ASCENSION DEPAUL SERVICES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

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Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ascension DePaul Services
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ascension DePaul Services (the Organization), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ascension DePaul Services as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ascension DePaul Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Center adopted new accounting guidance in connection with its implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 generally accepted auditing standards and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of Compensation, Benefits, and Other Payments to Agency Head 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 schedule of Compensation, Benefits, and Other Payments to Agency Head 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 October 20, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
October 20, 2023

ASCENSION DEPAUL SERVICES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	$ 7,972,681	$ 8,732,157
Restricted cash	17,773,832	-
Investments	5,568,136	6,225,174
Patient receivables	101,927	124,867
Grants receivable	92,778	207,877
Other receivable	-	329,511
Due from affiliate, net	1,851,162	1,819,897
Prepaid expenses, inventory and other assets	239,407	203,820
Total current assets	33,599,923	17,643,303
NON-CURRENT ASSETS		
Property, equipment, and improvements, net	22,064,020	15,513,083
Notes receivable	16,444,000	-
Right of use assets, net	1,853,771	-
Total non-current assets	40,361,791	15,513,083
TOTAL ASSETS	$ 73,961,714	$ 33,156,386

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,029,616	$ 898,954
Accrued salaries and vacation pay	2,260,744	1,937,176
Self insurance liability	304,988	304,988
Deferred revenue	85,019	297,393
Operating lease liabilities, current portion	178,539	-
Total current liabilities	4,858,906	3,438,511
NON-CURRENT LIABILITIES		
Accrued pension	527,530	648,975
Note payable, non-current portion	22,760,000	-
Operating lease liabilites, non-current portion	1,744,176	-
Total non-current liabilities	25,031,706	648,975
TOTAL LIABILITIES	29,890,612	4,087,486
NET ASSETS		
Without donor restrictions	43,890,044	28,884,357
With donor restrictions	181,058	184,543
TOTAL NET ASSETS	44,071,102	29,068,900
TOTAL LIABILITIES AND NET ASSETS	$ 73,961,714	$ 33,156,386

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

ASCENSION DEPAUL SERVICES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTION		
Patient service fees	$ 1,172,663	$ 1,037,348
Grants and contributions of cash and other financial assets:		
Marillac Mission Fund	3,155,850	3,155,850
State of Louisiana - WIC	430,275	410,775
Ascension Health	8,870,769	-
Other	774,295	565,852
Contributions of nonfinancial assets	5,834,907	22,132
Special event loss, net of expenses of $132,464 and $45,286, respectively	(25,470)	(16,675)
Rental income	157,660	127,568
Lease and other income from affiliate	32,357,625	29,560,913
Proceeds from business interruption claim	-	77,070
Net assets released from restrictions	22,621	228,108
TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTION	52,751,195	35,168,941
OPERATING EXPENSES		
Health care services	31,489,143	29,341,784
Management and general	6,629,462	6,960,847
TOTAL OPERATING EXPENSES	38,118,605	36,302,631
INCOME (LOSS) FROM OPERATIONS	14,632,590	(1,133,690)
OTHER INCOME (EXPENSE)		
Investment income (loss), net	251,711	(195,729)
Pension related changes other than net periodic pension cost	121,445	477,037
Insurance proceeds related to property and equipment	-	781,600
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	15,005,746	(70,782)
NET ASSETS WITH DONOR RESTRICTION		
Grants and contributions	19,077	185,634
Construction grant	-	53,333
Net assets released from restrictions	(22,621)	(228,108)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	(3,544)	10,859
CHANGE IN NET ASSETS	15,002,202	(59,923)
NET ASSETS		
Beginning of year	29,068,900	29,128,823
End of year	$ 44,071,102	$ 29,068,900

