

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

**Financial and Compliance Report
December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Primary Health Services Center, Inc. and Affiliate (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Primary Health Services Center, Inc. and Affiliate as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Primary Health Services Center, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

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

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued my report dated June 29, 2022, on my consideration of Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana

June 29, 2022

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Financial Position
As of December 31, 2021
With Summarized Comparative Totals for 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,050,554	\$ 2,463,371
Cash - restricted	7,286	71,397
Patient accounts receivable, net	186,479	215,286
Grants receivable	1,320,391	1,403,418
Certificates of deposit	687,306	686,896
Prepaid expenses	100,276	99,102
	<u>5,352,292</u>	<u>4,939,470</u>
Property, Plant and Equipment		
Building and improvements	14,549,939	14,445,215
Furniture and equipment	4,058,405	4,010,263
Automobiles	765,305	765,305
	<u>19,373,649</u>	<u>19,220,783</u>
Less accumulated depreciation	(6,603,990)	(5,984,815)
	<u>12,769,659</u>	<u>13,235,968</u>
Land	807,491	807,491
	<u>13,577,150</u>	<u>14,043,459</u>
Other Assets		
LA Partnership for Choice & Access, LLC	10,000	10,000
Utility Deposits	14,371	14,171
PCDC receivable - new markets tax credit	74,394	74,394
Notes receivable - new markets tax credit	9,359,000	9,359,000
	<u>9,457,765</u>	<u>9,457,565</u>
Total Assets	<u>\$ 28,387,207</u>	<u>\$ 28,440,494</u>

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Financial Position (Continued)
As of December 31, 2021
With Summarized Comparative Totals for 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 228,277	\$ 188,433
Accrued vacation and payroll	200,603	159,765
Payroll taxes payable	178,612	111,204
Accrued interest payable	8,759	722
Current portion of notes payable	159,494	2,537,877
Total Current Liabilities	775,745	2,998,001
Long Term Liabilities		
Notes payable - net of current portion	15,615,282	14,739,802
Total Liabilities	16,391,027	17,737,803
Net Assets		
Without donor restrictions	10,675,889	9,299,273
With donor restrictions	1,320,291	1,403,418
Total Net Assets	11,996,180	10,702,691
Total Liabilities and Net Assets	\$ 28,387,207	\$ 28,440,494

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Activities
For the Year Ended December 31, 2021
With Summarized Comparative Totals for the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>	<u>2020 Totals</u>
Revenue and Support				
Revenue:				
Gross patient service revenue	\$ 16,163,804	\$ -	\$ 16,163,804	\$ 14,601,166
Less: contractual allowances and discounts	(7,830,100)	-	(7,830,100)	(7,006,407)
	<u>8,333,704</u>	<u>-</u>	<u>8,333,704</u>	<u>7,594,759</u>
Less: provision for uncollectible accounts	(1,190)	-	(1,190)	(23,476)
Net patient service revenue	<u>8,332,514</u>	<u>-</u>	<u>8,332,514</u>	<u>7,571,283</u>
Support and other income:				
Federal grants	4,007,647	-	4,007,647	4,303,324
Other grant	-	-	-	49,900
Interest income	57,250	-	57,250	195,406
Other	1,561,543	-	1,561,543	34,025
Insurance recoveries	-	-	-	175,831
Net assets released from restriction	1,403,418	(1,403,418)	-	-
Temporarily restricted revenue - federal grant	-	1,320,291	1,320,291	1,403,418
	<u>7,029,858</u>	<u>(83,127)</u>	<u>6,946,731</u>	<u>6,161,904</u>
Total support and other income	<u>7,029,858</u>	<u>(83,127)</u>	<u>6,946,731</u>	<u>6,161,904</u>
Total revenue, support and other income	<u>15,362,372</u>	<u>(83,127)</u>	<u>15,279,245</u>	<u>13,733,187</u>
Expenses				
Program expenses	11,043,388	-	11,043,388	10,722,928
Management and general	2,942,368	-	2,942,368	2,613,678
Loss on building impairment	-	-	-	15,105
	<u>13,985,756</u>	<u>-</u>	<u>13,985,756</u>	<u>13,351,711</u>
Total Expenses	<u>13,985,756</u>	<u>-</u>	<u>13,985,756</u>	<u>13,351,711</u>
Increase (decrease) in Net Assets	1,376,616	(83,127)	1,293,489	381,476
Net Assets - Beginning of Year	<u>9,299,273</u>	<u>1,403,418</u>	<u>10,702,691</u>	<u>10,321,215</u>
Net Assets - End of Year	<u>\$ 10,675,889</u>	<u>\$ 1,320,291</u>	<u>\$ 11,996,180</u>	<u>\$ 10,702,691</u>

