St. Thomas Community Health Center, Inc. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
St. Thomas Community Health Center, Inc. and Subsidiaries
New Orleans, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of St. Thomas Community Health Center, Inc. and Subsidiaries (the Clinic), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Thomas Community Health Center, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of St. Thomas Community Health Center, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of compensation, benefits, and other payments chief executive officer is required by Louisiana Revised Statue 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2023, 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July XX, 2024, on our consideration of St. Thomas Community Health Center, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Thomas Community Health Center, Inc. and Subsidiaries' 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 St. Thomas Community Health Center, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
July 30, 2024

December 31,		**2023**		2022
Assets				
Current assets				
Cash and cash equivalents	$	**3,720,210**	$	7,522,952
Grants receivable		**472,722**		613,444
Patient accounts receivable		**2,829,989**		1,125,038
Inventory		**289,378**		224,852
Prepaid expenses		**1,300**		3,600
Total current assets		**7,313,599**		9,489,886
Non-current assets				
Deposits and other non-current assets		**84,975**		45,317
Operating lease right-of-use assets, net		**1,555,750**		1,597,682
Note receivable		**3,512,600**		-
Beneficial interest in trust		**8,314,584**		7,443,381
Property and equipment, net		**18,468,874**		17,486,268
Total non-current assets		**31,936,783**		26,572,648
Total assets	$	**39,250,382**	$	36,062,534
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	$	**1,528,410**	$	1,127,746
Uncompensated absences		**169,009**		137,198
Current maturities of long-term debt		**705,754**		778,080
Current portion of operating lease liabilities		**577,312**		665,394
Total current liabilities		**2,980,485**		2,708,418
Long-term liabilities				
Operating lease liabilities, less current portion		**994,087**		934,540
Long-term debt, net of current maturities		**10,827,188**		6,959,329
Total long-term liabilities		**11,821,275**		7,893,869
Total liabilities		**14,801,760**		10,602,287
Net assets				
Without donor restrictions		**16,134,038**		18,016,866
With donor restriction		**8,314,584**		7,443,381
Total net assets		**24,448,622**		25,460,247
Total liabilities and net assets	$	**39,250,382**	$	36,062,534

For the year ended December 31, 2023	Without Donor Restrictions	With Donor Restrictions	2023 Total
Revenue and Other Support			
Patient service revenue	$ 9,993,314	$ -	$ 9,993,314
Contributions	191,463	-	191,463
Grant revenues	3,898,238	-	3,898,238
340b drug program	1,657,353	-	1,657,353
Pharmacy revenues	17,456,492	-	17,456,492
Other revenues	1,129,918	-	1,129,918
Change in value of interest in beneficial trust	-	1,160,327	1,160,327
Net assets released from restrictions	289,124	(289,124)	-
Total revenue and other support	34,615,902	871,203	35,487,105
Expenses			
Program services			
Health care	29,032,458	-	29,032,458
Total program services	29,032,458	-	29,032,458
Supporting services			
Management and general	7,466,272	-	7,466,272
Total supporting services	7,466,272	-	7,466,272
Total expenses	36,498,730	-	36,498,730
Change in net assets	(1,882,828)	871,203	(1,011,625)
Net assets at beginning of year	18,016,866	7,443,381	25,460,247
Net assets at end of year	$ 16,134,038	$ 8,314,584	$ 24,448,622