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

ASCENSION DEPAUL SERVICES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	Health Care Services	Management and General	Fundraising	Totals	Health Care Services	Management and General	Fundraising	Totals
Salaries and wages	$ 20,855,350	$ 4,175,527	$ -	$ 25,030,877	$ 18,468,650	$ 4,161,368	$ -	$ 22,630,018
Employee benefits	2,732,800	1,408,712	-	4,141,512	2,880,008	1,181,576	-	4,061,584
Occupancy	1,927,514	99,172	-	2,026,686	1,709,033	88,764	-	1,797,797
Medical/Pharmacy/Lab supplies	1,588,392	442	-	1,588,834	1,776,625	-	-	1,776,625
Office expenses	906,623	341,673	-	1,248,296	796,422	312,568	-	1,108,990
Depreciation	1,119,987	102,280	-	1,222,267	1,012,207	107,699	-	1,119,906
Contract services	976,285	37,914	-	1,014,199	820,832	44,431	-	865,263
Professional services	375,224	156,044	-	531,268	223,353	168,630	-	391,983
Insurance	420,685	45,688	-	466,373	382,747	43,922	-	426,669
Information technology	349,319	56,471	-	405,790	257,791	94,872	-	352,663
Disaster recovery	9,993	-	-	9,993	759,180	-	-	759,180
Contract labor	119,078	32,966	-	152,044	139,443	89,170	-	228,613
Conferences and travel	69,361	43,868	-	113,229	59,429	97,261	-	156,690
Other	22,339	116,998	-	139,337	11,810	196,196	-	208,006
Special events expense	-	-	132,464	132,464	-	-	45,286	45,286
Consumer Awareness	16,193	11,707	-	27,900	44,254	374,390	-	418,644
Total expenses by function	31,489,143	6,629,462	132,464	38,251,069	29,341,784	6,960,847	45,286	36,347,917
Less: expenses included with revenues on the statements of activities and changes in net assets								
Special event expenses	-	-	(132,464)	(132,464)	-	-	(45,286)	(45,286)
Total expenses included in the expense section on the statements of activities and changes in net assets	$ 31,489,143	$ 6,629,462	$ -	$ 38,118,605	$ 29,341,784	$ 6,960,847	$ -	$ 36,302,631

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

ASCENSION DEPAUL SERVICES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 15,002,202	$ (59,923)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,222,267	1,119,906
Unrealized loss (gain) on investments	(115,276)	485,000
Contributed property capitalized	-	(22,132)
Insurance proceeds related to property and equipment	-	(781,600)
Changes in assets and liabilities:		
(Increase) decrease in operating assets:		
Patient receivables	22,940	28,443
Grants receivable	115,099	(96,876)
Other receivable	329,511	(329,511)
Due from affiliate	(31,265)	935
Prepaid expenses, inventory and other assets	33,357	754
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,130,662	355,872
Accrued pension, salaries and vacation pay	202,123	(366,208)
Deferred revenue	(212,374)	(193,060)
Net cash provided by operating activities	17,699,246	141,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales and (purchases) of investments	772,314	(106,791)
Property and equipment purchases	(7,773,204)	(308,971)
Insurance proceeds related to property and equipment	-	781,600
Issuance of notes receivable	(16,444,000)	-
Net cash provided by (used in) investing activities	(23,444,890)	365,838
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings on notes payable	22,760,000	-
Net cash provided by financing activities	22,760,000	-
NET CHANGE IN CASH	17,014,356	507,438
CASH		
Beginning of year	8,732,157	8,224,719
End of year	$ 25,746,513	$ 8,732,157
RECONCILIATION OF CASH:		
Cash	$ 7,972,681	$ 8,732,157
Restricted cash	17,773,832	-
	$ 25,746,513	$ 8,732,157
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 41,397	$ -

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

ASCENSION DEPAUL SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Mission

Organizational Structure

Ascension DePaul Services (the Organization) is a member of Ascension Health. In December 2011, Ascension Health Alliance, doing business as Ascension, became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries. In addition to serving as the sole corporate member of Ascension Health, Ascension serves as the member or shareholder of various other subsidiaries. Ascension, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province, the Congregation of St. Joseph, the Congregation of the Sisters of St. Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province, and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

Ascension DePaul Services, headquartered in New Orleans, Louisiana, is a nonprofit Health Ministry. The Health Ministry provides outpatient health care services. The Health Ministry is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of Ascension Health are related to providing health care services.

Ascension DePaul Services in Arkansas doing business as DePaul Community Health Centers merged with and into Ascension DePaul Services in New Orleans, Louisiana effective January 1, 2021. Thus, as of January 1, 2021, the Organization provides services to residents in the greater New Orleans, Louisiana and Dumas, Arkansas areas.

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve persons living in poverty and other vulnerable persons of the community, including victims of substance abuse, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

1. Organization and Mission (continued)

Mission (continued)

Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated using internal cost data and by reducing charges forgone by a factor derived from the ratio of total operating expenses to billed charges for patient care.

2. Summary of Significant Accounting Policies

Description of Business and Basis of Presentation

The consolidated financial statements include Ascension DePaul Services (ADS) and its controlled subsidiaries Ascension DePaul Services Fund (ADSF), Daughters of Charity Services of New Orleans East (DCSNOE), and Ascension DePaul Foundation of New Orleans, L.L.C. (ADFNO) (collectively, the Organization). ADS, ADSF, and DCSNOE are each 501(c)(3) exempt organizations. ADFNO is a wholly owned subsidiary which is disregarded for income tax purposes. The Organization provides health care services, counseling, and educational assistance to men, women, and children in the New Orleans area and reports to the national organization, Ascension Health.