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Cash Flows
For the Year Ended December 31, 2021
With Summarized Comparative Totals for 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 1,469,320	\$ 381,476
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	670,967	657,817
(Increase) decrease in accounts receivable, net	28,807	61,621
(Increase) decrease in grants receivable	83,027	116,478
(Increase) decrease in prepaid expenses	(1,174)	(22,554)
(Increase) decrease in other assets	200	-
Increase (decrease) in accounts payable	39,844	33,957
Increase (decrease) in accrued expenses	40,838	(70,794)
Other	(123,254)	-
	<u>2,208,575</u>	<u>1,158,001</u>
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities		
Purchase of certificate of deposits	(410)	(6,604)
Fixed asset acquisitions	(152,871)	(639,877)
Building impairment	-	15,105
	<u>(153,281)</u>	<u>(631,376)</u>
Net Cash Used by Investing Activities		
Cash Flows From Financing Activities		
Proceeds from loans	-	1,402,322
PPP loan forgiveness	(1,402,322)	-
Principal payments on bank loans	(129,900)	(160,741)
	<u>(1,532,222)</u>	<u>1,241,581</u>
Net Cash Provided by Financing Activities		
Net Increase in Cash and Cash Equivalents	523,072	1,768,206
Cash and Cash Equivalents - Beginning of Year	<u>2,534,768</u>	<u>766,562</u>
Cash and Cash Equivalents - End of Year	<u>3,057,840</u>	<u>2,534,768</u>
Cash and Cash Equivalents:		
Cash - unrestricted	3,050,554	2,463,371
Cash - restricted	7,286	71,397
	<u>3,057,840</u>	<u>2,534,768</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 265,572</u>	<u>\$ 284,351</u>

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statement of Functional Expenses
For the Year Ended December 31, 2021
With Summarized Comparative Totals for 2020

	Public Health Service	Management and General	Total	
			2021	2020
Personnel	\$ 8,219,125	\$ 1,450,434	\$ 9,669,559	\$ 9,516,308
Fringe benefits/insurance	679,289	119,874	799,163	646,530
Medical contract	15,878	-	15,878	27,254
Non-medical contract	-	345,871	345,871	242,593
Supplies and services - medical	417,740	-	417,740	400,566
Repairs and maintenance	311,494	54,969	366,463	319,238
Telephone	55,620	9,815	65,435	52,189
Travel and education	-	68,233	68,233	44,554
Dues and permits	-	72,545	72,545	53,434
Office	134,648	201,972	336,620	348,231
Professional	68,192	66,375	134,567	74,205
Technical assistance	-	361,148	361,148	218,074
Occupancy	278,183	49,091	327,274	259,298
Advertising	11,522	-	11,522	20,613
Depreciation and amortization	570,322	100,645	670,967	657,817
Interest	232,568	41,041	273,609	284,201
Recruitment	25,647	-	25,647	22,729
Rental	25,983	4,585	30,568	74,832
Other	(2,821)	(4,232)	(7,053)	73,940
Total Functional Expenses	\$ 11,043,388	\$ 2,942,368	\$ 13,985,756	\$ 13,336,606

