PRIMARY HEALTH SERVICES CENTER, INC.
AND AFFILIATE
Monroe, Louisiana

Financial and Compliance Report
December 31, 2022

TABLE OF CONTENTS

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of Certified Public Accountants

Member Louisiana Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Primary Health Services Center, Inc. and Affiliate
Monroe, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Primary Health Services Center, Inc. and Affiliate (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Primary Health Services Center, Inc. and Affiliate as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Primary Health Services Center, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Primary Health Services Center, Inc. and Affiliate'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.

Report on Summarized Comparative Information

I have previously audited the Primary Health Services Center, Inc.'s 2020 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated June 29, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. In addition, the accompanying combining statement of financial position, combining statement of activities and schedule of compensation, benefits and other payments is also presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued my report dated June 22, 2023, on my consideration of Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Primary Health Services Center, Inc. and Affiliate'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 Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
June 22, 2023

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Financial Position
As of December 31, 2022
With Summarized Comparative Totals for 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 5,047,263	$ 3,050,554
Cash - restricted	7,286	7,286
Patient accounts receivable, net	343,068	186,479
Grants receivable	1,278,087	1,320,391
Certificates of deposit	690,703	687,306
Prepaid expenses	124,771	100,276
Total Current Assets	7,491,178	5,352,292
Property, Plant and Equipment		
Building and improvements	14,583,683	14,549,939
Furniture and equipment	4,063,435	4,058,405
Automobiles	1,027,805	765,305
	19,674,923	19,373,649
Less accumulated depreciation	(7,251,864)	(6,603,990)
	12,423,059	12,769,659
Land	807,491	807,491
Net Property, Plant and Equipment	13,454,352	13,577,150
Other Assets		
LA Partnership for Choice & Access, LLC	10,000	10,000
Utility Deposits	14,371	14,371
PCDC receivable - new markets tax credit	-	74,394
Notes receivable - new markets tax credit	-	9,359,000
Total Other Assets	24,371	9,457,765
Total Assets	$ 20,969,901	$ 28,387,207

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Financial Position (Continued)
As of December 31, 2022
With Summarized Comparative Totals for 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 253,931	$ 228,277
Accrued vacation and payroll	166,994	200,603
Payroll taxes payable	108,609	178,612
Accrued interest payable	3,056	8,759
Current portion of notes payable	149,114	159,494
Total Current Liabilities	681,704	775,745
Long Term Liabilities		
Notes payable - net of current portion	2,129,286	15,615,282
Total Liabilities	2,810,990	16,391,027
Net Assets		
Without donor restrictions	16,880,824	10,675,889
With donor restrictions	1,278,087	1,320,291
Total Net Assets	18,158,911	11,996,180
Total Liabilities and Net Assets	$ 20,969,901	$ 28,387,207

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Activities
For the Year Ended December 31, 2022
With Summarized Comparative Totals for the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
Revenue and Support				
Revenue:				
Net patient service revenue	$ 9,016,900	$ -	$ 9,016,900	$ 8,332,514
Support and other income:				
Federal grants	4,916,183	-	4,916,183	4,007,647
Interest income	4,526	-	4,526	57,250
Other	131,990	-	131,990	1,561,543
Gain on sale of Betin Street campus - new markets tax credit	2,924,887	-	2,924,887	-
Forgiveness of debt	1,044,030		1,044,030	
Net assets released from restriction	1,320,291	(1,320,291)	-	-
Temporarily restricted revenue - federal grant	-	1,278,087	1,278,087	1,320,291
Total support and other income	10,341,907	(42,204)	10,299,703	6,946,731
Total revenue, support and other income	19,358,807	(42,204)	19,316,603	15,279,245
Expenses				
Program expenses	10,278,534	-	10,278,534	11,043,388
Management and general	2,875,338	-	2,875,338	2,942,368
Total Expenses	13,153,872	-	13,153,872	13,985,756
Increase (decrease) in Net Assets	6,204,935	(42,204)	6,162,731	1,293,489
Net Assets - Beginning of Year	10,675,889	1,320,291	11,996,180	10,702,691
Net Assets - End of Year	$ 16,880,824	$ 1,278,087	$ 18,158,911	$ 11,996,180

