

Consolidated Financial Statements and Independent Auditor's Report

**AIDS Arms, Inc. (dba Prism Health North
Texas) and Subsidiary**

For the years ended December 31, 2019 and 2018



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AIDS ARMS, INC. (DBA PRISM HEALTH NORTH TEXAS)
AND SUBSIDIARY

DECEMBER 31, 2019 AND 2018

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LANE GORMAN TRUBITT, LLC
Accountants & Advisors

Independent Auditor's Report

Board of Directors
AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2019 and 2018, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Emphasis-of-Matter – Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition due to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Our opinion is not modified with respect to that matter.

Emphasis-of-Matter – Subsequent Event

As discussed in Note 20 to the consolidated financial statements, the World Health Organization has characterized COVID-19 as a pandemic. While the Organization expects this matter to impact its results, the extent of the impact of the COVID-19 on the Organization's operational and financial performance will depend on future developments. Our opinion is not modified with respect to that matter.



Dallas, Texas
September 23, 2020

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,

| | 2019 | 2018 |
|--|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 3,691,729 | \$ 6,175,162 |
| Certificates of deposit | - | 3,244,848 |
| Grants, contributions and other receivables, net | 10,765,249 | 3,912,756 |
| Prepaid expenses | 269,553 | 104,640 |
| Total current assets | 14,726,531 | 13,437,406 |
| Property and equipment - net | 2,130,412 | 1,096,422 |
| Goodwill, net | 11,216,644 | - |
| Total assets | \$ 28,073,587 | \$ 14,533,828 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 6,359,688 | \$ 2,347,090 |
| Accrued expenses | 477,366 | 204,800 |
| Notes payable - current portion | 1,415,486 | - |
| Obligations under capital leases - current portion | 203,295 | 169,719 |
| Deferred rent - current portion | 47,026 | 26,380 |
| Total current liabilities | 8,502,861 | 2,747,989 |
| LONG-TERM LIABILITIES | | |
| Notes payable - non-current | 5,177,979 | - |
| Obligations under capital leases - non-current | 180,003 | 120,977 |
| Deferred rent - non-current | 73,670 | - |
| Total liabilities | 13,934,513 | 2,868,966 |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Board designated for risk reserve | - | 5,363,307 |
| Undesignated | 14,039,074 | 6,194,394 |
| Total net assets without donor restrictions | 14,039,074 | 11,557,701 |
| With donor restrictions | 100,000 | 107,161 |
| Total net assets | 14,139,074 | 11,664,862 |
| Total liabilities and net assets | \$ 28,073,587 | \$ 14,533,828 |

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

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|----------------------|
| Support and revenue | | | |
| Government grants | \$ 8,332,022 | \$ - | \$ 8,332,022 |
| Program service fees, net | 43,728,951 | - | 43,728,951 |
| United Way | 23,760 | 200,000 | 223,760 |
| Contributions | 344,701 | - | 344,701 |
| Special events, net | 417,705 | - | 417,705 |
| Other income | 132,253 | - | 132,253 |
| Net assets released from restrictions | <u>207,161</u> | <u>(207,161)</u> | <u>-</u> |
| Total support and revenue | <u>53,186,553</u> | <u>(7,161)</u> | <u>53,179,392</u> |
| Expenses | | | |
| Program services | | | |
| HIV services | 37,480,571 | - | 37,480,571 |
| Prevention services | 8,985,999 | - | 8,985,999 |
| Research | <u>1,090,556</u> | <u>-</u> | <u>1,090,556</u> |
| Total program services | <u>47,557,126</u> | <u>-</u> | <u>47,557,126</u> |
| Supporting services | | | |
| Management and general | 2,601,250 | - | 2,601,250 |
| Fundraising | <u>546,804</u> | <u>-</u> | <u>546,804</u> |
| Total supporting services | <u>3,148,054</u> | <u>-</u> | <u>3,148,054</u> |
| Total expenses | <u>50,705,180</u> | <u>-</u> | <u>50,705,180</u> |
| Change in net assets | 2,481,373 | (7,161) | 2,474,212 |
| Net assets at beginning of year | <u>11,557,701</u> | <u>107,161</u> | <u>11,664,862</u> |
| Net assets at end of year | <u>\$ 14,039,074</u> | <u>\$ 100,000</u> | <u>\$ 14,139,074</u> |

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

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------|
| Support and revenue | | | |
| Government grants | \$ 7,697,336 | \$ - | \$ 7,697,336 |
| Program service fees, net | 24,337,295 | - | 24,337,295 |
| United Way | 154,840 | 110,000 | 264,840 |
| Contributions | 214,014 | 25,145 | 239,159 |
| Special events, net | 327,993 | - | 327,993 |
| Other income | 268,446 | - | 268,446 |
| Net assets released from restrictions | 135,145 | (135,145) | - |
| Total support and revenue | 33,135,069 | - | 33,135,069 |
| Expenses | | | |
| Program services | | | |
| HIV Services | 26,942,512 | - | 26,942,512 |
| Prevention Services | 2,272,707 | - | 2,272,707 |
| Research | 961,468 | - | 961,468 |
| Total program services | 30,176,687 | - | 30,176,687 |
| Supporting services | | | |
| Management and general | 1,797,431 | - | 1,797,431 |
| Fundraising | 568,615 | - | 568,615 |
| Total supporting services | 2,366,046 | - | 2,366,046 |
| Total expenses | 32,542,733 | - | 32,542,733 |
| Change in net assets | 592,336 | - | 592,336 |
| Net assets at beginning of year | 10,965,365 | 107,161 | 11,072,526 |
| Net assets at end of year | \$ 11,557,701 | \$ 107,161 | \$ 11,664,862 |