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

For the year ended December 31, 2022	Without Donor Restrictions	With Donor Restrictions	2022 Total
Revenue and Other Support			
Patient service revenue	$ 11,198,982	$ -	$ 11,198,982
Contributions	216,706	-	216,706
Grant revenues	5,221,356	-	5,221,356
340b drug program	717,934	-	717,934
Contributions of nonfinancial assets	143,739	-	143,739
Pharmacy revenues	13,484,917	-	13,484,917
Other revenues	1,309,815	-	1,309,815
Loan forgiveness	999,930	-	999,930
Change in value of interest in beneficial trust	-	(1,702,281)	(1,702,281)
Net assets released from restrictions	398,242	(398,242)	-
Total revenue and other support	33,691,621	(2,100,523)	31,591,098
Expenses			
Program services			
Health care	23,851,253	-	23,851,253
Total program services	23,851,253	-	23,851,253
Supporting services			
Management and general	6,892,454	-	6,892,454
Total supporting services	6,892,454	-	6,892,454
Total expenses	30,743,707	-	30,743,707
Change in net assets	2,947,914	(2,100,523)	847,391
Net assets at beginning of year	15,068,952	9,543,904	24,612,856
Net assets at end of year	$ 18,016,866	$ 7,443,381	$ 25,460,247

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

St. Thomas Community Health Center, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses

For the year ended December 31, 2023

	Program Services	Support Services	
	Health Care	Management and General	**2023 Total**
Salaries, benefits, and payroll taxes	$ 12,350,574	$ 4,275,624	**$ 16,626,198**
Professional fees and contract services	1,723,075	741,961	**2,465,036**
Accounting, audit and legal fees	-	173,129	**173,129**
Billing fees	49,733	18,450	**68,183**
Depreciation	460,632	154,572	**615,204**
Insurance	102,431	432,989	**535,420**
Interest	302,109	-	**302,109**
Other	27,377	149,735	**177,112**
Postage	-	18,104	**18,104**
Rent	474,794	104,419	**579,213**
Repairs and maintenance	180,771	161,243	**342,014**
Pharmacy expense	9,785,731	374,801	**10,160,532**
340b drug program	1,008,357	-	**1,008,357**
Supplies	637,974	194,460	**832,434**
Trash and waste removal	25,947	26,316	**52,263**
Travel, meetings and conferences	144,072	100,503	**244,575**
Training and continuing education	66,412	-	**66,412**
Utilities	95,170	35,307	**130,477**
Advertising	87,644	201,949	**289,593**
Technology and licenses	972,104	13,079	**985,183**
Cleaning services	160,927	98,902	**259,829**
Communications	89,288	45,522	**134,810**
Security	-	145,207	**145,207**
Bad debt	287,336	-	**287,336**
Total	**$ 29,032,458**	**$ 7,466,272**	**$ 36,498,730**

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

St. Thomas Community Health Center, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses

For the year ended December 31, 2022

	Program Services	Support Services	
	Health Care	Management and General	2022 Total
Salaries, benefits, and payroll taxes	$ 11,266,487	$ 4,487,484	$ 15,753,971
Professional fees and contract services	1,704,571	603,472	2,308,043
Accounting, audit and legal fees	-	179,375	179,375
Billing fees	50,024	21,591	71,615
Depreciation	348,762	122,098	470,860
Insurance	108,267	235,644	343,911
Interest	144,619	-	144,619
Other	30,948	220,982	251,930
Postage	-	17,340	17,340
Rent	547,193	94,812	642,005
Repairs and maintenance	148,133	106,638	254,771
Pharmacy expense	6,807,178	353,015	7,160,193
340b drug program	297,947	-	297,947
Supplies	574,993	42,845	617,838
Trash and waste removal	20,296	21,325	41,621
Travel, meetings and conferences	88,904	47,581	136,485
Training and continuing education	84,841	-	84,841
Utilities	78,999	34,097	113,096
Advertising	113,534	83,171	196,705
Technology and licenses	914,337	48,688	963,025
Cleaning services	116,493	72,708	189,201
Communications	77,174	43,117	120,291
Security	-	56,471	56,471
Bad debt	327,553	-	327,553
Total	$ 23,851,253	$ 6,892,454	$ 30,743,707

St. Thomas Community Health Center, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