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Cash Flows
For the Year Ended December 31, 2022
With Summarized Comparative Totals for 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ 6,162,731	$ 1,469,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	653,235	670,967
(Increase) decrease in accounts receivable, net	(156,589)	28,807
(Increase) decrease in grants receivable	42,304	83,027
(Increase) decrease in prepaid expenses	(24,495)	(1,174)
(Increase) decrease in other assets	9,433,394	200
Increase (decrease) in accounts payable	25,654	39,844
Increase (decrease) in accrued expenses	(109,315)	40,838
Other	45,889	(123,254)
Net Cash Provided by Operating Activities	16,072,808	2,208,575
Cash Flows From Investing Activities		
Purchase of certificate of deposits	(3,397)	(410)
Fixed asset acquisitions	(525,078)	(152,871)
New Markets Tax Credit receivables	(9,433,394)	
New Markets Tax Credit gain	(2,924,887)	-
Net Cash Used by Investing Activities	(12,886,756)	(153,281)
Cash Flows From Financing Activities		
Proceeds from loans	-	-
Loan forgiveness	(1,044,030)	(1,402,322)
Principal payments on bank loans	(152,599)	(129,900)
Net Cash Provided by Financing Activities	(1,196,629)	(1,532,222)
Net Increase in Cash and Cash Equivalents	1,989,423	523,072
Cash and Cash Equivalents - Beginning of Year	3,057,840	2,534,768
Cash and Cash Equivalents - End of Year	5,047,263	3,057,840
Cash and Cash Equivalents:		
Cash - unrestricted	5,047,263	3,050,554
Cash - restricted	7,286	7,286
	5,054,549	3,057,840
Supplemental Disclosure:		
Interest paid	$ 88,885	$ 265,572

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statement of Functional Expenses
For the Year Ended December 31, 2022
With Summarized Comparative Totals for 2021

	Public Health Service	Management and General	Total 2022	Total 2021
Personnel	$ 7,512,676	$ 1,325,766	$ 8,838,442	$ 9,669,559
Fringe benefits/insurance	614,821	108,498	723,319	799,163
Medical contract	23,723	-	23,723	15,878
Non-medical contract	-	488,101	488,101	345,871
Supplies and services - medical	506,356	-	506,356	417,740
Repairs and maintenance	322,828	56,970	379,798	366,463
Telephone	63,508	11,207	74,715	65,435
Travel and education	-	66,454	66,454	68,233
Dues and permits	-	68,340	68,340	72,545
Office	148,786	223,179	371,965	336,620
Professional	69,677	68,603	138,280	134,567
Technical assistance	-	261,705	261,705	361,148
Occupancy	290,034	51,183	341,217	327,274
Advertising	9,592	-	9,592	11,522
Depreciation and amortization	555,250	97,985	653,235	670,967
Interest	70,705	12,477	83,182	273,609
Recruitment	10,654	-	10,654	25,647
Rental	64,235	11,336	75,571	30,568
Other	15,689	23,534	39,223	(7,053)
Total Functional Expenses	$ 10,278,534	$ 2,875,338	$ 13,153,872	$ 13,985,756

NOTE 1 - <u>NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

Nature of Activities

Primary Health Services Center, Inc. (a nonprofit corporation) was incorporated in the State of Louisiana to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC).

During August 2014, the Healthcare Vision, Inc. non-profit corporation was organized for the purpose of recognizing the benefits of the New Markets Tax Credit transaction that occurred in September 2014.

These two entities whose financial statements are included in the combined financial statements are collectively referred to as the "Organization".

