totaling \$649,847, represents previously reported quarterly expenditures required to be reported in fiscal year 2023 in accordance with OMB guidance. Revenue related to the Provider Relief Fund was recognized in a previous year. Expenditures related to the Texas Correctional Office on Offenders with Medical or Mental Impairments – Parolees program are excluded from State awards since they are considered contracts rather than grants. Revenues recognized for the Parolees program totaled \$2,677,749 are included in State revenues.

4. STATE FINANCIAL ASSISTANCE GUIDELINES

State financial assistance is subject to the requirements of the State of Texas Single Audit Circular. Such requirements are consistent with those required under the Uniform Guidance and Government Auditing Standards, issued by the Comptroller General of the United States.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

And

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

THE CENTER FOR HEALTHCARE SERVICES
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2023

SECTION I --- SUMMARY OF AUDITOR'S RESULTS

Financial Statements			
Type of auditor's report issued on GAAP financial statement: <u>Unmodified</u>			
Internal control over financial reporting: • Material weakness(es) identified?		<u> </u> Yes	<u> X</u> No
• Significant deficiency(ies) identified?		<u> </u> Yes	<u> X</u> None Reported
Noncompliance material to financial statements noted?		<u> </u> Yes	<u> X</u> No

Federal and State Awards			
Internal control over major programs: • Material weakness(es) identified?		<u> </u> Yes	<u> X</u> No
• Significant deficiency(ies) identified?		<u> </u> Yes	<u> X</u> None Reported
Type of auditor's report issued on compliance for major programs <u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a) or the State of Texas Single Audit Circular?		<u> </u> Yes	<u> X</u> No

Identification of Major Federal Programs			
	CFDA Numbers(s)	Name of Federal Program or Cluster	
	93.958	Block Grants for Community Health Services	
	14.239	Tenant Based Rental Assistance	
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000	
Auditee qualified as low-risk auditee?		<u> X</u> Yes	<u> </u> No

THE CENTER FOR HEALTHCARE SERVICES
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2023

SECTION I --- SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>Identification of Major State Programs</i>	
Contract Number	Name of State Program or Cluster
HHS001022200009	General Revenue
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,432,207
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

SECTION II --- FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported.

SECTION III --- FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no federal or state award findings or questioned costs required to be reported in accordance with the Uniform Guidance, Section 200.516(a), or the State of Texas Single Audit Circular.

THE CENTER FOR HEALTHCARE SERVICES
San Antonio, Texas

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For The Year Ended August 31, 2022

No prior year findings or questioned costs.