

Financial Report

Baptist Community Health Services, Inc.
New Orleans, Louisiana

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Baptist Community Health Services, Inc.,
New Orleans, Louisiana.

Opinion

We have audited the accompanying financial statements of Baptist Community Health Services, Inc. (BCHS) (a non-profit organization) which comprise the statement of financial position as of December 31, 2023, 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 referred to above present fairly, in all material respects, the financial position of BCHS as of December 31, 2023, and changes in net assets and 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 BCHS 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 BCHS'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 Audit 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, including omissions, 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 Audit 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 BCHS'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 BCHS's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedule 1 is presented for purposes of additional analysis and is required by the Louisiana Revised Statute 24:513(A)(3) and is not a required part of the financial statements. The information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, on our consideration of BCHS'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 this report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCHS's internal control over financial reporting and compliance.



Certified Public Accountants.

New Orleans, Louisiana,
June 28, 2024.

STATEMENT OF FINANCIAL POSITION**Baptist Community Health Services, Inc.**
New Orleans, Louisiana

December 31, 2023

ASSETS

Cash	\$ 128,935
Unconditional promises to give	1,000,000
Grants receivable	304,428
Patient receivables, net	224,316
Prepaid expenses	76,974
Inventory	12,525
Property and equipment, net	1,081,614
Operating lease right-of-use asset, net	34,000
Other assets	45,702
	<hr/>
Total assets	<u><u>\$2,908,494</u></u>

LIABILITIES

Accounts payable	\$ 42,381
Accrued salaries	119,438
Operating lease liability	34,000
Note payable	1,993,047
	<hr/>
Total liabilities	<u><u>2,188,866</u></u>

NET ASSETS (ACCUMULATED DEFICIT)

Accumulated deficit without donor restrictions	(584,800)
Net assets with donor restrictions	1,304,428
	<hr/>
Total net assets	<u><u>719,628</u></u>
	<hr/>
Total liabilities and net assets	<u><u>\$2,908,494</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Baptist Community Health Services, Inc.**
New Orleans, Louisiana

For the year ended December 31, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Net Patient Service Revenue	\$2,654,343	\$ -	\$2,654,343
Support and Other Revenues			
Grants:			
Federal	460,833	12,370	473,203
Other - private	29,126	-	29,126
Contributions	170,917	-	170,917
Miscellaneous income	412,703	-	412,703
Gain on sale of property and equipment	9,557	-	9,557
Net assets released from restrictions	<u>2,064,055</u>	<u>(2,064,055)</u>	<u>-</u>
Total support and revenues	<u>5,801,534</u>	<u>(2,051,685)</u>	<u>3,749,849</u>
Expenses			
Program services:			
Physical health	2,840,367	-	2,840,367
Behavioral health	<u>370,363</u>	<u>-</u>	<u>370,363</u>
Total program services	3,210,730	-	3,210,730
Management and general	2,205,810	-	2,205,810
Fundraising	<u>405,024</u>	<u>-</u>	<u>405,024</u>
Total expenses	<u>5,821,564</u>	<u>-</u>	<u>5,821,564</u>
Decrease in Net Assets	(20,030)	(2,051,685)	(2,071,715)
Net Assets (Accumulated Deficit)			
Beginning of year	<u>(564,770)</u>	<u>3,356,113</u>	<u>2,791,343</u>
End of year	<u><u>\$ (584,800)</u></u>	<u><u>\$1,304,428</u></u>	<u><u>\$ 719,628</u></u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Baptist Community Health Services, Inc.**
New Orleans, Louisiana

For the year ended December 31, 2023

	Physical Health Services	Behavioral Health Services	Total Program Services	Management and General	Fundraising	Totals
Salaries	\$ 1,736,966	\$ 298,255	\$ 2,035,221	\$ 1,013,231	\$ 244,385	\$ 3,292,837
Payroll taxes	122,577	21,048	143,625	71,504	17,247	232,376
Employee benefits	6,172	1,060	7,232	3,600	868	11,700
Total compensation	1,865,715	320,363	2,186,078	1,088,335	262,500	3,536,913
Advertising	-	-	-	-	62,326	62,326
Amortization	-	-	-	16,620	-	16,620
Bad debts	-	-	-	345,705	-	345,705
Bank charges	-	-	-	7,404	-	7,404
Contract services	304,160	50,000	354,160	140,381	69,368	563,909
Depreciation	59,671	-	59,671	83,463	-	143,134
Dues and subscriptions	-	-	-	8,467	-	8,467
Insurance	48,386	-	48,386	145,158	-	193,544
Medical supplies	455,468	-	455,468	-	-	455,468
Miscellaneous expenses	-	-	-	7,155	-	7,155
Office supplies and expenses	39,597	-	39,597	84,027	5,602	129,226
Professional fees	-	-	-	73,538	-	73,538
Repairs and maintenance	4,635	-	4,635	88,073	-	92,708
Taxes and licenses	-	-	-	18,305	-	18,305
Technology	-	-	-	20,059	-	20,059
Travel and meals	-	-	-	37,353	-	37,353
Uniforms	-	-	-	5,171	-	5,171
Utilities	62,735	-	62,735	36,596	5,228	104,559
Totals	<u>\$ 2,840,367</u>	<u>\$ 370,363</u>	<u>\$ 3,210,730</u>	<u>\$ 2,205,810</u>	<u>\$ 405,024</u>	<u>\$ 5,821,564</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**Baptist Community Health Services, Inc.**
New Orleans, Louisiana