Organization and Income Taxes

ADS is a nonprofit corporation organized under the laws of the State of Louisiana in 1996.

ADSF was incorporated in the state of Louisiana on November 23, 2009. The sole mission of the foundation is to provide financial resources for the execution of the mission of ADS.

DCSNOE was incorporated in the state of Louisiana on January 24, 2012. The primary purpose of the corporation is to further the tradition of healing and service to the sick and poor established by St. Vincent dePaul, St. Louise de Marillac, and St. Elizabeth Ann Seton and exemplified by the philosophy and mission of ADS.

ADS, ADSF, and DCSNOE are exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code, and each qualify as an organization that is not a private foundation as defined in Section 509(a) of the Code. Each of these entities is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

ADFNO was incorporated in the state of Louisiana on September 18, 2012. The sole mission of the foundation is to provide financial resources for the execution of the mission of ADS.

2. Summary of Significant Accounting Policies (continued)

Organization and Income Taxes (continued)

The Organization applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits or liabilities that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Organization has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with more than a 50% likelihood of being sustained upon examination by the taxing authorities.

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised. In-kind donations are recognized at their fair market value when received.

Principles of Consolidation

The consolidated financial statements include the financial statements of ADS and the subsidiaries in which ADS has a controlling interest and economic benefit: ADSF, DCSNOE, and ADFNO. All significant intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Restrictions temporary in nature are described in Note 5. The Organization had no restrictions that were perpetual in nature as of June 30, 2023 and 2022.

Cash

The Organization considers cash to be all cash deposits in financial institutions.

Restricted Cash

Restricted cash in the Consolidated Statements of Financial Position includes cash related to the New Market Tax Credits which is to be used for management fees and/or construction.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Significant items subject to such estimates and assumptions include the useful lives and valuation of property and equipment and the valuation of receivables and investments. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Grants, Contributions of Cash and Other Financial Assets, and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization also receives support in the form of grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures (refundable advances) are reported as deferred revenue in the Consolidated Statements of Financial Position.

Grants and contributions are recorded as revenue or support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions. Grant revenue restricted to capital improvements is deferred and recognized as the grantor's restrictions expire or are met by the Organization. Grants receivable are reflected on the consolidated statements of financial position based on the expected timing of payment from the grantor.

Contributions of Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the Consolidated Statements of Activities and Changes in Net Assets included contributions of property and equipment. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The contributed property and equipment will be used for program and general and administrative activities. In valuing the contributed property and equipment, the Organization estimated the value on the basis of (1) estimated fair value based on the donor's recent purchase price as well as current average price for similar items located on a publicly available website, or (2) current price located on a publicly available website for identical or similar assets.

2. Summary of Significant Accounting Policies (continued)

Patient Service Fees and Revenue Recognition

Patients are expected to pay for services rendered at the time services are provided. If a patient is unable to pay at the time of service, a receivable is recorded. Patients are sent a billing statement within a month following the date of visit and every month thereafter. Receivables are recorded at estimated net realizable value.

The collection of outstanding receivables from Medicare, Medicaid, commercial payors, other third-party payors and patients is the primary source of cash and is critical to operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding.

Patient service fees represent the estimated net realizable amounts from patients, third party payors, and others for services rendered. Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from payors. Estimates of contractual allowances (explicit price concessions) under commercial health plans are based upon the payment terms specified in the related contractual agreements. The Organization extends credit to patients, as well as to third-party intermediaries responsible for medical services provided to patients. The Organization provides discounts from gross charges to uninsured patients who do not qualify for Medicaid. The balance in patient accounts receivable is presented net of contractual adjustments (explicit price concessions) and an estimated provision for doubtful accounts (implicit price concessions).

The Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The allowance for doubtful accounts relates primarily to amounts related to patient care and is based upon management of the Organization's review of aging of outstanding receivables, historical collection information, and existing economic conditions. Patient accounts receivable are due in full when billed. Interest is not charged on past due accounts. The Organization determines its estimate of implicit price concessions based on its historical collection experience with each financial class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach. Accounts are written off when all reasonable internal and external collection efforts have been performed or when the accounts reach 365 days old.

2. Summary of Significant Accounting Policies (continued)

Patient Service Fees and Revenue Recognition (continued)

The Organization has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third party payor pays for that service will be one year or less.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Performance obligations satisfied over time relate to patients receiving services in the Organization's outpatient clinics. The Organization measures the performance obligation from the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services and over a period of less than one day.