Income Taxes

Primary Health Services Center, Inc. and its Affiliate have been recognized as exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the combined financial statements. The Organization's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Method of Accounting

The accompanying combined financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Net assets and revenues, expense, gains and losses are classified based on the existence or absence of grantor/contributor imposed or time restrictions.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standard Codification (ASC) Topic, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Method of Accounting (Continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets available subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organizations report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. 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.

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

Subject to expenditure for specified purpose:	
Program activities:	
Community Health Center Section 330 Grant	$1,278,087

Accounting Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $5,000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10 – 40
Equipment, furniture and fixtures	5 – 10
Computer software	5
Vehicles	5

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Organization's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Organization's estimates of the amount of each expense utilized for program or support service functions.

Accounts Receivable

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

Allowance for Doubtful Accounts and Bad Debts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. 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.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Primary Health Services Center, Inc. has agreements with third-party payors that provide reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Primary Health Services Center, Inc.'s rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue (Continued)

Medicare A – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.
Medicare B - Fee for Service – Reimbursed per encounter up to the payors allowable amount.
Regular Medicaid and Medicaid Bayou Health – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.
All Other Medicaid – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.
Commercial – Fee-For-Service – Reimbursed per contract or per payor's allowable fee schedule.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as donor restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the grants and contributions are recognized. As of December 31, 2022, net assets with donor restrictions were $1,278,087, which represent amounts awarded, but not received from federal grants.

Fair Values of Financial Instruments

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair values of all financial instruments as of December 31, 2022 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, accounts receivable, grants receivable, prepaid expenses, notes receivable, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable and notes receivable approximate their fair value, as interest is insignificant.

Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Organization is deemed under the Federal Torts Claims Act for claims arising from malpractice and commercial insurance (remained of what is there).

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funding Source

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

Investments

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Performance Indicator

The Organization utilizes revenues over expenses as its performance indicator.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Primary Health Services Center, Inc. has agreements with third-party payors that provide reimbursement to the Primary Health Services Center, Inc. at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the Primary Health Services Center, Inc.'s rates for services and amounts reimbursed by third-party payors.

Patient service revenue is reported at the amount the Organization expects to be paid for providing patient care. These amounts are due from patients and third-party payors (including health insurers and government programs) and include variable consideration for retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors soon after the services are performed.

Net Patient Service Revenue (Continued)

Patient service revenue is recognized as performance obligations are satisfied based on the nature of the services provided by the Organization. Revenue for performance obligations that are 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. Generally, performance obligations satisfied over time relate to patients receiving outpatient services. The Organization measures the performance obligations for patient services over a period of less than one day when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

Because all its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in ASC 606. Under this exemption, the Organization is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Since the unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to outpatient services at the end of the reporting period, the performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and other implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and its historical settlement experience. The Organization determines its estimate of implicit price concessions for uninsured patients based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** Certain services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies (subject to certain limits) with final settlement determined after Medicare Administrative Contractors have audited annual cost reports submitted by the Organization. Services are paid based upon established fee schedulesbased on services provided.
- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined ratesper discharge, per occasion of service, or per covered member.

- **Other:** Payment agreements with certain commercial insurance carriers, HMOs, and preferred providerorganizations provide for payment using prospectively determined rates.

Net Patient Service Revenue (Continued)

The healthcare industry is subject to laws and regulations concerning government programs, including Medicare and Medicaid, which are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. While the Organization operates a Compliance Program, which reviews its compliance with these laws and regulations, there can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). For uninsured patients, the Organization applies a policy discount from standard charges to determine amounts billed to those patients. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with that class of patients.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Advertising Expense

The Organization expenses the cost of advertising as the expenses are incurred. For the year ended December 31, 2022, the cost totaled $1,663.

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the year ended December 31, 2022:

Medicaid	$267,142
Medicare	40,436
Private	35,490
	$343,068

The method to calculate allowance for doubtful accounts did not significantly change from the prior year. The Organization's write-offs, which primarily consisted of self-pay charges, totaled $31,032 for the year ended December 31, 2022. The Organization amended its charity care policy to adhere to the annually revised Federal Poverty Level Guidelines during the fiscal year.