For the year ended December 31, 2023

Cash Flows From Operating Activities

Decrease in net assets	\$(2,071,715)
Adjustments to reconcile decrease in net assets to cash provided by operating activities:	
Depreciation and amortization	159,754
Bad debts expense	345,705
Inventory donations	(140,413)
Gain on sale of property and equipment	(9,557)
(Increase) decrease in assets:	
Unconditional promises to give	970,874
Grants receivable	1,080,811
Patient receivables	(360,655)
Prepaid expenses	(18,431)
Inventory	239,114
Decrease in liabilities:	
Accounts payable	(55,334)
Accrued salaries	(444)
	<hr/>
Net cash provided by operating activities	139,709

Cash Flows From Investing Activities

Purchases of property and equipment	(36,372)
Proceeds from the sale of property and equipment	9,557
	<hr/>
Net cash used in financing activities	(26,815)

Cash Flows From Financing Activities

Payments on notes payable	(159,156)
	<hr/>

Net Decrease in Cash

(46,262)

Cash

Beginning of year	175,197
	<hr/>
End of year	\$ 128,935
	<hr/> <hr/>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Baptist Community Health Services, Inc.**
New Orleans, Louisiana

December 31, 2023

Note 1 - NATURE OF ACTIVITIES

Baptist Community Health Services, Inc. (BCHS) is a not-for-profit organization established in 2011 to provide quality primary healthcare to individuals in medically underserved communities. In 2014, BCHS opened its first facility in the Lower Ninth Ward neighborhood of New Orleans, Louisiana and began operations. On September 30, 2016, BCHS purchased a pediatric practice (two locations) (the "Practice"). BCHS also maintains a location in Covington, Louisiana. During the year ended December 31, 2023, BCHS partnered with a local high school to provide care to students on campus. As of December 31, 2023, BCHS had six locations in the Greater New Orleans area.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

BCHS is a non-profit organization organized under the laws of the State of Louisiana and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of December 31, 2023, management believes BCHS has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ending December 31, 2020 and later remain subject to examination by taxing authorities.

b. Basis of Accounting

The financial statements of BCHS are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB). Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

d. Basis of Presentation

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

Net Assets without Donor Restrictions - Resources that are available to support the general operations of BCHS.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of BCHS and/or the passage of time, or net assets that are maintained in perpetuity by BCHS.

e. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, BCHS considers all short-term highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

As of December 31, 2023, BCHS had no cash equivalents.

f. Promises to Give

Promises to give are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional promises to give as of December 31, 2023.

g. Patient Receivables

Patient receivables consist of patient service fees and are stated at the amounts BCHS expects to collect. BCHS does not require collateral and maintains an allowance for expected credit losses for estimated losses resulting from the inability of its patients to make required payments. If the financial condition of BCHS's patients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. BCHS's estimate for the allowance for credit losses is based on a review of the current status of accounts receivable. Accounts receivable is presented net of an allowance for credit losses of \$510,965 as of December 31, 2023. BCHS uses a third-party company for receivable collections.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Patient Receivables (Continued)

BCHS estimates credit losses associated with accounts receivable using an expected credit loss model, which utilizes an aging schedule methodology based on historical information and adjusted for asset-specific considerations, current economic conditions, and reasonable and supportable forecasts.

BCHS's approach considers a number of factors, including overall historical credit losses and payment experience, as well as current collection trends such as write-off frequency. BCCHS also considers other qualitative factors such as current and forecasted conditions.

h. Inventory

Inventory of medical supplies is stated at the lower of cost (first-in, first-out) or net realizable value.

i. Property and Equipment

Property and equipment consist of land, buildings, office furniture and equipment, and medical equipment, and is stated at cost or, if contributed, at fair market value at date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized.

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 15 years; other depreciable property and equipment are depreciated from three to seven years. BCCHS has established a policy capitalizing all expenditures for property and equipment in excess of \$2,500.

j. Other Assets

Other assets include the purchase of medical records, employee contracts, trade name, publishing rights, and public appearance rights and legal fees which totaled \$166,195, as part of the Practice acquisition. The other assets are being amortized using the straight-line method over a ten-year life. Amortization expense for the year ended December 31, 2023 totaled \$16,620. Accumulated amortization as of December 31, 2023 totaled \$120,493.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Other Assets (Continued)

Other assets as of December 31, 2023 consists of the following:

Cost	\$166,195
Accumulated amortization	<u>(120,493)</u>
	<u>\$ 45,702</u>

k. Contributions

BCHS reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (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 the 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.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributions of donated non-cash assets (such as supplies and equipment) are recorded at their fair or estimated values in the period received.

l. Revenue Recognition

Revenue from Exchange Transactions: BCHS recognizes revenue in accordance with Accounting Standards Update (ASU) No. 2014-09, “*Revenue from Contracts with Customers*”, as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. BCHS records the following exchange transaction revenue in its Statement of Activities for the year ended December 31, 2023:

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Revenue Recognition (Continued)

BCHS recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services.

Net patient service revenues are reported at the amounts realized from patients, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment.

Costs incurred by BCHS in obtaining a contract are not capitalized. As part of BCHS's adoption of the new revenue recognition guidance, BCHS has elected to apply the practical expedient to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that BCHS otherwise would have recognized is one year or less. These costs are included in operating expenses in the Statement of Activities.

BCHS has elected to apply practical expedients to not disclose the revenue related to unsatisfied performance obligations if the contract has an original duration of one year or less, and BCHS has recognized revenue for the amount in which it has the right to bill.

m. Allocated Expenses

The financial statements report certain categories of expenses that are attributable to a program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are summarized on a functional basis. The expenses that are allocated include salaries, payroll taxes, and employee benefits which are allocated on the basis of estimates of employee time and effort. Insurance, office supplies and expenses, repairs and maintenance, and utilities are allocated based on the estimated use of square footage in BCHS facilities or usage in programs. All other expenses are allocated based on direct identification of expense related to each function.

n. Recently Issued Accounting Standards

Current Expected Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments - Credit Losses*" (Topic 326) and has since modified the standard with several ASUs (collectively, the "new credit loss standard"). The new credit loss standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Recently Issued Accounting Standards (Continued)

Current Expected Credit Losses (Continued)

presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. As of January 1, 2023, BCHS has adopted this standard, and it was applied prospectively after this date.

o. Subsequent Events

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 28, 2024, which is the date the financial statements were available to be issued.