Substantially all of the Organization's patient service fees are revenues whose performance obligations are met over time. The Organization does not have performance obligations that are unsatisfied or partially unsatisfied at June 30, 2023 or 2022.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The estimated reimbursement amounts are made on a payor-specific basis and are recorded based on the best information available regarding management's interpretation of the applicable laws, regulations and contract terms. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in commercial contractual terms resulting from contract renegotiations and renewals. Due to the complexities involved in the classification and documentation of health care services authorized and provided, the estimation of revenues earned and the related reimbursement are often subject to interpretations that could result in payments that are different from the Organization's estimates.

The Organization does not pursue collection of amounts related to patients who meet guidelines to qualify as charity care. The federal poverty level is established by the federal government and is based on income and family size. The Organization provides discounts from gross charges to uninsured patients who do not qualify for Medicaid or charity care. These discounts are similar to those provided to many local commercial plans. After the discounts are applied, the Organization is still unable to collect a significant portion of uninsured patients' accounts, and records significant provisions for doubtful accounts (based upon historical collection experience) related to uninsured patients in the period the services are provided.

The allowance for contractual adjustments was $138,884 and $78,440, respectively, at June 30, 2023 and 2022. The allowance for uncollectible accounts was $210,985 and $191,348, respectively, at June 30, 2023 and 2022. The Organization has not changed its charity care or uninsured discount policies during fiscal years 2023 or 2022. The Organization maintains an allowance for doubtful accounts from third-party payors, which pertain to uncollectible claims from prior periods.

2. Summary of Significant Accounting Policies (continued)

340B Program Revenue

The Organization participates in the 340B Drug Pricing Program (340B Program) administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Revenue and expenditures related to this program are recorded once the prescription drugs are transferred to the patient. Laws and regulations surrounding the 340B drug program are complex and are subject to interpretation and change.

Lease and Other Income from Affiliate

The Organization recognizes revenue from an affiliate (described in Note 8) when the performance obligations of transferring the goods or providing the services are met. Revenues related to leases are recognized monthly as the leased facilities are used or services are provided.

Operating Income (Loss)

The consolidated statements of activities and changes in net assets include the line item entitled "income (loss) from operations." Income or loss from operations includes, but is not limited to, patient revenues, contributions and grants without donor restriction, rental income, and other income. Changes in net assets without donor restriction which are excluded from operating income include certain contributions to affiliates, investment income, pension, and other non-operating activities.

Investments

The Organization has an interest in investments held by Ascension Health, which is reflected in the Consolidated Statements of Financial Position. Ascension Health's investments are primarily represented by its investment interest in the Ascension Alpha Fund, LLC (Alpha Fund). Ascension Investment Management, LLC (AIM) a wholly owned subsidiary of Ascension Health, acts as manager and serves as the principal investment advisor for the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. AIM provides expertise in the areas of assets allocation, selection and monitoring of outside investment managers, and risk management. Investments are carried at market value, less any outstanding checks. Net investment income (loss) is reported in the consolidated statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Inventory

Inventories include freight-in and materials, and are stated at the lower of cost (on a first-in, first-out basis) or net realizable value. Provision is made for slow-moving, obsolete or unusable inventory.

Property, Equipment, and Improvements

Property, equipment, and leasehold improvements are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Donated property is recorded at its fair market value at the date of donation.

2. Summary of Significant Accounting Policies (continued)

Property, Equipment, and Improvements (continued)

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended June 30, 2023 or 2022.

Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statement of activities and changes in net assets.

Leases

The Organization accounts for leases in accordance with ASU 2016-02, Leases (Topic 842), which requires the recognition of right-of-use ("ROU") assets and lease liabilities on the consolidated statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The Organization determines if an arrangement is a lease at the inception of the contract. For leases with terms greater than twelve months, right-of-use assets and lease liabilities are recognized at the contract commencement date based on the present value of lease payments over the lease term. Right-of-use assets represent the Organization's right to use the underlying asset for the lease term. Lease liabilities present the Organization's obligation to make lease payments arising from these contracts. The Organization uses a risk-free rate, which is derived from information available at the least commencement date, in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised.

Lease agreements may include rental escalation clauses or renewal options that are factored into management's determination of lease payments, when appropriate. The estimated useful life of right-of-use (ROU) assets is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Organization's lease agreements generally do not contain any material residual value guarantees, restrictions, or covenants.

The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this practical expedient to all relevant asset classes. Additionally, the Organization elected transition provisions available which allowed the carryforward of the Organization's historical assessments of whether contracts contain leases, the lease classification, and the treatment of initial direct costs.