NOTE 3 – NEW MARKET TAX CREDIT

During the year ended December 31, 2014, the Organization received $14 million in New Market Tax Credit Program (NMTC) financing as a qualified low income community investment within the meaning of Section 45D of the Internal Revenue Code. The NMTC Program attracts investment capital to low-income communities by allowing individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in a specialized financial institution called a "Community Development Entity" (CDE). The tax credit totals thirty-nine percent (39%) of the original investment amount and is claimed over a period of seven (7) years (compliance period). QCDEs, in turn, make investments into businesses or projects with terms that are more favorable than typically available with conventional financing.

In order for the CDE to provide NMTC financing, the borrower must be deemed a "qualified active low-income community business" (QALICB) and the financed project must be deemed a "qualified low-income community investment" (QLICI) in order for tax credit investors in a CDE to receive the tax credits described above. As part of this transaction, Healthcare Vision, Inc. was formed to serve as the QALICB for the NMTC transaction. Healthcare Vision, Inc. is a supporting foundation of Primary Health Services, Inc. and two of Healthcare Vision Inc.'s three board members also serve on Primary Health Services, Inc.'s board of directors.

Utilization of the NMTC Program has the end result of providing the financing to complete construction and renovation of a new medical clinic, which began in 2012, at favorable and below market rate terms.

NOTE 3 – NEW MARKET TAX CREDIT (CONTINUED)

The NMTC transaction was structured whereby Heathcare Vision, Inc. received a QLICI loan and the Betin Street Campus was sold to Healthcare Vision, Inc. for $12,723,484. The NMTC transaction is as follows: The Primary Care Development Corporation provided a loan to Primary Health Services Center, Inc. in the amount of $2,000.000, who in turn used this loan along with the proceeds of the sale of the Betin Street campus to make a loan in the amount of $9,359,000 to COCRF Investor 27, LLC. Capital One then made an equity contribution to COCRF Investor 27, LLC in the amount of $4,641,000. The total investment of $14,000,000 was then transferred from COCFR Investor 27, LLC as an equity contribution to PCDC Health Opportunities Fund V, LLC (CDE) and COCRF Sub CDE XX, LLC (CDE) in the amounts of $9,500,000 and $4,500,000, respectively. PCDC Health Opportunities Fund V, LLC and COCRF Sub CDE XX, LLC then made two (2) loans each (four total loans) to Healthcare Vision, Inc. totaling $13,715,000. The remaining $285,000 was used to pay upfront fees owed to the Primary Care Development Corporation.
The loans will be made at an interest rate of approximately 1.0%, with interest-only debt payments for an initial seven (7) year period (compliance period) and then interest and principal payments sufficient to fully repay the loan at maturity. Prepayment of the loans during the compliance period will not be permitted.

After the seven-year recapture period, the Capital One has the option to sell, within the three month "put period", to put its equity interest in COCRF Investor 27, LLC ($4,641,000) to Primary Health Services Center, Inc. or an affiliate for an amount equal to $1,000 plus taxes and transfer expenses. In the event that Capital One does not put its interest in COCRF Investor 27, LLC, Primary Health Services Center, Inc. has a call option to purchase Capital One's interest in COCRF Investor 27, LLC at fair market value as determined by an independent appraiser. In conjunction with this event, COCFR SUBCDE XX, LLC (CDE) will be liquidated and its assets distributed to COCRF Investor 27, LLC.

Immediately after the exit transactions are completed, Healthcare Vision, Inc. may be dissolved and the Betin Street campus may be transferred back to Primary Health Services Center, Inc. The Organization recognized a net benefit of the closing transactions totaling $3,968,917.

NOTE 5 – RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan covering qualified employees. The Organization made matching contributions of $161,886 for 2022. Organization will match up to 4% of employee contributions to the plan.