Note 3 - UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2023, BCHS had unconditional promises to give for operations with a balance of \$1,000,000. Promises of donors to make contributions to BCHS are included in the financial statements as unconditional promises to give after discounting projected future cash flows to the present value using a discount rate of 3% as of December 31, 2023. The discount rate is based on the estimated borrowing rate of BCHS.

Unconditional promises to give as of December 31, 2023 consist of the following:

Unconditional promises to give, net	\$1,000,000
Less:	
Unamortized discount	-
Net unconditional promises to give	\$1,000,000
Amount due in:	
Less than one year	\$1,000,000
One to five years	-
Total	\$1,000,000

The management of BCHS believes that the balance of the promises to give is fully collectible and no allowance for credit losses is deemed necessary as of December 31, 2023.

Note 4 - PATIENT RECEIVABLES

The following table summarizes receivables and related allowance for credit losses as of December 31, 2023.

	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Receivable, gross	\$735,281	\$424,402
Allowance for credit losses	<u>(510,965)</u>	<u>(215,036)</u>
Receivables, net of credit losses	<u><u>\$224,316</u></u>	<u><u>\$209,366</u></u>

Many of BCHS's loss estimation techniques rely on delinquency-based models, therefore, delinquency is an important indicator of credit quality in the establishment of BCHS's allowance for credit losses. BCHS manages the receivables using delinquency as a key credit quality indicator.

The following table presents the amounts due status as of December 31, 2023:

Current - 30 days	\$175,521
31-60 days	80,294
61-90 days	82,177
Greater than 90 days	<u>397,289</u>
Receivables	<u><u>\$735,281</u></u>

BCHS estimates credit losses on receivables by applying an expected credit loss model, which relies on historical loss data to calculate default probabilities. The assessment of default probabilities includes receivables delinquency status, historical loss experience and how long the receivables have been outstanding. BCHS also considers the need to adjust the estimate of credit losses on receivables for reasonable and supportable forecasts and internal statistical analyses.

Activity for the year ended December 31, 2023 in the allowance for credit losses for the patient receivables were as follows:

Beginning allowance for credit losses	\$215,036
Bad debt expense	345,705
Write-offs	<u>(49,776)</u>
Ending allowance for credit losses	<u><u>\$510,965</u></u>

Note 5 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 consists of the following:

Buildings	\$ 1,543,599
Land	260,325
Medical equipment	151,719
Furniture and fixtures	69,153
Office equipment	<u>152,931</u>
	2,177,727
Less accumulated depreciation	<u>(1,096,113)</u>
Total	<u>\$ 1,081,614</u>

Depreciation expense totaled \$143,134 for the year ended December 31, 2023.

Note 6 - OPERATING LEASES

BCHS leases equipment under operating leases expiring at various dates through January 30, 2027. The charges for these leases are charged concurrently with the maintenance on the underlying equipment. Total lease expense for leases of equipment was approximately \$3,000 for the year ended December 31, 2023. Lease expense is reported in office supplies and expenses on the Statement of Functional Expenses.

BCHS leases office space under operating leases expiring at various dates through April 1, 2025. Total lease expense for the lease of office space was approximately \$26,000 for the year ended December 31, 2023. Lease expense is reported in office supplies and expenses on the Statement of Functional Expenses.

Operating leases reported under FASB ASC 842 as of and for the year ended December 31, 2023 are as follows:

Operating lease costs	<u>\$24,838</u>
Operating lease right-of-use asset	<u>\$34,000</u>
Operating lease liability	<u>\$34,000</u>
Weighted-average remaining lease in years	1.6
Weighted-average discount rate:	
Operating leases	1.26%

Note 6 - OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2024	\$ 23,704
2025	8,926
2026	<u>1,726</u>
	34,356
Total lease payments less interest	<u>(356)</u>
Present value of lease liabilities	<u><u>\$ 34,000</u></u>

Note 7 - NOTE PAYABLE

On February 24, 2014, BCHS opened and began caring for patients. Also on February 24, 2014, New Orleans Baptist Ministries (NOBM) sold the building and land on which BCHS resides to BCHS for \$749,212 through a note payable secured by the property. At various times, NOBM provided cash and paid expenses on behalf of BCHS. This loan was refinanced into a new loan agreement with NOBM dated September 30, 2016. The loan is for a maximum of \$5,000,000. The balance of this loan as of February 28, 2018, converted to a term loan, which per the agreement stipulated repayment in 226 equal installments of principal. During the year ended December 31, 2018, the agreement was amended by NOBM to forgo interest. Interest will not be charged on the loan unless the clinic fails to operate within its mission. All transactions were consummated on terms equivalent to those that prevail in arm's-length transactions.

Future maturities on the note payable as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 150,000
2025	150,000
2026	150,000
2027	150,000
2028	150,000
Thereafter	<u>1,243,047</u>
Total	<u><u>\$1,993,047</u></u>

Note 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2023 are as follows:

Net assets with donor or grantor restrictions:	
Time restricted for subsequent periods	<u>\$1,304,428</u>

Net assets released from restrictions for the year ended December 31, 2023 are as follows:

Time restrictions satisfied	<u>\$ 2,064,055</u>
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Note 9 - GRANTS - BAPTIST COMMUNITY MINISTRIES, INC.