For the years ended December 31,		**2023**		2022
Operating Activities				
Changes in net assets	**$**	**(1,011,625)**	$	847,391
Adjustments to reconcile excess of revenues over expenses and gains and losses to net cash provided by operating activities:				
Depreciation and amortization		**615,204**		470,860
Bad debts		**-**		332,673
Loan forgiveness		**-**		(999,930)
Amortization of right-of-use assets		**41,932**		609,903
Unrealized (gain) loss on beneficial interest in trust		**(1,160,327)**		1,702,281
Change in operating assets and liabilities				
Grants receivable		**140,722**		(322,510)
Patient accounts receivable		**(1,704,951)**		(611,394)
Other receivable		**-**		86,678
Inventory		**(64,526)**		(106,465)
Prepaid expenses		**2,300**		(3,600)
Deposits and other assets		**(39,658)**		(11,521)
Right-of-use assets		**-**		-
Accounts payable and accrued liabilities		**400,664**		235,074
Uncompensated absences		**31,811**		(26,593)
Operating lease liabilities		**(28,535)**		(607,651)
Net cash provided by (used in) operating activities		**(2,776,989)**		1,595,196
Investing Activities				
Note receivable issued		**(3,512,600)**		-
Purchases of property and equipment		**(1,587,114)**		(6,479,705)
Disbursements from beneficial interest in trust		**289,124**		398,242
Net cash provided by (used in) investing activities		**(4,810,590)**		(6,081,463)
Financing Activities				
Deferred financing costs		**(427,826)**		-
Proceeds from long-term debt		**4,850,000**		4,919,531
Payments of long-term debt		**(637,337)**		(494,301)
Net cash provided by (used in) financing activities		**3,784,837**		4,425,230
Net change in cash and cash equivalents		**(3,802,742)**		(61,037)
Cash and cash equivalents at beginning of year		**7,522,952**		7,583,989
Cash and cash equivalents at end of year	**$**	**3,720,210**	$	7,522,952
Supplemental Cash Flow Information				
Cash paid for interest	**$**	**441,859**	$	284,369
Schedule of Noncash Transactions				
Lease liabilities arising from obtaining right-of-use assets	**$**	**-**	$	2,207,585

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

Note 1: DESCRIPTION OF THE ORGANIZATION

St. Thomas Community Health Center, Inc. and Subsidiaries (the Clinic), formerly St. Thomas Health Services, Inc., is a Federally Qualified Health Center (FQHC), community-based, non-profit, primary health clinic that provides ambulatory health care services, including specialty care and diagnostic testing services. Serving both insured and uninsured patients, a large percentage of the patients are the medically indigent, under-insured and uninsured of the Greater New Orleans and surrounding areas. A description of St. Thomas Community Health Center, Inc.'s operational activities follows. Descriptions of its Subsidiaries' operational activities are found within Note 2 under Principles of Consolidation.

The Clinic operates in locations where a majority of the residents are uninsured or underinsured and therefore, it relies primarily on federal, state and city programs as well as private sources and various grants for on-going financial support for the operation of the Clinic.

The Clinic makes use of support services offered by neighboring social service agencies, hospitals and the New Orleans medical community. The Clinic also lends its support through the provision of specialized laboratory testing, diagnostic services and primary care services at low or no cost.

The Clinic is governed by a ten member Board of Directors (the Board), all of whom serve until their resignation or removal from the Board.

In order to assist in meeting its goals and mission of providing services as a primary health care clinic, the Clinic has applied for and has been awarded several grants from both governmental and private programs. During the years ended December 31, 2023 and 2022, the Clinic received and administered the following:

GOVERNMENTAL GRANTS AND CONTRACTS

Health Resources and Services Administration Grants – These grants, administered by the Department of Health and Human Services, are allocated to operational expenses associated with the care of the Medicare, Medicaid and uninsured populations, the purchase of medical exam room equipment, and for providing obstetric care.

LSU Contracts – These contracts, awarded by Louisiana State University (LSU), provide mammography and breast cancer detection and prevention. This program also provides for comprehensive breast and cervical cancer screening and education services, which may include mammograms, clinical breast exams, pap-tests and pelvic exams.