Allocated Expenses

The financial statements report certain categories of expenses that are attributable to either health care services or management and general services of the Organization. The majority of expenses incurred by the organization are directly attributable to one of these two categories. However, management has allocated depreciation on the basis of square footage.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes in net assets.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective July 1, 2022, using the modified retrospective method of adoption. The Organization elected to use the transition option that allows an organization to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment (if any) to the opening balance of net assets in the year of adoption. Comparable periods continue to be presented under the guidance of the previous standard. The standard had a material impact on the 2023 statement of financial position but did not have a significant impact on the statement of activities and changes in net assets, the statement of functional expenses, or the statement of cash flows. There was no adjustment to the opening balance of net assets as a result of the adoption. Amounts recognized on the consolidated statements of financial position at July 1, 2022 related to ROU assets and lease liabilities were approximately $1,900,000.

3. Liquidity and Availability of Resources

As of June 30, 2023, the Organization has a working capital of $28,741,017. Financial assets available for general expenditure within one year as of June 30, consist of the following:

	2023	2022
Cash (without restrictions)	$ 7,972,681	$ 8,732,157
Investments	5,568,136	6,225,174
Patient receivables	101,927	124,867
Grants receivable	92,778	207,877
Other receivable	-	329,511
Due from affiliate, net	1,851,162	1,819,897
Financial assets available to meet general expenditures over the next twelve months	$ 15,586,684	$ 17,439,483

As part of the Organization's liquidity management plan, excess cash is transferred to the Ascension Investment Management (AIM) investment pool, which is managed by Ascension Health for its member institutions. These funds primarily consist of U.S. government obligations, corporate obligations, marketable equity securities, and loans receivable from member institutions.

3. Liquidity and Availability of Resources (continued)

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

4. New Market Tax Credit Program and Related Notes Receivable and Note Payable

The New Market Tax Credit (NMTC) Program was designed to stimulate investment and economic growth in low-income communities by offering taxpayers a tax credit against federal income taxes over a seven-year period for Qualified Equity Investments (QEI) in designated Community Development Entities (CDEs). CDEs receive NMTC allocations pursuant to Section 45D of the Internal Revenue Code. These designated CDEs must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICI). To earn the tax credit, the QEI must remain invested in the CDE for a seven-year period. Also, the entity receiving the loans needs to be treated as a Qualified Active Low-Income Community Business (QALICB) for the duration of the seven-year period. QALICB requirements are outlined in Treasury Regulation Section 1.45D-1(d)(4)(i).

In May 2023, Ascension DePaul Services Fund (ADSF) entered into multiple agreements to facilitate the construction of three new health clinics in New Orleans, Louisiana. ADSF funded the NMTC leverage loan to Chase NMTC DePaul Investment Fund, LLC, whose sole member is an unrelated third party to ADSF.

Chase NMTC DePaul Investment Fund, LLC used the NMTC leveraged loan to make a qualified equity investment to Chase New Markets Corporation, The Community Business Investment Fund, LLC, PB Community Impact Fund, LLC, Stonehenge Community Development, LLC , the CDEs. The CDEs, in turn, used the funding to originate two QLICI loans to Ascension DePaul Services. Ascension DePaul Services has reserved these funds for the construction of property and to pay professional fees associated with the NMTC transaction.

The tax credits associated with the transaction are contingent on Ascension DePaul Services maintaining compliance with applicable portions of Section 42 of the Internal Revenue Code. Failure to maintain compliance or to correct noncompliance within a specified period could result in recapture of previously taken tax credits plus penalties and interest. Ascension DePaul Services has signed a QALICI Indemnification Agreement that obligates them to pay any NMTC recapture amount as defined in Section 45D(g)(2) of the Internal Revenue Code, to investors within the NMTC structure with respect to related tax credits that have been claimed. Recapture or disallowance can result in Ascension DePaul Services failing to qualify as a QALICB, among others.

On May 4, 2023, DCSNOE issued a promissory note at a rate of 1.0% to Chase NMTC DePaul Investment Fund, LLC (CNDIF). CNDIF is wholly owned by a financial institution. Management assesses the credit quality and collectability of the note on an on-going basis. The promissory note is also evaluated for impairment periodically. Management has determined that no allowance is necessary and no impairment has occurred as of June 30, 2023.

4. New Market Tax Credit Program and Related Notes Receivable and Note Payable (continued)

The note is expected to mature as follows for the years ending June 30:

Years ending June 30:	
2024	$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	$ 16,444,000
Total	$ 16,444,000

Notes payable at June 30 consist of the following:

	2023	2022
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	$ 5,824,000	$ -
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	2,176,000	-
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	4,248,000	-
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	1,632,000	-
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	4,308,000	-

4. New Market Tax Credit Program and Related Notes Receivable and Note Payable (continued)

	2023	2022
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	1,572,000	-
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	2,064,000	-
Promissory note payable bearing an interest rate of 1.148754%. The note is payable in quarterly installments of interest only until June 1, 2030, then quarterly payments of principal and interest ending on May 4, 2053.	936,000	-
Total notes payable	22,760,000	-
Less: current maturities	-	-
Long-term portion	$ 22,760,000	$ -

Notes payable are collateralized by the underlying contracts (construction projects and project agreements).