BCHS participates in grant programs administered by Baptist Community Ministries, Inc. The grant agreement stipulates that BCHS shall return all improperly expended grant funds. BCHS's management believes that the amount of disallowances, if any, which may arise from future audits, would not be material to the financial statements.

Note 10 - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended December 31, 2023, contributed nonfinancial assets recognized in contributions on the Statement of Activities included:

Prescription medications	<u>\$140,413</u>
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BCHS recognized contributed nonfinancial assets within contributions on the Statement of Activities.

	Revenue Recognized 2023	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Prescription medications	<u>\$ 140,413</u>	Physical Health Services	No associated donor restrictions.	The Organization estimated the fair value based on donor sales prices on specific inventory donated.

Contributed prescription medications are reported in medical supplies on the Statement of Functional Expenses.

Note 11 - RETIREMENT PLAN

BCHS sponsors a defined contribution, retirement plan, which satisfies the applicable requirements of Internal Revenue Code Section 403(b)(9).

Employees are eligible to participate in the plan upon beginning their employment and may make voluntary contributions which are income tax sheltered. The employer may make contributions to the plan on behalf of employees. All employer's contributions to the plans are immediately vested.

There were no employer contributions to the plan for the year ended December 31, 2023.

Note 12 - CONCENTRATIONS

BCHS maintains cash balances at a local financial institution where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of December 31, 2023, there are no cash deposits in excess of the insured limits.

Note 13 - CONTINGENCIES AND RISK MANAGEMENT

a. Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements; reimbursement for patient services; and Medicare and Medicaid fraud and abuse. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that BCHS is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

b. Risk Management

BCHS purchases commercial insurance to protect itself from various risks of loss related to torts; theft of damage to and destruction of assets; business interruption; errors and omissions; injuries to employees; illnesses; natural disasters; medical malpractice; and employee health and accident benefits.

Note 13 - CONTINGENCIES AND RISK MANAGEMENT (Continued)

c. Risk Factors

BCHS's ability to maintain and/or increase future revenues could be adversely affected by the enactment into law of all or any part of the current budget resolutions under consideration by Congress related to Medicare and Medicaid reimbursement methodology and/or further reductions in payments to hospitals and other health care providers.

Note 14 - LIQUIDITY AND AVAILABILITY OF ASSETS

BCHS is substantially supported by restricted contributions and grants. Because a donor's or grantor's restriction requires resources to be used in a particular manner or in a future period, BCCHS must maintain sufficient resources to meet those responsibilities to its donors and grantors. Thus, some financial assets may not be available for general expenditure within one year. As part of BCCHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

The following table represents financial assets available for general expenditures within one year as of December 31, 2023:

Financial assets:	
Cash	\$ 128,935
Unconditional promises to give	1,000,000
Grants receivable	304,428
Patient receivables, net	<u>224,316</u>
Total financial assets	1,657,679
Less amounts not available to be used within one year, due to:	
Contractual or donor imposed restrictions:	
Restricted by donor with time restrictions	<u>1,304,428</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 353,251</u></u>

Note 15 - COMMITMENTS

BCHS entered into two employment contracts with employees expiring on dates ranging from July 11, 2024 through December 31, 2024, which provide for minimum annual salaries. As of December 31, 2023, the total commitment is approximately \$192,000.

BCHS has eleven employment contracts with health care providers expiring on dates ranging from May 31, 2024 through December 31, 2025, which provides for minimum annual salaries. As of December 31, 2023, the total commitment is approximately \$1,295,000.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Baptist Community Health Services, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

Agency Head Name: Jeremy Simmons, CEO

Purpose

Salary	\$136,880
Benefits - insurance	5,263
Benefits - retirement	0
Deferred compensation	0
Benefits - life insurance	1,200
Benefits - long term disability	0
Benefits - FICA and Medicare	7,429
Cell phone	600
Dues	0
Vehicle rental	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Unvouchered expenses	0
Meetings and conventions	0
	<u>0</u>
	<u><u>\$151,372</u></u>

SPECIAL REPORTS 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**

To the Board of Directors,
Baptist Community Health Services, Inc.,
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 financial statements of Baptist Community Health Services, Inc. (BCHS) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related 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 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider BCHS’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of BCHS’s internal control. Accordingly, we do not express an opinion on the effectiveness of BCHS’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 the 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. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2023-01.

Report on Compliance and Other Matters

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

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



Certified Public Accountants.

New Orleans, Louisiana,
June 28, 2024.

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

To the Board of Directors,
Baptist Community Health Services, Inc.,
New Orleans, Louisiana.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Baptist Community Health Services, Inc.’s (BCHS) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of BCHS’s major federal programs for the year ended December 31, 2023. BCHS’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, BCHS 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, 2023.

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 BCHS 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 BCHS’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 BCHS'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 BCHS'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 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 BCHS'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 BCHS'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 BCHS'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 BCHS's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

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 first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Certified Public Accountants.

New Orleans, Louisiana.
June 28, 2024.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Baptist Community Health Services, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Health Center Program Cluster			
Health Center Program - Year 4	H8033653	93.224	\$ 325,000
Health Center Program - Year 5	H8033653	93.224	395,940
American Rescue Plan Act Funding for Health Centers	H8F41640	93.224	225,000
Grants for New and Expanded Services			
Under the Health Care Program			
ACA School Based Service Sites	H8H45044	93.527	158,025
COVID-19-Vacines	H8HG48282	93.527	72,806
ACA Primary Care HIV Prevention	H2E45591	93.527	<u>377,243</u>
Total expenditures of federal awards			<u><u>\$1,554,014</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Baptist Community Health Services, Inc. New Orleans, Louisiana

For the year ended December 31, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Baptist Community Health Services, Inc. (BCHS). BCHS's reporting entity is defined in Note 1 to the financial statements for the year ended December 31, 2023. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed through other government agencies.

b. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2b to BCHS's financial statements for the year ended December 31, 2023. BCHS has elected to use the 10% *de minimus* indirect cost rate as allowed under Uniform Guidance. For the year ended December 31, 2023, no indirect costs were included in Expenditures of Federal Awards.