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

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

| | Program Services | | | Supporting Services | | Total Expenses |
|---|------------------|---------------------|--------------|------------------------|--------------|----------------|
| | HIV Services | Prevention Services | Research | Management and General | Fund Raising | |
| Salaries and related expenses | \$ 7,590,864 | \$ 3,551,999 | \$ 721,134 | \$ 913,152 | \$ 321,961 | \$ 13,099,110 |
| Specific assistance to individuals | 27,283,322 | 3,911,673 | 97,028 | - | - | 31,292,023 |
| Professional services | 516,231 | 248,803 | 57,677 | 129,621 | 35,376 | 987,708 |
| Supplies | 195,839 | 184,973 | 27,875 | 25,248 | 3,853 | 437,788 |
| Telephone and internet | 107,669 | 46,219 | 7,272 | 7,776 | 2,103 | 171,039 |
| Postage and printing | 44,507 | 24,051 | 13,881 | 4,554 | 5,604 | 92,597 |
| Occupancy | 708,626 | 464,062 | 59,700 | 111,758 | 46,410 | 1,390,556 |
| Local and non-local travel | 93,998 | 102,388 | 17,989 | 14,503 | 4,444 | 233,322 |
| Conferences, meetings and training | 54,311 | 46,150 | 7,586 | 48,678 | 3,511 | 160,236 |
| Dues, subscriptions, permits, and licenses | 319,433 | 80,194 | 19,636 | 25,402 | 5,219 | 449,884 |
| Equipment rental and maintenance | 10,012 | 6,471 | 4,497 | 6,512 | 1,207 | 28,699 |
| Marketing and public relations | 13,914 | 48,239 | 3,300 | 35,090 | 3,240 | 103,783 |
| Clinical studies and program support | - | - | 32,056 | - | - | 32,056 |
| Other | 103,011 | 174,760 | 421 | 122,693 | 1,991 | 402,876 |
| Insurance | 121,665 | 46,701 | 5,529 | 222 | 1,574 | 175,691 |
| Special event | - | - | - | - | 106,360 | 106,360 |
| Total expenses before depreciation and amortization | 37,163,402 | 8,936,683 | 1,075,581 | 1,445,209 | 542,853 | 49,163,728 |
| Depreciation and amortization | 317,169 | 49,316 | 14,975 | 1,156,041 | 3,951 | 1,541,452 |
| Total expenses | \$ 37,480,571 | \$ 8,985,999 | \$ 1,090,556 | \$ 2,601,250 | \$ 546,804 | \$ 50,705,180 |

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

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

| | Program Services | | | Supporting Services | | Total Expenses |
|---|------------------|---------------------|------------|------------------------|--------------|----------------|
| | HIV Services | Prevention Services | Research | Management and General | Fund Raising | |
| Salaries and related expenses | \$ 5,902,073 | \$ 1,522,127 | \$ 538,864 | \$ 1,306,443 | \$ 323,543 | \$ 9,593,050 |
| Specific assistance to individuals | 18,722,132 | 346,321 | 135,065 | - | - | 19,203,518 |
| Professional services | 392,391 | 12,805 | 82,579 | 156,225 | 4,437 | 648,437 |
| Supplies | 192,315 | 86,003 | 37,202 | 4,513 | 8,786 | 328,819 |
| Telephone and internet | 102,619 | 15,227 | 9,112 | 661 | 3,170 | 130,789 |
| Postage and printing | 54,895 | 17,407 | 12,528 | 19,766 | 22,899 | 127,495 |
| Occupancy | 660,906 | 166,447 | 54,308 | 54,243 | 45,691 | 981,595 |
| Local and non-local travel | 110,277 | 76,299 | 18,106 | 17,633 | 3,301 | 225,616 |
| Conferences, meetings and training | 47,641 | 3,845 | 6,665 | 22,840 | 4,140 | 85,131 |
| Dues, subscriptions, permits, and licenses | 210,574 | 10,939 | 8,707 | 16,797 | 15,727 | 262,744 |
| Equipment rental and maintenance | 4,968 | 851 | 1,722 | 2,146 | 257 | 9,944 |
| Marketing and public relations | 216 | - | - | 71,846 | 800 | 72,862 |
| Clinical studies and program support | - | - | 48,165 | - | - | 48,165 |
| Other | 40,298 | 3,011 | 575 | 46,362 | 15,181 | 105,427 |
| Insurance | 100,942 | 4,135 | 1,810 | 7,645 | 1,644 | 116,176 |
| Special event | - | - | - | - | 117,806 | 117,806 |
| Total expenses before depreciation and amortization | 26,542,247 | 2,265,417 | 955,408 | 1,727,120 | 567,382 | 32,057,574 |
| Depreciation and amortization | 400,265 | 7,290 | 6,060 | 70,311 | 1,233 | 485,159 |
| Total expenses | \$ 26,942,512 | \$ 2,272,707 | \$ 961,468 | \$ 1,797,431 | \$ 568,615 | \$ 32,542,733 |

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

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31,

| | 2019 | 2018 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 2,474,212 | \$ 592,336 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,541,452 | 485,159 |
| Interest on certificates of deposit | (64,527) | (41,372) |
| (Gain) loss from disposal of asset | 1,624 | (194,926) |
| Bad debt expense | 595,393 | 317,058 |
| Change in operating assets and liabilities, net: | | |
| Grants, contributions and other receivables | (7,447,886) | (1,043,128) |
| Prepaid expenses | (79,435) | (34,083) |
| Accounts payable | 4,012,598 | 700,351 |
| Accrued expenses | 272,566 | 204,800 |
| Deferred rent | 94,316 | (12,720) |
| Net cash provided by operating activities | 1,400,313 | 973,475 |
| Cash flows from investing activities: | | |
| Proceeds from sale of property and equipment | - | 659,640 |
| Purchases of property and equipment | (1,325,065) | (306,794) |
| Redemption of certificates of deposit | 3,309,375 | 1,796,187 |
| Purchases of certificates of deposit | - | (4,500,075) |
| Acquisition of a business, net of cash acquired | (4,840,000) | - |
| Net cash used in investing activities | (2,855,690) | (2,351,042) |
| Cash flows from financing activities: | | |
| Payments on notes payable | (906,535) | - |
| Payments made on capital lease obligations | (121,521) | (179,475) |
| Net cash used in financing activities | (1,028,056) | (179,475) |
| Decrease in cash and cash equivalents | (2,483,433) | (1,557,042) |
| Cash and cash equivalents at beginning of year | 6,175,162 | 7,732,204 |
| Cash and cash equivalents at end of year | \$ 3,691,729 | \$ 6,175,162 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ 255,935 | \$ 33,573 |
| Noncash investing activity | | |
| Property and equipment acquired through capital lease obligations | \$ 214,123 | \$ 233,422 |
| Issuance of notes payable to finance business acquisition | \$ 7,500,000 | \$ - |

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

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NATURE OF OPERATIONS

The mission of AIDS Arms Inc. (“AAI”) d/b/a Prism Health North Texas (“PHNTX”), a Texas nonprofit organization, is to advance the health of North Texas through education, research, prevention, and personalized integrated HIV care.