Futured scheduled maturities at June 30, 2023 are as follows:

Years ending June 30:	
2024	$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	22,760,000
Total	$ 22,760,000

5. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted by grantors and donors for specific programs, purposes, or for use in subsequent periods. These restrictions are considered to expire when the restriction has been met. Net assets with donor restrictions at June 30 are as follows:

	2023	2022
Formation (purpose)	$ 33,637	$ 34,061
Rednu fund (purpose)	30,739	32,219
FISH program (purpose)	15,284	16,656
Providence EAP funds (purpose)	16,255	14,431
Disaster Recovery (purpose)	5,699	5,699
Thriving readers (purpose)	2,678	4,738
Other grants (purpose)	76,766	76,739
	$ 181,058	$ 184,543

6. Property, Equipment and Improvements

At June 30 the cost of property, equipment and improvements was as follows:

	2023	2022	Useful lives
Land	$ 2,566,198	$ 2,566,198	
Building	23,514,940	23,010,765	5 - 20 years
Leasehold improvements	3,629,169	617,511	15 - 20 years
Furniture and equipment	8,648,391	6,985,916	5 - 20 years
Vehicles	395,348	389,704	5 years
Construction in progress	2,689,359	100,113	
	41,443,405	33,670,207	
Less accumulated depreciation	(19,379,385)	(18,157,124)	
Total property and equipment, net	$ 22,064,020	$ 15,513,083	

At June 30, 2023, construction in progress includes construction related to new facilities. At June 30, 2023, approximately $17.8 million has been budgeted for construction projects in progress with contracts signed. Approximately $16.8 million remains to be paid on construction projects for these new facilities.

7. Patient Service Revenue

The Organization receives payments for patient services from the federal government under the Medicare program, state governments under their respective Medicaid or similar programs, commercial plans, private insurers, and directly from patients. Revenues from third-party payors and the uninsured for the years ended June 30, 2023 and 2022 are summarized as follows:

	2023	2022
Medicare	$ 195,445	$ 216,453
Medicaid	1,175,644	826,575
Commercial and other insurers	956,470	732,692
Self-pay	303,415	283,842
Gross patient revenues	2,630,974	2,059,562
Contractual adjustments (implicit price concessions)	(1,344,133)	(680,818)
Provision for doubtful accounts (explicit price concessions)	(114,178)	(341,396)
Patient service fees	$ 1,172,663	$ 1,037,348

8. Transactions with Affiliates

The Organization participates in the Ascension Health Retirement Plan. During the years ended June 30, 2023 and 2022, the Organization was allocated part of the Plan's net periodic pension costs as described in Note 10 – Employee Benefit Plans.

Various insurance coverages are maintained by Ascension Health for the benefit of its member organizations. The Organization participated in several group insurance policies including professional/general liability, malpractice, worker's compensation, property, automobile, directors, and officers, etc. During the year ended June 30, 2023, the Organization received $14,705,767 in contributions of cash and nonfinancial assets from Ascension, primarily related to the New Market Tax Credit transaction described in Note 4. Additionally, the Organization has a refund owed to Ascension Health in the amount of $685,517, which is included in accounts payable and accrued expenses at June 30, 2023.

The Organization receives yearly allocations from the national Marillac Mission Fund (MMF). MMF also provides additional funding for certain projects in which the Organization participates. Amounts received from the MMF are reported in the Consolidated Statement of Activities and Changes in Net Assets.

For the years ended June 30, 2023 and 2022, the Organization had $0 and $329,511, respectively, due from Ascension Risk Services (a related entity) included in other receivable in the Consolidated Statements of Financial Position.

The Organization entered into an affiliation agreement with Marillac Community Health Centers (MCHC) effective March 1, 2012. Under the terms, the Organization provides leased employees, building space, equipment, supplies, and other services to MCHC in order for MCHC to provide primary care and preventative services and facilitate access to comprehensive health and social services for medically underserved persons in the greater New Orleans area. The affiliation agreement shall continue indefinitely unless it is amended or terminated. Termination can occur with or without cause by either party.

8. Transactions with Affiliates (continued)

As consideration for the Organization's provision of these goods and services, the Organization bills MCHC on a monthly basis for the fees incurred. Leased employees are charged at a ratable amount of their wages for the period based on the allocation of their time with an additional allocation for benefits. Paid time off for leased employees is charged as an expense to MCHC with the ultimate liability recorded on the Organization's books. Building space is charged at $14 per square foot for space assigned to MCHC as stipulated in the affiliation agreement. Equipment is charged at the monthly rate of depreciation for items with a remaining net book value plus 10%. Purchased services for billing are charged 6.5% of net revenue collections remitted to the Organization during the years ended June 30, 2023 and 2022. During the years ended June 30, 2023 and 2022, pharmacy administrative services were charged at a rate of $18.00 per prescription. All other services are based on internal allocation assessments.