Note 2 - RECONCILIATION OF FEDERAL GRANT REVENUE AND EXPENDITURES

Unobligated balance of funds (receivable), beginning of year	\$1,385,239
Federal grant revenue received or accrued in current year	<u>473,203</u>
Total federal funds authorized	1,858,442
Less qualified expenditures	<u>(1,554,014)</u>
Unobligated balance of funds (receivable), end of year	<u>\$ 304,428</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Baptist Community Health Services, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

Section I - Summary of Auditor's Results

a) Financial Statements

Type of report issued on the financial statements: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ___ Yes X None reported
- Noncompliance material to the financial statements noted? ___ Yes X No

b) Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ___ Yes X No

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 the Uniform Guidance? ___ Yes X No

Section I - Summary of Auditor’s Results (Continued)

c) Identification of Major Programs:

<u>AL Number</u>	<u>Name of Federal Program</u>
	U.S. Department of Health and Human Services
93.224	Health Center Program - Year 4
93.224	Health Center Program - Year 5
93.224	American Rescue Plan Act Funding for Health Centers Grants for New and Expanded Services Under the Health Care Program
93.527	ACA School Based Service Sites
93.527	COVID-19-Vacines
93.527	ACA Primary Care HIV Prevention

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

Auditee qualified as a low-risk auditee? Yes No

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

2023-001 Internal Control Structure

Criteria - The internal control structure should be designed to contain the following:

1. Segregation of duties to provide reasonable assurance that all transactions are being properly approved.
2. All accounts are reconciled in a timely manner, and account reconciliations are reviewed.
3. Timely preparation of internal financial statements and other financial information to ensure those in charge of governance can make financial decisions based upon current financial data.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements (Continued)

Internal Control Over Financial Reporting (Continued)

2023-001 Internal Control Structure (Continued)

Condition - BCHS's internal control structure presently is not operating effectively in certain phases including, the summary of checks received is not being compared to the bank deposit slip, reconciliations of accounts receivable balances to the general ledger total are not performed in all instances, the monthly accounts receivable balances are not reviewed and approved by a member of management, reconciliations are not presently reviewed by a member of management, credit card statements of the key employees are not reviewed by another member of management, and in several instances, transactions on credit card statements were not supported by receipts.

Cause - Due to the size of the accounting staff and implementation of procedures related to reconciliations, approval and posting of transactions.

Effect - The lack of adequate internal controls relating to approval of transactions and account reconciliations could result in the financial statements being misstated.

Context - Systematic.

Recommendation - We recommend BCHS implement adequate internal controls relating to transaction approval and account reconciliation which provide for approval of all transactions and reconciliation of all accounts on a monthly basis.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended December 31, 2023.

Section III - Federal Award Findings and Questioned Costs

Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended December 31, 2023 related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS

Baptist Community Health Services, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

There were no internal control findings material to the financial statements reported during the audit for the year ended December 31, 2022.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended December 31, 2022.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended December 31, 2022 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2022.



Baptist Community
Health Services

MANAGEMENT'S CORRECTIVE ACTION PLAN

Baptist Community Health Services, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

Section I - Internal Control Over Financial Reporting and Compliance and Other

Matters Material to the Basic Financial Statements

Internal Control over Financial Reporting

2023-001 Internal Control Structure

Recommendation - We recommend BCHS implement adequate internal controls relating to transaction approval and account reconciliation which provide for approval of all transactions and reconciliation of all accounts monthly.

Management's Response - BCHS will implement adequate internal control procedures related to account reconciliations and ensure the control process for approval of expenditures is followed.

Contact Person Responsible for the Corrections – Cary Calhoun, CFO

Anticipated Completion Date – December 31, 2024.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended December 31, 2023.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended December 31, 2023 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2023.

Cary Calhoun
6/28/24

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors,
Baptist Community Health Services, Inc.,
New Orleans, Louisiana.

We have performed the procedures described in Schedule 2 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period January 1, 2023 through December 31, 2023. Baptist Community Health Services, Inc. (BCHS) management is responsible for those C/C areas identified in the SAUPs.

BCHS has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule 2.

We were engaged by BCHS to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on these C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of BCHS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Bougeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, Louisiana,
June 28, 2024.

SCHEDULE OF PROCEDURES AND ASSOCIATED FINDINGS
OF THE STATEWIDE AGREED-UPON PROCEDURES

Baptist Community Health Services, Inc.
 New Orleans, Louisiana

For the year ended December 31, 2023

The required procedures and our findings are as follows:

1. Procedures Performed on BCHS's Written Policies and Procedures:

A. Obtain and inspect BCHS's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and BCHS's operations:

- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 Performance: Obtained and read the written policy for budgeting and found it to address all the functions listed above.
 Exceptions: There were no exceptions noted.
- ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 Performance: Obtained and read the written policy for purchasing and found it to address all the functions listed above.
 Exceptions: There were no exceptions noted.
- iii. **Disbursements** including processing, reviewing, and approving.
 Performance: Obtained and read the written policy for disbursements and found it to address all the functions listed above.
 Exceptions: There were no exceptions noted.
- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue or BCHS fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 Performance: Obtained and read the written policy for receipts and collections and found it to address all the functions listed above.
 Exceptions: There were no exceptions noted.