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements
December 31, 2021

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

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

Income Taxes

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

Cash and Cash Equivalents

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

Method of Accounting

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

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

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

Method of Accounting (Continued)

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

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

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

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

Subject to expenditure for specified purpose:

Program activities:

Community Health Center Section 330 Grant	\$1,320,391
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Accounting Estimates

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

Property and Equipment

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

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

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

Functional Expenses

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

Accounts Receivable

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

Allowance for Doubtful Accounts and Bad Debts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Net Patient Service Revenue

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

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

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

Net Patient Service Revenue (Continued)

Medicare A – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

Medicare B - Fee for Service – Reimbursed per encounter up to the payors allowable amount.

Regular Medicaid and Medicaid Bayou Health – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.

All Other Medicaid – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.

Commercial – Fee-For-Service – Reimbursed per contract or per payor’s allowable fee schedule.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as donor restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the grants and contributions are recognized. As of December 31, 2021, net assets with donor restrictions were \$1,320,391, which represent amounts awarded, but not received from federal grants.

Fair Values of Financial Instruments

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair values of all financial instruments as of December 31, 2021 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, accounts receivable, grants receivable, prepaid expenses, notes receivable, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable and notes receivable approximate their fair value, as interest is insignificant.

Risk Management

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

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

Major Funding Source

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

Investments

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

Performance Indicator

The Organization utilizes revenues over expenses as its performance indicator.

Net Patient Service Revenue

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

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

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

Net Patient Service Revenue (Continued)

Patient service revenue is recognized as performance obligations are satisfied based on the nature of the services provided by the Organization. Revenue for performance obligations that are satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving outpatient services. The Organization measures the performance obligations for patient services over a period of less than one day when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

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

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

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

- **Medicare:** Certain services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies (subject to certain limits) with final settlement determined after Medicare Administrative Contractors have audited annual cost reports submitted by the Organization. Services are paid based upon established fee schedules based on services provided.
- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.
- **Other:** Payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations provide for payment using prospectively determined rates.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

Net Patient Service Revenue (Continued)

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

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

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

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

Advertising Expense

The Organization expenses the cost of advertising as the expenses are incurred. For the year ended December 31, 2021, the cost totaled \$3,396.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the year ended December 31, 2021:

Medicaid	\$144,939
Medicare	22,069
Private	19,471
	<u>\$186,479</u>

The method to calculate allowance for doubtful accounts did not significantly change from the prior year. The Organization’s write-offs, which primarily consisted of self-pay charges, totaled \$23,476 for the year ended December 31, 2021. The Organization amended its charity care policy to adhere to the annually revised Federal Poverty Level Guidelines during the fiscal year.

NOTE 3 – NEW MARKET TAX CREDIT

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

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

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

NOTE 3 – NEW MARKET TAX CREDIT (CONTINUED)

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

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

Immediately after the exit transactions are completed, Healthcare Vision, Inc. may be dissolved and the Betin Street campus may be transferred back to Primary Health Services Center, Inc. The Organization anticipates receiving a net benefit from the results of these transactions of approximately \$4,500,000, net of transaction costs.

After the NMTC transaction was completed, Healthcare Vision, Inc. leased the Betin Street campus to Primary Health Services Center, Inc., for which the lease payments were used to pay the debt service on the new loans. The rental expense and rental income will be intercompany transactions that will be eliminated for purposes of the combined financial statements.

NOTE 4 – NOTE RECEIVABLE

Primary Health Services Center, Inc.’s note receivable of \$9,359,000 from COCRF Investor 27, LLC accrues interest at 1.0% which is payable quarterly through June 10, 2021. Beginning September 29, 2021, principal and interest will be payable quarterly sufficient to fully amortize the note with the final payment due September 28, 2044.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

NOTE 5 – RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan covering qualified employees. The Organization made matching contributions of \$172,040 for 2021. Organization will match up to 4% of employee contributions to the plan.

NOTE 6 – RESTRICTED CASH

As of December 31, 2021, amounts held and are pledged and held in a separate bank account by Primary Health Services Center, Inc. for the payment of debt obligations totaled \$7,286.