AIDS Arms Physicians, Inc. (“AAPI”) was founded in 2014 for the purpose of employing physicians to provide medical treatment and is wholly-owned by AAI.

AAI has focused on the provision of care to people living with HIV/AIDS (“PLWH/A”) since its establishment in 1986. Designated as a 501(c)(3) nonprofit in 1989, the Agency has evolved into the largest community-based HIV service organization in North Texas and the second largest in the state providing comprehensive, integrated services focusing on prevention and treatment for HIV related co-morbid conditions. Effective February 7, 2017, AAI received approval of certification and assumed the name of Prism Health North Texas. AAI has created and maintained a legacy of implementing innovative programs that address unique needs of PLWH/A or those at risk of acquiring HIV in the Dallas Eligible Metropolitan Area (“EMA”) or Health Services Delivery Area (“HSDA”).

The Agency adopted a medical home model with the opening of its first HIV primary medical care clinic strategically located in a marginalized community with few resources, high poverty and high rates of HIV infection in 2002. Since then the clinical services have been enhanced to include behavioral health and is the only integrated HIV medical and behavioral health care program in the service area with onsite psychiatric services, individual and group therapy and crisis intervention. Today all medical clinics are staffed by highly qualified, tenured clinical providers, and all the HIV medical providers are certified by the American Academy of HIV Medicine.

AAI is the largest AIDS Service Organization (“ASO”) that provides comprehensive HIV-specific services in the 12-county EMA/HSDA. The HIV services include the following: 1) Case Management-Non Medical provides a range of client-centered mobile services that include advice and assistance in obtaining medical, social, community, legal, financial, and other needed services; 2) Medical Case Management provides a range of client-centered services that link clients with health care and other services that include treatment adherence counseling to ensure readiness for, adherence to complex HIV/AIDS treatments; 3) Outpatient/Ambulatory Medical Care includes professional diagnostic and therapeutic services rendered by a physician, physician assistant, clinical nurse specialist, nurse practitioner, or other health care professional who are certified in the jurisdiction to prescribe antiretroviral (“ARV”) therapy in an outpatient setting in one of the medical clinics; 4) AIDS Pharmaceutical is a local pharmacy program established to provide medications to individuals living with HIV who meet federal eligibility guidelines; 5) Health Insurance Premium and Out-Pocket Assistance program provides financial assistance to individuals living with HIV in order to have continued medical care without gaps in coverage or disruption of treatment; and 6) Behavioral Health Services provided to patients include mental health and substance abuse disorders assessment and treatment, individual and group counseling, crisis management, psychiatric evaluation, and psychiatric medication management.

Oak Cliff Health Center is an approved AIDS Clinical Trials Group (“ACTG”) for the National Institute of Health. AAI is engaged in multiple studies focusing on the HIV disease process, and also participates in multiple pharmaceutical clinical trials, offering patients opportunities to enroll in the latest clinical research studies for emerging medications, which are in preparation for submission to the Food and Drug Administration (“FDA”) for approval.

AAI has also developed programs to meet the needs of people with specific needs and/or challenges, including youth and women, the Hispanic community through the Latino initiative, and people experiencing homelessness or being at risk for homelessness through the homeless initiative. Both initiatives were funded as Special Projects of National Significance by the Health Resources and Services Administration (“HRSA”).

The Agency also has a diverse portfolio of prevention programs, which focus on both primary and secondary prevention. Primary HIV prevention includes services such as outreach and education, testing for HIV and sexually transmitted infections, risk reduction counseling and condom distribution, and Pre-exposure prophylaxis (“PrEP”) services. Pharmaceutical assistance is available to individuals who qualify for PrEP services to help them access and adhere to the prescribed PrEP regimen. Additionally, PHNTX opened a new sexual health clinic with a focus on PrEP services in mid-May 2019. Secondary HIV prevention focuses on providing effective medical treatment and support for those living with HIV to help them achieve viral suppression, which helps prevent HIV transmission.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements is as follows:

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of AIDS Arms, Inc. (dba Prism Health North Texas) and AIDS Arms Physicians, Inc., collectively the (“Organization”). AIDS Arms Physicians, Inc. is a wholly owned subsidiary. Intercompany transactions and balances are eliminated upon consolidation.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets without donor restrictions – net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that may or will be met by actions of the Organization and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The Organization maintains its cash balances with financial institutions in Dallas, Texas, which at times may exceed federally insured limits. The Organization has not incurred any losses in these accounts and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Certificates of Deposit

The Organization’s investments in certificates of deposit, with original maturities greater than three months, are carried at amortized cost. These investments do not qualify as securities as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 320, *Investments – Debt and Equity Securities*, thus fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, for certificates of deposit are not provided. Net realized and unrealized gains (losses) are reflected in other income in the consolidated statement of activities and changes in net assets. Included in other income in the accompanying consolidated statements of activities is \$64,527 and \$40,289 in interest and dividend income for the years ended December 31, 2019 and 2018 respectively.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Deposits (Continued)

Certificates of deposit maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation (“SIPC”). SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits. The Organization has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk.

Grants, Contributions and Other Receivables

Grants receivable consist of amounts due from government agencies and represent amounts due to the Organization in accordance with cost-reimbursement contracts. Other accounts receivable are carried at the invoiced amount or the amount of reimbursable costs incurred, less an estimate made for doubtful receivables. Contributions receivable are primarily from organizations or individuals and are stated at the amount that management expects to collect from outstanding balances.