1. Procedures Performed on BCHS's Written Policies and Procedures: (Continued)

- v. **Payroll/Personnel**, , including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
Performance: Obtained and read the written policy for payroll and personnel and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
Performance: Obtained and read the policies for contracting and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Performance: Obtained and read the written policy for travel and expense reimbursement. The policy does not include a dollar threshold by category of expense.
Exceptions: There was no dollar threshold by category of expense.
- viii. **Credit Cards**, (and debit cards, fuel cards, purchase cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
Performance: Obtained and read the written policy for credit cards and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to BCHS's ethics policy.
Not applicable for not-for-profit entities.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Not applicable for not-for-profit entities.

1. Procedures Performed on BCHS's Written Policies and Procedures: (Continued)

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups; (2) storage of backups in a separate physical location isolated from the network; (3) periodic testing/verification that backups can be restored; (4) use of antivirus software on all systems; (5) timely application of all available system and software patches/updates; and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Performance: Obtained and read the information technology disaster recovery/business continuity policy and found it to address all of the functions listed above.

Exceptions: There were no exceptions noted.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable for not-for-profit entities.

2. Procedures Performed on BCHS's Board:

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:

- i. Observe that the board met with a quorum at least monthly, or on a frequency in accordance with the board/finance committee's enabling legislation, charter, bylaws, or other equivalent document.

Performance: BCHS's bylaws required to meet monthly. We obtained and read minutes from 12 board meetings during the year ended December 31, 2023. The frequency of and quorum representation of those meetings was considered to be appropriate.

Exceptions: There were no exceptions noted.

- ii. For those entities reporting on the not-for-profit accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds.

Performance: Inspected meeting minutes and determined that the minutes referenced or included financial activity relating to public funds.

Exceptions: There were no exceptions noted.

2. Procedures Performed on BCHS's Board: (Continued)

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable for not-for-profit entities.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Not applicable. BCHS did not have audit findings for the year ended December 31, 2022.

3. Procedures Performed on BCHS's Bank Reconciliations:

- A. Obtain a listing of BCHS's bank accounts from management and management's representation that the listing is complete. Ask management to identify BCHS's main operating account. Select BCHS's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain, and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter that the listing is complete. The main account and two other accounts were subject to the statewide agreed-upon procedures.

Exceptions: There were no exceptions noted.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Performance: Obtained the selected monthly bank reconciliation for the month of April for the main operating bank account and the 2 additional accounts. Inspected management's documentation for timely preparation of the bank reconciliations.

Exceptions: The bank reconciliation for the main operating account was not prepared within 2 months of the related statement closing date. There was no reconciliation prepared for one of the additional accounts. There were no exceptions noted for one of the additional accounts.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within one month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

Performance: Inspected BCHS's documentation for the April bank reconciliations for the 3 bank accounts and verified there is no review of bank reconciliations.

Exceptions: BCHS does not require a review of bank reconciliations.

3. Procedures Performed on BCHS's Bank Reconciliations: (Continued)

- iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Performance: Examined documentation from management reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Exceptions: There were no exceptions noted.

4. Procedures Performed on BCHS's Collections (Excluding Electronic Funds Transfers):

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Performance: Obtained the listing of deposit sites from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Performance: Obtained the listing of collection locations from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

- i. Employees responsible for cash collections do not share cash drawers/registers.

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

Exceptions: There were no exceptions noted.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless other employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were not properly segregated. BCHS only has one employee that collects cash, prepares deposits, deposits money into the bank, reconciles the accounts, and posts entries into the system. To mitigate this BCHS's Executive Director reviews the financial statements at the board meetings, and all financial information is reviewed by the Executive Director.

Exceptions: There were no exceptions noted.

**4. Procedures Performed on BCHS's Collections (Excluding Electronic Funds Transfers):
(Continued)**

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were not properly segregated. BCHS only has one employee that collects cash, prepares deposits, deposits money into the bank, reconciles the accounts, and posts entries into the system. To mitigate this BCHS's Executive Director reviews the financial statements at the board meetings, and all financial information is reviewed by the Executive Director.

Exceptions: There were no exceptions noted.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were not properly segregated. BCHS only has one employee that collects cash, prepares deposits, deposits money into the bank, reconciles the accounts, and posts entries into the system. To mitigate this BCHS's Executive Director reviews the financial statements at the board meetings, and all financial information is reviewed by the Executive Director.

Exceptions: There were no exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

Performance: Obtained a copy of the insurance policy for theft covering all employees who have access to cash. Observed that the insurance policy for theft was in force during the fiscal period.

Exceptions: There were no exceptions noted.

- D. Randomly select two deposit dates for each of the 3 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly select and randomly select a deposit if multiple deposits are made on the same day). Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 6 deposits and

**4. Procedures Performed on BCCHS's Collections (Excluding Electronic Funds Transfers):
(Continued)**

- i. Observe that receipts are sequentially pre-numbered.
Performance: Obtained supporting documentation for the selected deposits and observed that no deposits required pre-numbered cash receipts.
Exceptions: There were no exceptions noted.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - i. Performance: Traced supporting documentation to the deposit slip.
Exceptions: There were no exceptions noted.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
Performance: Traced deposit slip total to actual deposit per bank statement.
Exceptions: There were no exceptions noted.
- iv. Observe that the deposit was made within 1 business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
Performance: Observed that the deposits tested were made within one business day of receipt.
Exceptions: There were no exceptions noted.
- v. Trace the actual deposit per the bank statement to the general ledger.
Performance: Traced the actual deposit per the bank statement to the general ledger.
Exceptions: There were no exceptions noted.

5. Procedures Performed on BCCHS's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):

- A. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Performance: Obtained a listing of locations that process payments for the fiscal period from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.
Exceptions: There were no exceptions noted.