NOTE 7 - NOTES PAYABLE

Notes payable for the year ended December 31, 2021 consisted of the following:

<u>Healthcare Vision, Inc. Promissory Note Payable (A) from PCDC Health Opportunities Fund V, LLC:</u> New Market Tax Credit loan dated September 29, 2014, in the amount of \$6,350,750, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	\$ 6,350,750
<u>Healthcare Vision, Inc. Promissory Note Payable (B) from PCDC Health Opportunities Fund V, LLC:</u> New Market Tax Credit loan dated September 29, 2014, in the amount of \$2,864,250, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	2,864,250
<u>Healthcare Vision, Inc. Promissory Note Payable (A) from COCRF SUBCDE XX, LLC:</u> New Market Tax Credit loan dated September 29, 2014, in the amount of \$3,008,250, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	3,008,250

**PRIMARY HEALTH SERVICES CENTER, INC. AND
AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021**

<u>Healthcare Vision, Inc. Promissory Note Payable (B) from COCRF SUBCDE XX, LLC:</u> New Market Tax Credit loan dated September 29, 2014, in the amount of \$1,491,750, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	1,491,750
<u>Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank:</u> Real estate mortgage dated December 6, 2017, in the amount of \$559,677, payable in 59 monthly installments of \$5,965.50 beginning on January 21, 2018 and a balloon payment of \$391,469 payable on August 31, 2021, fixed interest rate of 4.99%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	393,700
<u>Primary Health Services Center, Inc. Promissory Note Payable from Primary Care Development Corporation:</u> New Market Tax Credit loan dated September 29, 2014, in the amount of \$2,000,000, interest payable quarterly installments commencing on December 1, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 1, 2016, and continuing until the maturity date of September 29, 2021 at which time the remaining outstanding loan balance of \$1,785,431 will be due, bearing an fixed interest of 5.50%; collateralized by leasehold mortgage and pari-passu share in leveraged loan documents including pledge of investment fund membership interest in entities making the permanent financing loans to Healthcare Vision, Inc. Covenants include Debt Service Coverage Ratio of a minimum of 1.25:1, three prior year rolling average positive cash flow from operations, net assets not to fall below \$4MM, standard debt limitations, cross-default provisions.	1,776,567
<u>Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank:</u> Real estate mortgage dated December 20, 2019, in the amount of \$126,107.78, payable in 36 monthly installments of \$3,798 beginning on January 20, 2020, fixed interest rate of 5.250%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	44,293
<u>Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank:</u> Real estate mortgage dated August 31, 2016, in the amount of \$237,800, payable in 59 monthly installments of \$2,498 beginning on April 7, 2022 and balloon of \$127,763, fixed interest rate of 4.35%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	237,660
	16,167,220
Less: current portion	(159,494)
Less: deferred financing costs, net	(392,444)
	\$ 15,615,282

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

NOTE 7 - NOTES PAYABLE (CONTINUED)

Maturities of debt are as follows:

December 31,	Amount
2022	\$ 159,494
2023	145,364
2024	150,971
2025	156,907
2026	163,019
Thereafter	14,999,021
Total	\$ 15,774,776

NOTE 8 - COMPLIANCE WITH LOAN COVENANTS

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

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization maintains deposit balances that exceed federally insured limits. Amounts in excess of insured limits as of December 31, 2021 totaled \$1,881,781. The Organization deposits its cash with high quality financial institutions and management believes the Organization is not exposed to significant credit risk on these amounts.