Government grant receivables are fully collectible. Other accounts receivable and contributions receivable outstanding more than 90 days are considered past due. The Organization determines its allowance for doubtful accounts based on past due amounts and other available information regarding the current status of insurance, individual accounts and current economic conditions. The Organization writes off receivables when they become uncollectible. Recoveries of receivables previously written off are recorded when received. In the event of complete nonperformance, the maximum exposure to the Organization is the outstanding receivable balance at the date of nonperformance. The Organization has an allowance for doubtful accounts of \$52,876 and \$52,536 as of December 31, 2019 and 2018, respectively.

Property and Equipment

Donated property and equipment are recorded at fair value at date of receipt, and expenditures for land, property and equipment are stated at cost. The Organization capitalizes those items in excess of \$500 which have a useful life greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the respective lease term or life of the improvement, whichever is shorter.

Title to property and equipment acquired with federal or state funds is retained by the respective federal or state agency. These assets are considered without donor restrictions as to use and as such, are classified as net assets without donor restrictions.

The Organization determines whether to account for its leases as operating, capital, or financing leases depending on the underlying terms of the lease agreement. This determination of classification requires significant judgment relating to certain information, including the estimated fair value and remaining economic life of the leased assets, the Organization’s cost of funds, minimum lease payments, and other lease terms.

Leased equipment are capital recorded at the beginning of the lease term as assets and liabilities. The value recorded is the lower of either the present value of the minimum lease payments or the fair value of the asset. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Impairment of Long-Lived Assets

The Organization assesses the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. This assessment is based on the assets current and anticipated future undiscounted cash flows. Impairment occurs when the cash flows (excluding interest) do not exceed the carrying value of the asset. The amount of the impairment loss is the difference between the carrying value of the asset and its estimated fair value. No impairment losses were recorded for the years ended December 31, 2019 and 2018.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations and Goodwill

The Organization accounts for business combinations using the acquisition method and accordingly, the identifiable assets acquired and the liabilities assumed are recorded at their estimated fair values at the date of acquisition. Goodwill represents the excess purchase price over the fair value of assets acquired and liabilities assumed. The primary items that generated the goodwill are the value of the synergies between the acquired businesses, the Organization and the acquired workforce. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated statement of activities and changes in net assets from the date of acquisition.

The Organization has elected the accounting alternative under Accounting Standards Update (ASU) 2019-06, *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*, therefore customer related intangibles have not been separately identified apart from goodwill. Goodwill for all acquisitions to date has been determined to be amortized over a life of 10 years, as no special circumstances have been noted that would reduce the expected life. Amortization expense for the year ended December 31, 2019 was \$909,458. The Organization assesses operations for triggering events to assess goodwill for impairment, with none noted in the current year, and therefore no impairment of goodwill has been recorded.

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were \$103,783 and \$72,862, respectively.

Newly Adopted Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers* (“ASU No. 2014-09”). This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 by one year. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Various subsequent accounting standards updates have been issued by the FASB that clarify, modify, or expand the guidance for ASU No. 2014-09 (collectively referred to as “Topic 606”).

The Organization adopted the updated guidance of Topic 606 with an initial date of application of January 1, 2019, applying the modified retrospective method. Adoption of Topic 606 using the modified retrospective method required the Organization to apply the guidance retrospectively with the cumulative effect of initially applying the updated guidance recognized as an adjustment to the opening net assets balance at the date of initial application. Under this transition method, an entity may elect to apply the guidance retrospectively either (1) to all contracts at the date of initial application, or (2) only to contracts that are not completed contracts at the date of initial application.

The Organization elected to apply the guidance retrospectively only to contracts that were not completed contracts at the date of initial application.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Pronouncement (Continued)

Under the modified retrospective transition method, an entity may elect to apply a practical expedient for contract modifications. Under this practical expedient, for contracts that were modified before the date of initial application, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity may reflect the aggregate effect of all modifications that occur before the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. If this practical expedient is elected, a disclosure of the qualitative assessment of the estimated effect of the application of the expedient, to the extent reasonably possible, is required.

The adoption of this accounting standard did not have an impact on the Organization's net assets or changes in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted ASU 2018-08 effective January 1, 2019. The adoption of this accounting standard did not have a material impact on the Organization's financial position or changes in its net assets.

In May 2019, the FASB issued ASU 2019-06, *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. The amendments in ASU 2019-06 extend the scope of the goodwill accounting alternative provided in ASU 2014-02 and the intangible asset accounting alternative provided in ASU 2014-18 to not-for-profit entities—including conduit bond obligors. The Organization adopted ASU 2019-06 on the date of acquisition of certain assets and assumption of certain liabilities, and elected the accounting alternative under Topic 805. The accounting alternative allows the Organization to amortize goodwill over a life of 10 years.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of property and equipment, if received, are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Organization has entered into agreements with Medicaid, Medicare and commercial insurance companies, third-party payors that provide payments to the Organization. Program service fees revenue is reported at the estimated net realizable amounts for services rendered at the time those services are rendered, including estimated retroactive adjustments under reimbursement agreement with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Organization records amounts receivable for program service fees invoiced to third parties and provides a reserve for estimated uncollectible amounts. After four months, any uncollected amounts are charged off as bad debts. The Organization's third party program service fee revenues were \$4,552,810 and \$434,054 and amounts charged off as bad debts were \$595,393 and \$317,058, during 2019 and 2018, respectively. The Organization had \$267,661 and \$238,285 of these program service fees due from third parties at December 31, 2019 and 2018, respectively, with allowances for bad debts of \$52,876 and \$52,536 at December 31, 2019 and 2018, respectively.

Investment income is reported as increases (decreases) in net assets without donor restrictions. Grant revenue is recognized as contract terms are fulfilled. Other revenue is recognized when earned.

Donated Services

During the years ended December 31, 2019 and 2018, the value of donated services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded.