During the years ended June 30, 2023 and 2022, total billings from the agreement to MCHC were $32,357,625 and $29,560,913, respectively, of which $2,144,124 and $1,912,536 relate to pharmacy administrative services, respectively. At June 30, 2023, the Organization has a receivable of $3,171,872 which offsets the payable of $1,320,710. At June 30, 2022, the Organization has a receivable of $2,561,840 which offsets the payable of $741,943. Management of the Organization determined that no provision related to this balance is required at June 30, 2023 and 2022. Thus, the due from affiliate balance is $1,851,162 and $1,819,897 at June 30, 2023 and 2022, respectively, as presented in the Consolidated Statements of Financial Position.

As discussed in Note 15, the Organization had claims with Ascension Risk Services during the year ended June 30, 2022 related to impacts from Hurricane Ida and a fire.

9. Concentrations of Risk

Health care counseling services and educational assistance are provided to clients who reside primarily in the New Orleans area. In addition, a substantial portion of net patient service fees and reimbursements are provided for by federal agencies.

The Organization has an affiliation agreement with MCHC, as described in Note 8. During the years ended June 30, 2023 and 2022, the amount due from MCHC was 2.4% and 5.5%, respectively, of total assets of the Organization. Lease and other income from MCHC totaled 73.1% and 84.1%, respectively, of total revenues, gains, and other support without donor restriction during the years ended June 30, 2023 and 2022, respectively.

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time the amounts on deposit may exceed the federally insured limits.

10. Employee Benefit Plans

The Organization participates in the Ascension Health Retirement Plan (the Plan), which is a non-contributory defined benefit pension plan covering all eligible employees of Ascension Health entities. Plan benefits are based on each participant's years of service and compensation. Plan assets are invested in a master trust consisting of cash and cash equivalents, equities, fixed income funds and alternative investments. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to Plan participants. The Organization made no contributions to the plan for the years ended June 30, 2023 and 2022.

Net periodic pension expense (benefit) was ($121,445) and ($477,037) for the years ended June 30, 2023 and 2022, respectively. The service cost component of net periodic pension cost charged to the Organization is actuarially determined while other components are allocated based on the Organization’s pro rata share of Ascension Health’s overall projected benefit obligation. The net pension liability was $527,530 and $648,975 at June 30, 2023 and 2022, respectively.

The Organization maintains a defined contribution retirement plan, which allows participants to contribute by salary reduction pursuant to Section 403(b) of the Internal Revenue Code. For employees hired beginning January 1, 2013, employee contributions are matched by the Organization at a rate of 50% percent of the first 6% percent of earnings contributed by employees. The Organization’s contributions are fully vested to the employee after three years of service for employees hired after January 1, 2013. For employees hired prior to January 1, 2013, employee contributions are matched by the Organization at a rate of one dollar for each three dollars of employee contributions up to 5% of an employee's salary. For employees hired prior to January 1, 2013, the Organization’s contributions became fully vested to the employee after five years of service to the Organization.

Beginning January 1, 2013, an employer automatic contribution amount is based on years of benefit service from a contribution of no less than $1,400, or from 2% to 3.5% of earnings based on years of benefit service from less than 5 to more than 15 years.

Employer automatic contributions are vested after completing a vesting service requirement (usually three or five years). The Organization’s contributions to the plan totaled $834,764 and $670,184, respectively, for the years ended June 30, 2023 and 2022.

11. Fair Value Measurements

The Organization applies fair value accounting which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted priced in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described below:

Level 1 – valuation is based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market.

Level 2 – valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization has an interest in investments held by Ascension Health, which is reflected in the Consolidated Statements of Financial Position. Ascension Health's investments are primarily represented by its interest in the Ascension Alpha Fund, LLC (Alpha Fund). The investment values as presented in the Consolidated Statements of Financial Position are based on information provided by Ascension Health. These investments are measured at fair value using the net asset value per share (or its equivalent) as provided by Ascension Health and are considered to be Level 2 investments the fair value hierarchy. There have been no changes in the methodology used as of June 30, 2023 and 2022.

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

12. Contingencies

The Organization is, from time to time, involved in certain claims and legal actions arising in the normal course of business. The Organization is not aware of any pending lawsuits, but the Organization believes that any potential claims resulting from litigation and not covered by insurance would not materially affect the consolidated financial statements.