5. Procedures Performed on BCHS's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

- B. For each location selected under procedure #5A, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if BCHS has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Performance: Obtained a listing of employees involved in non-payroll purchasing and payment functions and reviewed written policies and procedures related to employee job duties. Observed if the job duties were properly segregated.

Exceptions: There were no exceptions noted.

- i. At least 2 employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

Performance: Obtained a listing of employees involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase. Observed at least 2 employees are involved.

Exceptions: There were no exceptions noted.

- ii. At least 2 employees are involved in processing and approving payments to vendors.

Performance: Obtained a listing of employees involved in processing and approving payments to vendors. Observed at least 2 employees are involved.

Exceptions: There were no exceptions noted.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: Obtained a listing of employees involved in processing payments to vendors. Observed that the employee involved in processing payments can add/modify vendor files. Observed the employee who processes payments adds and modifies vendor files. All disbursements made are to be reviewed by the Executive Director and the check is to be signed by the Executive Director and the Chair of BCHS.

Exceptions: There were no exceptions noted.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Performance: Obtained a listing of employees involved with signing and mailing checks and verified they are not involved in the processing of payments.

Exceptions: There were no exceptions noted.

5. Procedures Performed on BCCHS's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Performance: Obtained a listing of employees/officials authorized to sign checks and verified they approve the electronic disbursements of funds.

Exceptions: There were no exceptions noted.

- C. For each location selected under procedure #5A, obtain BCCHS's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Performance: Obtained BCCHS's non-payroll disbursement transaction population and received management's representation in a separate letter that the population is complete. Randomly selected 5 disbursements from the sole location that processes payment for testing.

Exceptions: There were no exceptions noted.

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the BCCHS.

Performance: Observed the 5 disbursements matched the related original invoice/billing statements and documentation indicates deliverables were received.

Exceptions: There were no exceptions noted.

- ii. Observe whether that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

Performance: Observed the 5 disbursements included evidence of segregation of duties.

Exceptions: There were no exceptions noted.

- D. Using BCCHS's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per BCCHS's policy, and (b) approved by the required number of authorized signers per BCCHS's policy.

5. Procedures Performed on BCHS's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

- i. Approved by only those persons authorized to disburse funds (e.g., sign checks) per BCHS's policy.

Performance: Observed all 5 disbursements included evidence of approval by authorized persons.

Exceptions: There were no exceptions noted.

- ii. Approved by the required number of authorized signers per BCHS's policy.

Performance: Observed all 5 disbursements included evidence of approval by required number of authorized signers.

Exceptions: There were no exceptions noted.

6) Procedures Performed on BCHS's Credit Cards, Debit Cards, Fuel Cards, Purchase Cards (Cards):

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Performance: Obtained a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Received management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. BCHS only has 2 cards. Randomly select 1 monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

Performance: Observed evidence that the statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.

Exceptions: Observed that the credit card statements of the Chief Executive Officer and Chief Medical Officer are not approved by anyone else.

6. Procedures Performed on BCHS's Credit Cards, Debit Cards, Fuel Cards, Purchase Cards: (Continued)

- ii. Observe that finance charges and late fees were not assessed on the selected statements.
Performance: Observed that there were no finance charges and/or late fees assessed on the selected statements.
Exceptions: There were no exceptions noted.

C. Using the monthly statements or combined statements selected under procedure #6B, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, report whether the transaction is supported by:

- i. An original itemized receipt that identifies precisely what was purchased.
Performance: Observed that 5 of the 12 transactions from the monthly statements that were tested 5 were not supported by original itemized receipts that identify precisely what was purchased.
Exceptions: Of the 12 transactions from the monthly statements that were tested, 5 were not supported by original itemized receipts that identify precisely what was purchased.

- ii. Written documentation of the business/public purpose.
Performance: Observed that 5 of the 12 transactions from the monthly statements were not supported with written documentation of the business/public purpose.
Exceptions: Of the 12 transactions from the monthly statements that were tested, 5 were not supported with written documentation of the business/public purpose.

- iii. Documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
Performance: None of the selected transactions were for meal charges.
Exceptions: There were no exceptions noted.

7. Procedures Performed on BCHS's Travel and Travel-Related Expense Reimbursements (Excluding Card Transactions):

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Performance: Obtained a listing of all travel and travel-related expense reimbursements during the fiscal period from management, and received management's representation in a separate letter that the listing is complete. Obtained the related expense reimbursement form and supporting documentation for all 5 reimbursements.

Exceptions: There were no exceptions noted.

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

Performance: Per diem was used for 1 of the 5 selected reimbursements. Agreed the reimbursement rate for the 1 selected reimbursement using a per diem rate to those rates established by the U.S. General Services Administration.

Exceptions: There were no exceptions noted.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Performance: Observed that the 4 reimbursements using actual costs were supported by original itemized receipts that identified what was purchased.

Exceptions: There were no exceptions noted.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii).

Performance: Observed that each reimbursement was supported by documentation of the business/public purpose (for meal charges, observed that the documentation included the names of those individuals participating) and other documentation required by written policy procedure #1A(vii).

Exceptions: There were no exceptions noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Performance: Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person that received the reimbursement.

Exceptions: There were no exceptions noted.

8. Procedures Performed on BCHS's Contracts:

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Performance: Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period, and received management's representation in a separate letter that the listing is complete. Selected the only 3 contracts for testing.

Exceptions: There were no exceptions noted.

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Performance: Observed that the contracts selected did not require the bids to be in accordance with Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

Performance: Observed that the contracts selected did not require Board approval.

Exceptions: There were no exceptions noted.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval).

Performance: Observed that the contracts selected were not amended.

Exceptions: There were no exceptions noted.

- iv. Randomly select 1 payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Performance: Obtained supporting invoices, agreed invoices to the contract terms, and observed invoices related to the payment agreed to terms and conditions of the contract.