The majority of the Organization's patients are located in Northeast Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of December 31, 2021 was as follows:

Medicaid	78 %
Medicare	11
Other	11
	100 %

The mix of net patient revenues for the year ended December 31, 2021 was as follows:

Medicaid	64 %
Medicare	5
Other	31
	100 %

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

NOTE 10 – INVESTMENTS

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

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

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

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

As of December 31, 2021, the Organization’s investments measured on a recurring basis consisted of certificate of deposits with fair market value (quoted prices in active market – Level 1) and a member’s interest in a limited liability company with fair market value (Level 3) and costs bases as follows:

	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Certificate of deposits (Level 2 Observable Inputs)	\$ 687,306	\$ 687,306	\$ -0-

NOTE 11 – COST REPORT RECEIVABLE

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

NOTE 12 – LITIGATION

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

NOTE 13 – DEFERRED FINANCING COSTS

Deferred financing costs are capitalized and amortized over the life of the related debt using the straight-line method. Total capitalized costs were \$32,283 and \$579,016 and the related accumulated amortization was \$32,283 and \$186,572, as of December 31, 2021, for Primary Health Services Center, Inc. and Healthcare Vision, Inc., respectively. Deferred financing costs are reported as a direct deduction from the face amount of the related notes payable in the combined statements of financial position.

The following is the estimated aggregate amortization expense for each of the five years succeeding December 31, 2021:

Year	Healthcare Visions, Inc.	Primary Health Services, Inc.	Total Amount
2022	\$ 25,734	\$ 4,247	\$ 29,981
2023	25,734	4,247	29,981
2024	25,734	4,247	29,981
2025	25,734	4,247	29,981

NOTE 14 – ECONOMIC DEPENDENCY

The Organization receives a substantial portion of its total support and revenues from the federal government. During 2021, Primary Health Services Center, Inc. recorded \$5,327,938 in grant support from the Department of Health and Human Services. This represents 34% of total support and revenues for the year ended December 31, 2021.

NOTE 15 – PRIOR-YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NOTE 16 - LEASES

Effective September 29, 2014, Primary Health Services Center, Inc. began leasing its facilities from Healthcare Vision, Inc. as part of the New Markets Tax Credit transaction. The lease commenced on September 29, 2014 and is for a term of seven (7) years. At the end of the lease, Primary Health Services Center, Inc. will have the option to extend the lease in five (5) year increments or purchase the leased facilities for the greater of the debt owed or the premise’s fair market value, which shall be determined by an independent appraiser.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2021

NOTE 16 - LEASES (CONTINUED)

The cost and accumulated depreciation of the property under these lease agreements was \$12,352,992 and \$1,930,155, respectively. In 2021, quarterly lease payments made by Primary Health Services, Inc. to Healthcare Vision, Inc. totaled \$85,260. This lease expense and lease income are intercompany transactions that were eliminated for purposes of these combined financial statements.

NOTE 17 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Current assets	\$ 5,352,292
Subtract: Restricted cash	(7,286)
Prepaid expenses	<u>(100,276)</u>
Financial assets available to meet cash needs for general expenditures with one year	<u>\$ 5,244,730</u>

NOTE 18 - COMMITMENTS

In November 2020, the Organization entered into two separate contracts to modify two mobile medical units. The total outlays to date and committed amounts total \$262,500 and approximately \$500,000, respectfully. The project is expected to be completed in 2022.

NOTE 19 - SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2021 combined financial statements for subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

PRIMARY HEALTH SERVICES CENTER, INC.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021**

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Health Centers Cluster U. S. Department of Health and Human Services					
Direct Programs:					
Community Health Center Section 330	93.224 *	H80CS00754	5/1/21 - 4/30/22	\$ 4,340,398	\$ 4,340,398
American Rescue Plan Act Funding for Health Centers	93.224 *	H8FCS40869	4/1/21 - 3/31/23	<u>987,540</u>	<u>987,540</u>
Total Health Centers Cluster				<u>5,327,938</u>	<u>5,327,938</u>
Other Programs					
U. S. Department of Health and Human Services					
Direct Programs:					
Provider Relief Funds	93.498	PRF Funds	1/1/2020 - 12/31/2020	<u>225,064</u>	<u>225,064</u>
Total Expenditures of Federal Awards				<u>\$ 5,553,002</u>	<u>\$ 5,553,002</u>

* Above program consider major.