NOTE 6 – RESTRICTED CASH

As of December 31, 2022, amounts held and are pledged and held in a separate bank account by Primary Health Services Center, Inc. for the payment of debt obligations totaled $7,286.

NOTE 7 - NOTES PAYABLE

Notes payable for the year ended December 31, 2022 consisted of the following:

Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank: Real estate mortgage dated August 31, 2016, in the amount of \$237,800, payable in 59 monthly installments of \$2,498 beginning on April 7, 2022 and balloon of \$127,763, fixed interest rate of 3.99%, collateralized by real estate located in Lincoln Parish, Louisiana	\$348,734
Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank: Real estate mortgage dated December 20, 2019, in the amount of \$1,770,539.02, payable in 119 monthly installments of \$10,362 beginning on April 22, 2022, fixed interest rate of 3.55%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	1,724,745
Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank: Real estate mortgage dated December 20, 2019, in the amount of \$126,107.78, payable in 36 monthly installments of \$3,798 beginning on January 20, 2020, fixed interest rate of 5.250%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	3,782
Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank: Real estate mortgage dated August 31, 2016, in the amount of \$237,800, payable in 59 monthly installments of \$2,498 beginning on April 7, 2022 and balloon of \$127,763, fixed interest rate of 4.35%, collateralized by real estate located in Lincoln Parish, Louisiana	222,361
	2,299,622
Less: current portion	(149,114)
Less: deferred financing costs, net	(21,222)
Long-term debt	\$ 2,129,286

NOTE 7 - NOTES PAYABLE (CONTINUED)

Maturities of debt are as follows:

December 31,	Amount
2023	$ 149,114
2024	150,939
2025	156,873
2026	162,984
2027	299,750
Thereafter	1,379,962
Total	$ 2,299,622

NOTE 8 – COMPLIANCE WITH LOAN COVENANTS

The multiple loan agreements contain various requirements related to reserves, financial ratios, financial reporting due dates, etc. The Organization met the required loan covenants.

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the Organization maintains deposit balances that exceed federally insured limits. Amounts in excess of insured limits as of December 31, 2022 totaled $3,994,047. The Organization deposits its cash with high quality financial institutions and management believes the Organization is not exposed to significant credit risk on these amounts.

The majority of the Organization's patients are located in Northeast Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of December 31, 2022 was as follows:

Medicaid	60 %
Medicare	9
Other	31
	100 %

The mix of net patient revenues for the year ended December 31, 2022 was as follows:

Medicaid	86 %
Medicare	9
Other	5
	100 %

NOTE 10 – INVESTMENTS

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the combined financial statements on a recurring basis. GAAP establishes 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 prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

As of December 31, 2022, the Organization's investments measured on a recurring basis consisted of certificate of deposits with fair market value (quoted prices in active market – Level 1) and a member's interest in a limited liability company with fair market value (Level 3) and costs bases as follows:

	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Certificate of deposits (Level 2 Observable Inputs)	$ 690,703	$ 690,703	$ -0-

NOTE 11 – COST REPORT RECEIVABLE

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

NOTE 12 – LITIGATION

The Organization is involved in litigation arising in the course of business. After consultation with legal counsel, no reliable evaluation of an unfavorable outcome or the estimated range of loss can be provided at this time.

NOTE 13 – DEFERRED FINANCING COSTS

Deferred financing costs are capitalized and amortized over the life of the related debt using the straight-line method. Total capitalized costs were $27,829 and the related accumulated amortization was $8,607, as of December 31, 2022, for Primary Health Services Center, Inc. Deferred financing costs are reported as a direct deduction from the face amount of the related notes payable in the combined statements of financial position.

The following is the estimated aggregate amortization expense for each of the five years succeeding December 31, 2022:

Year	Primary Health Services, Inc.
2023	$ 4,806
2024	4,806
2025	4,805
2026	4,805

NOTE 14 – ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During 2022, Primary Health Services Center, Inc. recorded $6,194,270 in grant support from the Department of Health and Human Services. This represents 38% of total support and revenues for the year ended December 31, 2022.