The Organization participated in a number of state and federally-assisted grant programs in fiscal years 2023 and 2022. The programs are subject to compliance audits. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The Organization believes that the amount of disallowances, if any, which may arise from future audits, will not be material to the consolidated financial statements.

The provision of healthcare services entails an inherent risk of liability. Participants in the healthcare industry are subject to lawsuits alleging malpractice, violation of false claims acts, product liability, or other related legal theories, many of which involve large claims and significant defense costs. Like many other entities engaged in the healthcare industry in the United States, the Organization has the potential for liability claims, disputes and legal actions for professional liability and other related issues. It is expected that the Organization will continue to be subject to such suits as a result of the nature of its business. Further, as with all healthcare providers, the Organization is periodically subject to the increased scrutiny of regulators for issues related to compliance with healthcare fraud and abuse laws and with respect to the quality of care provided to its patients. Like other healthcare providers, in the ordinary course of business, the Organization is also subject to claims made by employees and other disputes and litigation arising from the conduct of its business.

13. Agreements

In July 2016, the Organization entered into a three-year agreement with Children’s Clinic of New Orleans, L.L.C. (CCNO) and MCHC to assume operations of a clinic operated by CCNO. Under the terms of the agreement, the Organization has assumed responsibility for operations at the clinic, including items such as employees and assets, and MCHC has assumed responsibility for the lease agreements effective September 2016. In July 2017, the lease agreement was automatically renewed and will continue to automatically renew in one-year terms until CCNO or MCHC gives termination notice.

14. Leases

The Organization has lease agreements for the rental of office space at varying terms. Amounts recognized at July 1, 2022, related to ROU assets and related lease liabilities were $1,853,771 and $1,922,715, respectively.

Other information related to leases is as follows as of and for the year ended June 30, 2023:

Operating cash flows from operating leases	$	405,109
ROU assets obtained in exchange for lease obligations	$	-
Weighted average remaining lease term		12.78 Years
Weighted average discount rate		2.88%
Operating lease cost	$	441,304
Short-term lease cost		381,878
Total operating lease cost	$	823,182

As lessee, operating lease liabilities under non-cancellable leases (excluding short-term) leases are as follows:

Years Ending June 30:		
2024	$	230,639
2025		123,009
2026		137,750
2027		153,583
2028		175,750
Thereafter		1,508,521
Total lease payments	$	2,329,252
Less: interest		(406,537)
	$	1,922,715

Lease costs for the fiscal year ended June 30, 2022 totaled $656,531.

15. Claims with Ascension Risk Services during 2022

During the fiscal year ended June 30, 2022, the Organization was impacted by Hurricane Ida and a minor fire that took place at the Carrollton location. These events resulted in business disruption. The disruption was temporary and is not expected to impact the Organization going forward. Impacts to facilities were covered by insurance with Ascension Risk Services. Amounts received from Ascension Risk Services related to these events are reported as “Proceeds from business interruption claim” and “Insurance proceeds related to property and equipment” in the Consolidated Statements of Activities and Changes in Net Assets.

16. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued October 20, 2023, and determined that there were no subsequent events requiring disclosure. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

17. Social Accountability (Unaudited)

On an annual basis, the Organization reports its fulfillment of its religious, charitable, educational, scientific, and other philanthropic purposes. The following summarizes the Organization's social accountability report. As evidence of public support for its works and validation of its charitable character, the Organization received approximately $10.6 million and $4.1 million for the years ended June 30, 2023 and 2022, respectively, from public foundations, corporations, private individuals and government contracts for services.

The Organization provides access to essential primary care, dental services, and mental health and social services in federally designated Health Professions Shortage areas, in neighborhoods in Jefferson and Orleans Parishes within Louisiana, as well as the cities of Dumas and Gould within Arkansas. Total service provided was 276,322 and 115,536 encounters for the years ended June 30, 2023 and 2022, respectively.

To increase financial access to these services, the Organization offers charity care. During the years ended June 30, 2023 and 2022, respectively, these fee reductions amounted to $214,869 and $230,679.

SUPPLEMENTARY INFORMATION

ASCENSION DEPAUL SERVICES
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2023

Agency Head: Michael Griffin, President and Chief Executive Officer

Purpose	Amount
Salary	$ 67,992
Benefits - insurance	11,265
Benefits - retirement	10,675
Reimbursements	17,040
Travel	1,424
Registration fees	5,542
Special meals	2,354
	$ 116,292

See accompanying independent auditors' report.

P&N
Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

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

To the Board of Directors
Ascension DePaul Services
New Orleans, Louisiana

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 Ascension DePaul Services (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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 October 20, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 consolidated 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 Organization's consolidated 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 consolidated 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*.

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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
October 20, 2023