Basis of Presentation

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

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

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

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Financial Position
As of December 31, 2021

	<u>Primary Health Services Center, Inc.</u>	<u>Healthcare Vision, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,023,612	\$ 26,942	\$ -	\$ 3,050,554
Cash - restricted	7,286	-	-	7,286
Patient accounts receivable, net	186,479	-	-	186,479
Grants receivable	1,320,391	-	-	1,320,391
Certificates of deposit	687,306	-	-	687,306
Other receivable	17,136	-	(17,136)	-
Prepaid expenses	100,276	-	-	100,276
	<u>5,342,486</u>	<u>26,942</u>	<u>(17,136)</u>	<u>5,352,292</u>
Total Current Assets				
Property, Plant and Equipment				
Building and improvements	2,196,947	12,352,992	-	14,549,939
Furniture and equipment	4,058,405	-	-	4,058,405
Automobiles	765,305	-	-	765,305
	<u>7,020,657</u>	<u>12,352,992</u>	<u>-</u>	<u>19,373,649</u>
Less accumulated depreciation	(4,365,011)	(2,238,979)	-	(6,603,990)
	<u>2,655,646</u>	<u>10,114,013</u>	<u>-</u>	<u>12,769,659</u>
Land	436,999	370,492	-	807,491
	<u>3,092,645</u>	<u>10,484,505</u>	<u>-</u>	<u>13,577,150</u>
Net Property, Plant and Equipment				
Other Assets				
Investments other	10,000	-	-	10,000
Utility Deposits	14,371	-	-	14,371
PCDC receivable - new markets tax credit	74,394	-	-	74,394
Notes receivable - new markets tax credit	9,359,000	-	-	9,359,000
	<u>9,457,765</u>	<u>-</u>	<u>-</u>	<u>9,457,765</u>
Total Other Assets				
Total Assets	<u>\$ 17,892,896</u>	<u>\$ 10,511,447</u>	<u>\$ (17,136)</u>	<u>\$ 28,387,207</u>

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Financial Position (Continued)
As of December 31, 2021

	<u>Primary Health Services Center, Inc.</u>	<u>Healthcare Vision, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 228,278	\$ 17,136	\$ (17,136)	\$ 228,277
Accrued vacation and payroll	200,603	-	-	200,603
Payroll taxes payable	178,612	-	-	178,612
Accrued interest payable	8,759	-	-	8,759
Current portion of notes payable	159,494	-	-	159,494
Total Current Liabilities	775,746	17,136	(17,136)	775,745
Long Term Liabilities				
Notes payable - net of current portion	2,292,726	13,322,556	-	15,615,282
Total Liabilities	3,068,472	13,339,692	(17,136)	16,391,027
Net Assets				
Without donor restrictions	13,504,133	(2,828,244)	-	10,675,889
With donor restrictions	1,320,291	-	-	1,320,291
Total Net Assets	14,824,424	(2,828,244)	-	11,996,180
Total Liabilities and Net Assets	<u>\$ 17,892,896</u>	<u>\$ 10,511,447</u>	<u>\$ (17,136)</u>	<u>\$ 28,387,207</u>

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Activities
For the Year Ended December 31, 2021

	<u>Primary Health Services Center, Inc.</u>	<u>Healthcare Vision, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
Revenue and Support				
Net patient service revenue	\$ 8,332,514	\$ -	\$ -	\$ 8,332,514
Support and other income:				
Federal grants	4,007,547	-	-	4,007,547
Other grant	-	-	-	-
Interest income	57,250	-	-	57,250
Lease income	-	85,260	(85,260)	-
Other	1,561,543	-	-	1,561,543
Insurance recoveries	-	-	-	-
Temporarily restricted revenue - federal grant	1,320,391	-	-	1,320,391
Total support and other income	6,946,731	85,260	(85,260)	6,946,731
Total revenue, support and other income	15,279,245	85,260	(85,260)	15,279,245
Expenses				
Program expenses	10,696,901	418,958	(72,471)	11,043,388
Management and general	2,855,957	99,200	(12,789)	2,942,368
Loss on building impairment	-	-	-	-
Total Expenses	13,552,858	518,158	(85,260)	13,985,756
Increase (decrease) in Net Assets	1,726,387	(432,898)	-	1,293,489
Net Assets - Beginning of Year	13,098,037	(2,395,346)	-	10,702,691
Net Assets - End of Year	\$ 14,824,424	\$ (2,828,244)	\$ -	\$ 11,996,180

See accompanying notes to financial statements.