NOTE 15 – PRIOR-YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

NOTE 17 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board of directors approves that action. The Organization has a goal to maintain financial assets which consist of cash on hand to meet six (6) months of normal operating expenses, which are, on average approximately $6,400,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization deposits cash in excess of daily requirements in certificate of deposit investments.

Current assets	$ 7,491,178
Subtract: Restricted cash	(7,286)
Prepaid expenses	(124,771)
Financial assets available to meet cash needs for general expenditures with one year	$ 7,359,121

NOTE 18 – COMMITMENTS

In November 2022, the Organization entered into a construction contract to renovate the DeSiard Street Clinic. The total outlays to date amounts to $223,802. The project is expected to be completed in 2023, with approximately $575,000 remaining to complete.

NOTE 19– SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2022 combined financial statements for subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

PRIMARY HEALTH SERVICES CENTER, INC.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Program Title	Assistance Listing Number		Grant Number	Program Year	Program Revenues	Program Expenses
Health Centers Cluster						
U. S. Department of Health and Human Services						
Direct Programs:						
Community Health Center Section 330	93.224	*	H80CS00754	5/1/22 - 4/30/23	$ 6,036,259	$ 6,036,259
American Rescue Plan Act Funding for Health Centers	93.224	*	H8FCS40869	4/1/21 - 3/31/23	72,827	72,827
Grants for New and Expanded Services	93.527		H2E45593	5/01/22 - 4/30/23	64,013	64,013
Total Health Centers Cluster					6,173,099	6,173,099
Other Programs						
U. S. Department of Health and Human Services						
Direct Programs:						
Capital Development Health Centers	93.526		6 C8ECS44477	9/15/21 - 9/14/24	18,171	18,171
Total Expenditures of Federal Awards					$ 6,191,270	$ 6,191,270

*** Above program consider major.**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Primary Health Services Center, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements contained by Title 2 of U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirments, Cost Principles, and Requirments for Federal Awards (Uniform Guidance).

The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements.

Primary Health Services Center, Inc. has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Financial Position
As of December 31, 2022

	Primary Health Services Center, Inc.	Healthcare Vision, Inc.	Eliminations	Combined Total
Assets				
Current Assets				
Cash and cash equivalents	$ 5,020,320	$ 26,943	$ -	$ 5,047,263
Cash - restricted	7,286	-	-	7,286
Patient accounts receivable, net	343,068	-	-	343,068
Grants receivable	1,278,087	-	-	1,278,087
Certificates of deposit	690,703	-	-	690,703
Prepaid expenses	124,771	-	-	124,771
Total Current Assets	7,464,235	26,943	-	7,491,178
Property, Plant and Equipment				
Building and improvements	14,583,683	-	-	14,583,683
Furniture and equipment	4,063,435	-	-	4,063,435
Automobiles	1,027,805	-	-	1,027,805
	19,674,923	-	-	19,674,923
Less accumulated depreciation	(7,251,864)	-	-	(7,251,864)
	12,423,059	-	-	12,423,059
Land	807,491	-	-	807,491
Net Property, Plant and Equipment	13,454,352	-	-	13,454,352
Other Assets				
Investments other	10,000	-	-	10,000
Utility Deposits	14,371	-	-	14,371
Total Other Assets	24,371	-	-	24,371
Total Assets	$ 20,942,958	$ 26,943	$ -	$ 20,969,901

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Financial Position (Continued)
As of December 31, 2022