Special Events

The Organization conducts a large fundraising event called LifeWalk. Throughout the year, the Organization also hosts other special fundraising events related to the LifeWalk, including dinners, socials and auctions. However, only events where there is a registration or participation fee are included in special events revenue; contributions raised in conjunction with events are included as contribution revenue. The cost of the direct benefits to donors that the participant receives at such events is presented on the consolidated statements of activities and changes in net assets to result in net special events revenue. For the years ended December 31, 2019 and 2018, there was no cost of direct benefits to donor. All other expenses related to special events are allocated to fundraising expense.

In the course of the events, the Organization partners with various other not-for-profit organizations. These partners participate in the fundraising of the event and the Organization distributes a portion of the funds raised. These distributions are presented as a reduction in special event revenue in the accompanying consolidated statement of activities. For the years ended December 31, 2019 and 2018, \$497,658 and \$389,771 in funds were raised, with a total of \$79,953 and \$61,778 being distributed to partners. This resulted in special events revenue of \$417,705 and \$327,993.

Joint Costs

As stated in the Financial Accounting Standards Board's Accounting Standards Codification topic 958 ("ASC 958"), *Not for Profit Entities*, costs included in conducting joint activities that are not identifiable with a particular component of the activity are allocated between fundraising and program services.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

AAI and AAPI are exempt from federal income taxes under 501(c)(3) of the United States Internal Revenue Code (the “Code”), except to the extent unrelated business income exists. In addition, AAI and AAPI have been determined by the Internal Revenue Service (“IRS”) not to be a private foundation within the meaning of Section 509(a) of the Code. In 2019, the Organization acquired Uptown Physicians Group (“UPG”), a for profit corporation (see note 2). For the years ended December 31, 2019 and 2018, AAI and AAPI had no net unrelated business income. Accordingly, no provision for federal income tax has been provided in the accompanying consolidated statements.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing AAI’s and AAPI’s tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. AAI and AAPI are relying on their tax-exempt status and their adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

AAI and AAPI recognize interest and penalties, if any, related to uncertain tax positions as income tax expense. The Organizations’ informational returns filed are generally subject to examination for three years after the later of the due date or date of filing.

Recent Accounting Pronouncements

In February, 2016, the FASB issued ASU Update No. 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP - which requires only capital leases to be recognized on the consolidated statements of financial position - the new ASU will require both types of leases to be recognized on the statements of financial position. ASU 2016-02 is effective for the years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. This ASU will be effective for the organization in fiscal year 2021. Early application of the amendments in this ASU is permitted.

The Organization is currently assessing the impact this recent accounting pronouncement will have on its consolidated financial statements.

2. BUSINESS COMBINATIONS

On April 1, 2019, the Organization acquired certain assets and assumed certain liabilities of UPG for a purchase price of \$12,500,000 through a combination of cash and term loan agreement (see note 9) in the amounts of \$5,000,000 and \$7,500,000, respectively.

The acquisition was accounted for as a business combination using the acquisition method as described in Note 1. The acquisition of UPG allowed the Organization to expand its medical services to its existing Dallas community. UPG has been providing medical care for over 30 years in this same community. UPG offers comprehensive HIV/AIDS care, infectious disease diagnosis and treatment, PrEP, and general medical care to its patients. The Organization elected the accounting alternative under ASU 2019-06 (Topic 805), therefore customer related intangibles and noncompetition agreements have not been separately identified apart from goodwill.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BUSINESS COMBINATIONS (Continued)

The table below summarizes the fair values as of the acquisition date:

| | |
|---------------------------|----------------------|
| Acquired assets | |
| Cash | \$ 160,000 |
| Property and equipment | 128,420 |
| Other assets | <u>67,104</u> |
| Total assets acquired | <u>\$ 355,524</u> |
| | |
| Total consideration | \$ 12,500,000 |
| Less: Net assets acquired | 355,524 |
| Less: Assumed liabilities | <u>18,374</u> |
| Goodwill | <u>\$ 12,126,102</u> |

3. GOODWILL

The following is a summary of the changes in the carry amounts of goodwill for the year ended December 31, 2019:

| | <u>Gross Amount</u> | <u>Accumulated Amortization</u> |
|---------------------------------------|----------------------|-------------------------------------|
| Balance, December 31, 2018 | \$ - | \$ - |
| Additional goodwill from acquisitions | 12,126,102 | - |
| Amortization expense | <u>-</u> | <u>(909,458)</u> |
| Balance, December 31, 2019 | <u>\$ 12,126,102</u> | <u>\$ (909,458)</u> |

During 2019, the Organization completed the accounting for its acquisition in April 2019. See Note 2 for the components of goodwill related to acquisitions in fiscal 2019. Goodwill will be amortized over the remaining weighted average life of 9.3 years.

4. LIQUIDITY

Financial assets available for expenditures within one year of the statement of financial position are as follows:

| | <u>2019</u> |
|--|----------------------|
| Cash and cash equivalents | \$ 3,691,729 |
| Grants, contributions and other receivables, net | <u>10,765,249</u> |
| Total financial assets | 14,456,978 |
| Donor-imposed restrictions | <u>(100,000)</u> |
| Net financial assets available to meet cash needs for general expenditures within one year | <u>\$ 14,356,978</u> |
| | <u>2018</u> |
| Cash and cash equivalents | \$ 6,175,162 |
| Certificates of deposit | 3,244,848 |
| Grants, contributions and other receivables, net | <u>3,912,756</u> |
| Total financial assets | 13,332,766 |
| Donor-imposed restrictions | <u>(107,161)</u> |
| Net financial assets after donor-imposed restrictions | 13,225,605 |
| Board designated for risk reserve | <u>(5,363,307)</u> |
| Net financial assets available to meet cash needs for general expenditures within one year | <u>\$ 7,862,298</u> |

Prism Health North Texas has \$14,333,994 and \$7,862,298 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures for the years ended December 31, 2019 and 2018, respectively. Cash, certificates of deposit, grants receivable and 340B receivables comprise the Organization's financial assets available within one year. As described in Note 1, government grant receivable and 340B receivables are fully collectible. PHNTX has a goal to maintain financial assets, which consists of cash and short-term investments, on hand of 60 days of ordinary operating expenses.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CERTIFICATES OF DEPOSIT

Total income related to the certificates of deposit, included in other income in the accompanying consolidated statements of activities, for the years ended December 31, 2019 and 2018 included \$64,527 and \$41,372 in interest income earned respectively. All of the Organization's certificates of deposits matured during fiscal year 2019.