Primary Health Services Center, Inc. and Affiliate

Schedule of Compensation, Benefits and Other Payments to Executive Director

Paid from Public Funds

December 31, 2021

NO COMPENSATION FROM PUBLIC FUNDS

Agency Head Name: Catherine Tonore, Chief Executive Officer

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

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

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Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Primary Health Services Center, Inc. and Affiliate (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2021, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 29, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited Primary Health Services Center, Inc. and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Primary Health Services Center, Inc. and Affiliate's major federal programs for the year ended December 31, 2021. Primary Health Services Center and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Primary Health Services Center, Inc. and Affiliate's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Primary Health Services Center and Affiliate's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for my opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Primary Health Services Center, Inc. and Affiliate's compliance.

Opinion on Each Major Federal Program

In our opinion, Primary Health Services Center, Inc. and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Report on Internal Control Over Compliance

Management of Primary Health Services Center, Inc. and Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Primary Health Services Center, Inc. and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 29, 2022

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE

**Schedule of Findings and Questioned Cost
Year Ended December 31, 2021**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	<u> x </u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u> x </u>	None reported
Noncompliance material to financial statements noted?	___	Yes	<u> x </u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	<u> x </u>	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	<u> x </u>	None reported
Type of auditor’s report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	___	Yes	<u> x </u>	No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? x Yes ___ No

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE

**Schedule of Findings and Questioned Cost
Year Ended December 31, 2021**

SECTION II – FINDINGS

None

SECTION III – PRIOR YEAR FINDINGS

None

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Primary Health Services Center, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. Primary Health Services Center, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Primary Health Services Center, Inc 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 LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. 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 as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***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.
 - c) ***Disbursements***, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency 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).
- e) **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(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-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).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **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 the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Item 1 b) Policy does not include how vendors are added to vendor list.

We performed the Information Technology Disaster Recovery/Business Continuity procedure 1k and discussed the results with management.

Board or Finance Committee

2. 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:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) 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 unassigned fund balance in the general fund.

No exceptions were found as a result of these procedures.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity'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:
 - a) 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);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

A member of management did not indicate review of bank reconciliations.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (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).
5. 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 (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, 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:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not 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.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, 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 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of these procedures.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. 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).
9. For each location selected under #8 above, 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 the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) 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.
 - d) 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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
10. For each location selected under #8 above, obtain the entity'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:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions were found as a result of these procedures.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-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.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined

statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

No exceptions were found as a result of these procedures.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. 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, 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:
- a) If reimbursed using a per diem, observe 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).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe 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 policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of these procedures.

Contracts

15. 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. *Alternately, 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:
- a) 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.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe 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, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of these procedures.

Payroll and Personnel

16. 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.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. 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 two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. 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.

No exceptions were found as a result of these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

These procedures are not applicable to the entity

Debt Service

21. 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 State Bond Commission approval was obtained for each debt instrument issued.
22. 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).

These procedures are not applicable to the entity.

Fraud Notice

23. 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 the entity reported the

misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe the entity 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.

Exception (24): Fraud notice is not posted on the entity's website.

Information Technology Disaster Recovery/Business Continuity

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

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity'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.
- c) Obtain a listing of the entity'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.

We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, 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.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

These procedures are not applicable to the entity

We were engaged by Primary Health Services Center, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with 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 those 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 Primary Health Services Center, Inc. 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.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
June 29, 2022