Exceptions: There were no exceptions noted.

9. Procedures Performed on BCHS's Payroll and Personnel:

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries, and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: Obtained a listing of employees employed during the fiscal period from management, and received management's representation in a separate letter that the listing is complete. Selected 5 employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

Exceptions: There were no exceptions noted.

- B. Randomly select 1 pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A, obtain attendance records and leave documentation for the pay period, and:

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Performance: Randomly selected 1 pay period to test attendance and/or leave taken during that period. Salaried employees are not required to document daily attendance. None of the employees took any leave during the selected pay period.

Exceptions: There were no exceptions noted.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.

Performance: Randomly selected 1 pay period to test attendance and/or leave taken during that period. Salaried employees are not required to document daily attendance. None of the employees took any leave during the selected pay period.

Exceptions: There were no exceptions noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in BCHS's cumulative leave records.

Performance: Randomly selected 1 pay period to test attendance and/or leave taken during that period. Salaried employees are not required to document daily attendance. None of the employees took any leave during the selected pay period.

Exceptions: There were no exceptions noted.

- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Performance: Agreed the pay rates to authorized salary/pay rates maintained in employee files.

Exceptions: There were no exceptions noted.

9. Procedures Performed on BCHS's Payroll and Personnel: (Continued)

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the BCHS's policy on termination payments. Agree the hours to the employees' or officials' cumulative leave records, agree the pay rates to the employees'/officials' authorized pay rates in the employees'/officials' personnel files, and agree the termination payment to BCHS's policy.

Performance: Inquired of management of those employees that BCHS terminated during the fiscal period. Selected 2 employees who were terminated with payouts of accrued leave. Traced calculations of payout to leave schedule and approved pay rate.

Exceptions: There were no exceptions noted.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Performance: Employer and employee portions of third-party payroll related amounts have been paid, and any associated forms have been filed by the required deadlines.

Exceptions: There were no exceptions noted.

10. Procedures Performed on BCHS's Ethics:

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:

Not applicable for not-for-profit entities.

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.

Not applicable for not-for-profit entities.

- ii. Observe whether the BCHS maintains documentation which demonstrates that each employee and official were notified of any changes to BCHS's ethics policy during the fiscal period, as applicable.

Not applicable for not-for-profit entities.

- B. Inquire and/or observe whether BCHS has appointed an ethics designee as required by R.S. 42:1170.

Not applicable for not-for-profit entities.

11. Procedures Performed on BCHS's Debt Service:

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Not applicable for not-for-profit entities.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable for not-for-profit entities.

12. Procedures Performed on BCHS's Fraud Notice:

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that BCHS reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the BCHS is domiciled as required by R.S. 24:523.

Performance: Inquired of management of any misappropriations of public funds and assets during the fiscal period and obtained management's representation in a separate letter; none were noted.

Exceptions: There were no exceptions noted.

- B. Observe that BCHS has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inspected the fraud notice posted on the premises and website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: There were no exceptions noted.

13. Procedures Performed on BCHS's Information Technology Disaster Recovery/ Business Continuity:

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

i. Obtain and inspect BCHS's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personal responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on BCHS's local server or network, and (c) was encrypted.

Performance: We performed the procedure and discussed the results with management.

ii. Obtain and inspect BCHS's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Performance: We performed the procedure and discussed the results with management.

iii. Obtain a listing of BCHS's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Performance: We performed the procedure and discussed the results with management.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using a list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Performance: We performed the procedure and discussed the results with management.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Performance: We performed the procedure and discussed the results with management.

14. Procedures Performed on BCHS's Prevention of Sexual Harassment:

- A. Using the 5 randomly selected employees/officials from "Procedures Performed on BCHS's Payroll and Personnel procedure" #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Not applicable for not-for-profit entities.

- B. Observe that BCHS has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on BCHS's premises if BCHS does not have a website).

Not applicable for not-for-profit entities.

- C. Obtain BCHS's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements.

Not applicable for not-for-profit entities.

- ii. Number of sexual harassment complaints received by the agency.

Not applicable for not-for-profit entities.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred.

Not applicable for not-for-profit entities.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action.

Not applicable for not-for-profit entities.

- v. Amount of time it took to resolve each complaint.

Not applicable for not-for-profit entities.

Management's Overall Response to Exceptions:

- 1.vii. There was no written policy and procedure outlining dollar thresholds by category of expense for travel and expense reimbursements.

Management's Response: Management will implement a dollar threshold for each category of expense.

Management's Overall Response to Exceptions: (Continued)

- 3.a.i. The bank reconciliation for the main operating account was not prepared within 2 months of the related statement closing date. There was no reconciliation prepared for one of the additional accounts.

Management's Response: Management will ensure that all bank reconciliations are prepared within 2 months of the related statement closing date.

- 3.a.ii. BCHS does not require a review of bank reconciliations.

Management's Response: Management will ensure that all bank reconciliations are reviewed by a member of management who does not handle cash, post ledgers, or issue checks within one month of the date the reconciliation was prepared.

- 6.b.i. Credit card statements of the Chief Executive Officer and Chief Medical Officer are not reviewed or approved by someone other than the authorized card holder.

Management's Response: Management will ensure that all credit cards are reviewed and approved by someone other than the authorized card holder.

- 6.c.i. Of the 12 transactions from the monthly statements that were tested, 5 were not supported by an original itemized receipt.

Management's Response: Management will ensure that all credit card charges are supported by original itemized receipt.

- 6.c.ii. Of the 12 transactions from the monthly statements, that were tested, 5 were not supported with written documentation of the business/public purpose.

Management's Response: Management will ensure that all credit card charges are supported by written documentation of the business/public purpose.