6. GRANTS, CONTRIBUTIONS AND OTHER RECEIVABLES

Grants, contributions, and other receivables consist of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|---------------------|
| Dallas County Health and Human Services | \$ 855,745 | \$ 859,614 |
| United Way | 100,000 | 110,000 |
| Avita Drugs, LLC | 2,850,784 | 1,930,041 |
| Walgreens | 4,146,318 | 98,337 |
| CVS | 1,263,226 | - |
| Substance Abuse and Mental Health Services Administration | 54,330 | 51,688 |
| Centers for Disease Control | 39,328 | 42,782 |
| National Institute of Allergy and Infectious Diseases | 255,703 | 114,398 |
| Texas Department of State Health Services | 346,350 | 416,091 |
| Health Resources and Services Administration | 151,105 | 132,139 |
| Clinical trials | 268,815 | 87,283 |
| Third party billings | 267,661 | 119,603 |
| Equitas | 190,832 | - |
| South Central AIDS Education and Training Center | 27,928 | - |
| Other receivables | - | 3,316 |
| | <u>10,818,125</u> | <u>3,965,292</u> |
| Less: Allowance for doubtful accounts | <u>(52,876)</u> | <u>(52,536)</u> |
| | <u>\$ 10,765,249</u> | <u>\$ 3,912,756</u> |

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

| | Estimated <u>Useful Lives</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------------------|---------------------|---------------------|
| Furniture and fixtures | 3 - 10 years | \$ 536,937 | \$ 349,317 |
| Software and equipment | 2 - 10 years | 2,231,169 | 1,627,702 |
| Leasehold improvements | Life of lease | <u>2,063,090</u> | <u>1,206,685</u> |
| | | 4,831,196 | 3,183,704 |
| Less accumulated depreciation and amortization | | <u>(2,700,784)</u> | <u>(2,087,282)</u> |
| | | <u>\$ 2,130,412</u> | <u>\$ 1,096,422</u> |

The Organization has capital lease assets of \$1,072,608 and \$871,406 at December 31, 2019 and 2018, respectively. The related accumulated amortization was \$801,026 and \$586,938 at December 31, 2019 and 2018, respectively. Amortization expense on capital lease assets was \$214,087 and \$209,467 for the years ended December 31, 2019 and 2018, respectively.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. CAPITAL LEASE OBLIGATION

The Organization has capital lease agreements with monthly installments totaling \$28,472, collateralized with equipment. The effective interest rate on the leases ranges from 0% to 31%.

Approximate future payments under the non-cancellable capital leases, having terms in excess of one year are as follows for the years ending December 31:

| | | | |
|---------------------------------------|--|----|-----------------------|
| 2020 | | \$ | 203,295 |
| 2021 | | | 137,910 |
| 2022 | | | <u>52,840</u> |
| | | | 394,045 |
| Less amounts representing interest | | | <u>(10,747)</u> |
| Present value of net minimum payments | | \$ | <u><u>383,298</u></u> |

9. NOTES PAYABLE

On April 1 2019, the Organization entered into a loan agreement with Bank of Texas in the principal amount of \$7,500,000 to finance the asset purchase of UPG (see note 2). The note has an applicable interest of the lower of 4.36% or the highest lawful rate per annum. Monthly payments of \$139,562 are payable monthly until April 1, 2024, consisting of principal and interest. The outstanding balance was \$6,593,465 at December 31, 2019. Total interest expense for the year ended December 31, 2019 was \$255,935. The note is collateralized by the assets of the Organization.

The loan agreement requires compliance with certain financial and non-financial covenants. The Organization shall maintain a debt service coverage ratio of not less than 1.25 to 1.0, measured quarterly for the prior twelve-month period then ended. The Organization shall maintain, on a quarterly basis, unencumbered liquidity not less than \$1,675,000.

Maturities of long-term debt are as follows for the years ended December 31:

| | | | |
|------|--|----|-------------------------|
| 2020 | | \$ | 1,415,486 |
| 2021 | | | 1,478,450 |
| 2022 | | | 1,544,214 |
| 2023 | | | 1,612,904 |
| 2024 | | | <u>542,411</u> |
| | | \$ | <u><u>6,593,465</u></u> |

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

| | 2019 | 2018 |
|-------------------------|--------------------------|--------------------------|
| Restricted for time: | | |
| United Way | \$ 100,000 | \$ 77,016 |
| DIFFA | <u>-</u> | <u>25,145</u> |
| | 100,000 | 102,161 |
| Restricted for purpose: | | |
| LifeWalk | <u>-</u> | <u>5,000</u> |
| Total | <u><u>\$ 100,000</u></u> | <u><u>\$ 107,161</u></u> |

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time for the years ended December 31:

| | 2019 | 2018 |
|------|--------------------------|--------------------------|
| Time | <u><u>\$ 207,161</u></u> | <u><u>\$ 135,145</u></u> |

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DESIGNATED NET ASSETS

The Organization’s Board of Directors designated \$5,363,307 of net assets without donor restrictions as a Risk Reserve as of December 31, 2018. The Risk Reserve is to be funded annually through surpluses realized from program fees and other sources as determined by the Board. Any subsequent withdrawals from the Risk Reserve must be approved by the Organization’s Finance Committee and then, by the Board. The Board approved a withdraw of the full amount of the reserve during fiscal year 2019.