	Primary Health Services Center, Inc.	Healthcare Vision, Inc.	Eliminations	Combined Total
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 253,931	$ -	$ -	$ 253,931
Accrued vacation and payroll	166,994	-	-	166,994
Payroll taxes payable	108,609	-	-	108,609
Accrued interest payable	3,056	-	-	3,056
Current portion of notes payable	149,114	-	-	149,114
Total Current Liabilities	681,704	-	-	681,704
Long Term Liabilities				
Notes payable - net of current portion	2,129,286	-	-	2,129,286
Total Liabilities	2,810,990	-	-	2,810,990
Net Assets				
Without donor restrictions	16,853,881	26,943	-	16,880,824
With donor restrictions	1,278,087	-	-	1,278,087
Total Net Assets	18,131,968	26,943	-	18,158,911
Total Liabilities and Net Assets	$ 20,942,958	$ 26,943	$ -	$ 20,969,901

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Activities
For the Year Ended December 31, 2022

	Primary Health Services Center, Inc.	Healthcare Vision, Inc.	Eliminations	Combined Total
Revenue and Support				
Revenue:				
Net patient service revenue	$ 9,016,900	$ -	$ -	$ 9,016,900
Support and other income:				
Federal grants	4,916,183	-	-	4,916,183
Interest income	4,526	-	-	4,526
Other	131,990	-	-	131,990
Gain on sale of Betin Street campus - new markets tax credit	-	2,924,887	-	2,924,887
Forgiveness of debt	1,044,030	-		1,044,030
Net assets released from restriction				
Temporarily restricted revenue - federal grant	1,278,087	-	-	1,278,087
Total support and other income	7,374,816	2,924,887	-	10,299,703
Total revenue, support and other income	16,391,716	2,924,887	-	19,316,603
Expenses				
Program expenses	10,219,289	59,245	-	10,278,534
Management and general	2,864,883	10,455	-	2,875,338
Total Expenses	13,084,172	69,700	-	13,153,872
Increase (decrease) in Net Assets	3,307,544	2,855,187	-	6,162,731
Net Assets - Beginning of Year	14,824,424	(2,828,244)	-	11,996,180
Net Assets - End of Year	$ 18,131,968	$ 26,943	$ -	$ 18,158,911

Primary Health Services Center, Inc. and Affiliate

Schedule of Compensation, Benefits and Other Payments to Executive Director

Paid from Public Funds

December 31, 2022

NO COMPENSATION FROM PUBLIC FUNDS

Agency Head Name: Catherine Tonore, Chief Executive Officer

Purpose	Amount
Salary	-
Benefits-health insurance	-
Benefits-retirement	-
Benefits-Life, ADD, LTD	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements – Auto Mileage Reimb	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of Certified Public Accountants

Member Louisiana Society of Certified Public Accountants

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
Primary Health Services Center, Inc. and Affiliate
Monroe, 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 combined financial statements of Primary Health Services Center, Inc. and Affiliate (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate'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 Primary Health Services Center, Inc. and Affiliate's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my 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 my 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
June 22, 2023

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of Certified Public Accountants

Member Louisiana Society of Certified Public Accountants

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

The Board of Directors
Primary Health Services Center, Inc. and Affiliate
Monroe, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Primary Health Services Center and Affiliate's compliance with the types of compliance requirements identified as subject in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2022. Primary Health Services Center and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Primary Health Services Center and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Primary Health Services Center and Affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Primary Health Services Center and Affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Primary Health Services Center and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
June 22, 2023

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE

Schedule of Findings and Questioned Cost
Year Ended December 31, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements			
Type of auditor's report issued			Unmodified
Internal control over financial reporting:			
Material weaknesses identified?	___ Yes	x No	
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	x None reported	
Noncompliance material to financial statements noted?	___ Yes	x No	
Federal Awards			
Internal control over major programs:			
Material weaknesses identified?	___ Yes	x No	
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	x None reported	
Type of auditor's report issued on compliance for major programs:			Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	___ Yes	x No	

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.224	US Department of Health and Human Services, Community Health Center Section 330 and American Rescue Plan Act Funding for Health Centers

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	x Yes	___ No

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE

Schedule of Findings and Questioned Cost
Year Ended December 31, 2022

SECTION II – FINDINGS

None

SECTION III – PRIOR YEAR FINDINGS

None