13. EMPLOYEE BENEFIT PLANS

In January 2006, AAI established Section 403(b) and 401(a) retirement plans (the “Plans”) for the benefit of its employees. The Plans are defined contribution plans with employee contributions only for the 403(b) and with employer contributions for the 401(a). Eligible employees for the 401(a) plan are full-time and part-time (employees with more than 1,000 hours of employment) employees who have satisfied the minimum eligibility requirements of twenty and one-half years of age and one year of service. For the 403(b) plan employees are eligible on their date of hire. The employer contributions from AAI become effective the first day of the plan year following the date eligibility requirements are met. Employer contributions to the 401(a) plan were \$157,429 and \$103,158 for the years ended December 31, 2019 and 2018, respectively.

AAI sponsors a Section 125 Health Reimbursement Arrangement plan for which AAI funds up to \$5,150 of qualifying medical expenses of eligible employees after the employee has paid the first \$1,250 of qualifying medical expenses. The health reimbursement arrangement plan expense was \$135,098 and \$118,056 for the years ended December 31, 2019 and 2018, respectively.

14. CONDITIONAL PROMISES TO GIVE

Substantially all of the Organization’s governmental grants are conditional and funded only after AAI has expended funds for the purposes specified in the grants and have applied for government reimbursement pursuant to the grant terms.

15. COMMITMENTS

The Organization leases space under three operating leases expiring through August 2027. The Organization subleases a portion of the space and received \$46,029 of rental income on the subleases, which is included in other income on the accompanying consolidated statement of activities for each of the years ended December 31, 2019 and 2018. The subleases expire in February 2020 and July 2027.

The following is a schedule of minimum lease payments required under these leases as of December 31, 2019:

| | |
|------------|---------------------|
| 2020 | \$ 673,979 |
| 2021 | 614,369 |
| 2022 | 369,051 |
| 2023 | 335,571 |
| 2024 | 338,244 |
| Thereafter | <u>1,491,811</u> |
| Total | <u>\$ 3,823,025</u> |

The following is a schedule of minimum lease payments to be received under the sublease as of December 31, 2019:

| | |
|------------|-------------------|
| 2020 | \$ 17,329 |
| 2021 | 13,200 |
| 2022 | 13,200 |
| 2023 | 13,800 |
| 2024 | 13,800 |
| Thereafter | <u>36,600</u> |
| Total | <u>\$ 107,929</u> |

Rent expense was \$856,043 and \$572,619 for the years ended December 31, 2019 and 2018, respectively.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CONTINGENT LIABILITY – GOVERNMENT PROGRAMS

AAI participates in federal and state programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and unit of services billed are subject to audit and adjustment by the grantor agencies; therefore, to the extent that AAI has not complied with the respective rules and regulations governing each respective grant, refunds of monies received may be required. As such, the collectability of any related receivables as of December 31, 2019 and 2018 may be impaired. In the opinion of AAI's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying consolidated financial statements for such contingencies.

17. CONCENTRATIONS

For the years ended December 31, 2019 and 2018, two government agencies comprised 75% and 74% of government grants revenues, and two organizations comprised 98% and 97% of net program service fees revenues, respectively. At December 31, 2019 and 2018, three providers comprised 76% and 78% of grants and others receivable, respectively.

18. RELATED PARTY TRANSACTIONS

Board member cash contributions were \$57,531 and \$35,535 for the years ended December 31, 2019 and 2018, respectively. Board members are not compensated by the Organization.

19. FUNCTIONAL ALLOCATION OF EXPENSES

AAI manages a portfolio of several grants and related programs with specific budgets and compliance requirements. Expenses incurred to carry out the activities of each funding source or cost center are allocated on a basis that best describes the relative benefits received by each cost center or funding source. When an expense is specific to a cost center or funding source, the expense is hard coded to the cost center or funding source and not distributed. When an expense benefits more than one cost center or funding source, the expense is distributed to each cost center or funding source using an appropriate allocation basis in a consistent manner. The bases for expense allocation are the following: 1) time and efforts for employees whose activities benefit more than one cost center when the activities can be reasonably tracked by cost center or funding source in Sage Time, the time tracking tool; 2) Full-Time Employees ("FTE") when time and efforts are not practical and appropriate and the expense can be reasonably distributed based on FTE's worked; 3) square footage used for rent, utilities and related expenses.

Funding sources or cost centers are grouped into functional centers which are HIV Services, Prevention Services, Research, Management and General, and Fund Raising depending on the nature of the activities. The sources for the determination of the amounts for each line item in the different functional centers are the profit and loss statements by cost center or funding source.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2020, the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine and social distancing requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to the Organization beginning in March 2020, resulting in the temporary closure of the Organization's administrative offices. While the Organization expects this matter to impact its results, the extent of the impact of the COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions and the impact of the COVID-19 on overall demand for the Organization's services, all of which are highly uncertain and cannot be predicted.

On June 1, 2020, the Organization secured a promissory note in the amount of \$1,000,000 to fund the expansion and related construction of the clinic on Lemmon Avenue. As of December 31, 2019, there has been no construction or related expenses.

SUPPLEMENTAL INFORMATION



LANE GORMAN TRUBITT, LLC
Accountants & Advisors

Independent Auditor's Report

Board of Directors
AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary

Report on the Schedule of Expenditures of Federal and State Awards

We have audited the accompanying schedule of expenditures of federal awards and state awards of AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary (the "Organization"), for the year ended December 31, 2019, and the related notes to the schedule of expenditures of federal and state awards.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards and nonfederal awards of the Organization for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Lane Gorman Trubitt, LLC

Dallas, Texas
September 23, 2020



LANE GORMAN TRUBITT, LLC
Accountants & Advisors

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*

Board of Directors
AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary

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 consolidated financial statements of AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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.

Lane Norman Trubitt, LLC

Dallas, Texas
September 23, 2020



LANE GORMAN TRUBITT, LLC
Accountants & Advisors

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 Uniform Grant Management Standards

Board of Directors
AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary

Report on Compliance for Each Major Federal and State Program

We have audited AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary (the "Organization") compliance with the types of compliance requirements described in the United States Office of Management and Budget ("OMB") *Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended December 31, 2019. The Organization'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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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

Lane Norman Trubitt, LLC

Dallas, Texas
September 23, 2020

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended December 31, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---------------------------|---|-------------------------------|
| United States Department of Health and Human Services | | | |
| Dallas County Health and Human Services | | | |
| HIV Emergency Relief Project Grants - Ryan White Treatment Modernization Act of 2006 - Part A Formula | 93.914 | | \$ 1,498,878 |
| HIV Emergency Relief Project Grants - Ryan White Treatment Modernization Act of 2006 - Part A Supplemental | 93.914 | | 1,018,710 |
| HIV Emergency Relief Project Grants - Ryan White Treatment Modernization Act of 2006 - Part A MAI | 93.914 | | 938,675 |
| HIV Care Formula Grants - Ryan White Treatment Modernization Act of 2006 - Part B Formula | 93.917 | | <u>526,492</u> |
| Total expended from Dallas County Health and Human Services | | | <u>3,982,755</u> |
| Texas Department of State Health Services | | | |
| HIV Care Formula Grants - ADAP MAI | 93.917 | 2016-003877 | 229,927 |
| HIV Prevention Activities Health Department Based - HIV Prevention | 93.940 | 2016-002534-00 | <u>1,212,266</u> |
| Total expended from Texas Department of State Health Services | | | <u>1,442,193</u> |
| Substance Abuse and Mental Health Services Administration | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance - Prevention Infrastructure | 93.243 | H79SP021832 | 266,287 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance - Project STEP | 93.243 | H79T1080687 | <u>420,538</u> |
| Total expended from Substance Abuse and Mental Health Services Administration | | | <u>686,825</u> |
| Health Resources and Services Administration | | | |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | | | |
| Ryan White C.A.R.E. Act Title III Early Intervention Services | 93.918 | H76HA01710 | 387,317 |
| Special Projects of National Significance - Viviendo Valiente | 93.928 | H97HA26497 | 36,282 |
| AIDS Education & Training Centers - SCAETC University of New Mexico | 93.145 | HA332250100 | 27,929 |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth - University of Texas Southwestern | | | |
| Medical School Ryan White Title IV Program Women, Infants, and Children - Dallas Family Access Network | 93.153 | H12HA24837 | <u>93,419</u> |
| Total expended from Health Resources and Services Administration | | | <u>544,947</u> |
| National Institute of Allergies and Infectious Diseases | | | |
| Allergy, Immunology and Transplantation Research - Northwestern University - Chicago Clinical Trials Unit | 93.855 | UM1AI069471 | 428,448 |
| Allergy, Immunology and Transplantation Research - University of California Los Angeles - AIDS Clinical Trials Group Networks | 93.855 | UM1AI068636 | 78,486 |
| Cardiovascular Diseases Research - Massachusetts General Hospital - AIDS Clinical Trials Group Networks | 93.837 | U01HL123336 | <u>28,577</u> |
| Total expended from National Institute of Allergies and Infectious Diseases | | | <u>535,511</u> |
| Centers for Disease Control and Prevention | | | |
| HIV Prevention Activities Non-Governmental Organization Based - Comprehensive High-Impact HIV Prevention Projects for Community-Based Organizations - Free World Bound High Impact Prevention | 93.939 | 5 NU65PS004732 | <u>356,279</u> |
| Total expended from Centers for Disease Control and Prevention | | | <u>356,279</u> |
| Total expended from United States Department of Health and Human Services | | | <u>7,548,510</u> |
| Total federal awards expended | | | <u>\$ 7,548,510</u> |

See accompanying notes to the schedule of expenditures of federal and state awards.

AIDS Arms, Inc. (dba Prism Health North Texas) and Subsidiary
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year ended December 31, 2019

| State Granting Agency/Grant Program | Grant or Identifying Number | Total State Expenditures |
|---|--------------------------------|-----------------------------|
| Texas Department of State Health Services | | |
| Dallas County Health and Human Services | | |
| State of Texas HIV Health and Social Services Grant | | \$ 783,512 |
| Total State Awards Expended | | \$ 783,512 |
| Total Federal and State Awards Expended | | \$ 8,332,022 |

See accompanying notes to the schedule of expenditures of federal and state awards.

AIDS Arms, Inc. and Subsidiary (dba Prism Health North Texas, Inc. and Subsidiary)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended December 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of the Organization under programs of the federal and state government for the year ended December 31, 2019.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Texas Comptroller of Public Accounts. As the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in the Uniform Guidance or the cost principles contained in UGMS, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Organization did not have any federal loan programs during the year ended December 31, 2019.

AIDS Arms, Inc. and Subsidiary (dba Prism Health North Texas, Inc. and Subsidiary)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

AIDS Arms, Inc. and Subsidiary (dba Prism Health North Texas, Inc. and Subsidiary)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended December 31, 2019

7. The Organization's major federal programs were:

| Cluster/Program | CFDA Number |
|-------------------------------------|-------------|
| HIV Emergency Relief Project Grants | 93.914 |
| HIV Care Formula Grants | 93.917 |

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

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

State Awards

10. The independent auditor's report on internal control over compliance for the major state award program disclosed:

Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

11. The opinion expressed in the independent auditor's report on compliance for the major state award programs was:

Unmodified Qualified Adverse Disclaimer

12. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*:

Yes No

AIDS Arms, Inc. and Subsidiary (dba Prism Health North Texas, Inc. and Subsidiary)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

13. The Organization's major state program was:

State of Texas HIV Health and Social Services Grant

14. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grant Management Standards* was \$300,000.

15. The Organization qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*?

Yes No

AIDS Arms, Inc. and Subsidiary (dba Prism Health North Texas, Inc. and Subsidiary)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Finding |
|-----------------------------|----------------|
|-----------------------------|----------------|

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

| Reference Number | Finding |
|-----------------------------|----------------|
|-----------------------------|----------------|

No matters are reportable.

Findings Required to be Reported by UGMS

| Reference Number | Finding |
|-----------------------------|----------------|
|-----------------------------|----------------|

No matters are reportable.

AIDS Arms, Inc. and Subsidiary (dba Prism Health North Texas, Inc. and Subsidiary)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2019

| Reference Number | Summary of Finding | Status |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

No matters are reportable.