Ryan White Contract – This contract, awarded by the City of New Orleans, provides the following services related to HIV/AIDS treatment: Outpatient/Ambulatory Health Services, Medical Case Management, Non-Medical Case Management, Emergency Financial Assistance, Medical Transportation, AIDS Pharmaceutical Assistance, Health Insurance Premium and Cost Sharing Assistance for Low-Income, and Early Intervention Services.

Note 1: DESCRIPTION OF THE ORGANIZATION (Continued)

Louisiana Department of Health Contracts – These contracts, awarded by Louisiana Department of Health, Office of Public Health, STD/HIV/Hepatitis Program, utilizes the Health Models strategy, which has a primary objective of addressing health inequity by increasing the proportion of Persons living with HIV (PLWH) who are in care (linked or re-engaged) and once in care, to increase the proportion who achieve and/or maintain viral suppression and address health disparities among priority populations in the New Orleans MSA who are vulnerable to HIV and other STIs by providing 4th generation lab-based HIV testing, as well as expanded STI screening and treatment services.

PRIVATE FOUNDATION AND TRUST PROGRAMS

Stauffer Trust Estate – The Stauffer Trust Estate primarily funds services to provide eye, ear, nose and throat care to qualified indigent and uninsured patients at normal costs.

Frank B. Stewart Jr. Foundation – The Frank B. Stewart Jr. Foundation is a supporting organization held at the Greater New Orleans Foundation for the purpose of providing philanthropic support to a wide range of nonprofits, including educational institutions, healthcare organizations, museums and other arts and cultural centers, and organizations focused on improving the quality of life for the citizens of the Greater New Orleans region.

Martha Murphy Foundation – The M W Murphy Foundation is a supporting organization and private foundation that provides grants to nonprofits and other organizations.

Ella West Freeman Foundation – The Ella West Freeman Foundation is a supporting organization that provides support to the Greater New Orleans area non-profit communities, with an emphasis on supporting community improvement and human service organizations.

Foundation Estate of Harold W. Newman Jr. Charitable Trust – Foundation Estate of Harold W. Newman Jr. Charitable Trust is a supporting organization held at the Greater New Orleans Foundation for the purpose of providing philanthropic support to a wide range of nonprofits, including educational institutions, healthcare organizations, museums and other arts and cultural centers, and organizations focused on improving the quality of life for the citizens of the Greater New Orleans region.

Baptist Community Ministries – Baptist Community Ministries is a private foundation with a grant endowment created for the purpose of improving the quality of life for the citizens of the Greater New Orleans region. The foundation's mission is to develop and invest in a variety of strategic and tactical initiatives to improve the health of the community across a broad spectrum of issues.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of St. Thomas Community Health Center, Inc., (STCHC) and its wholly-owned subsidiaries, St. Thomas Specialty Services, LLC (STSS) and St. Thomas Foundation, Inc. (STF) (collectively, the Clinic). STSS provides out-of-scope cardiological diagnostic tests in support of the Clinic's primary care services and patients. STF was formed during 2023 to benefit, support, perform the charitable functions of, or carry out the charitable purposes of STCHC. The Clinic consolidates an entity if the Clinic has a controlling interest in the entity. All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to expected amounts to be received for services provided, depreciation of property and equipment, and functional expense allocation.

Risk Management

The Clinic 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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management (continued)

Effective August 13, 2003, The U.S. Department of Health and Human Services deemed the Clinic and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Clinic's claim experience, no such accrual has been made. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

The Clinic purchases medical malpractice coverage under claims-made policies for claims that are not covered under the scope of the FTCA. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Revenue Recognition

Patient Service Revenue – Patient service revenue and receivables are reported at the amount that reflects the consideration the Clinic expects to be entitled for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Generally, the Clinic bills the patients and third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Clinic. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Clinic believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Clinic measures the performance obligation from the beginning of treatment to the point when it is no longer required to provide services to that patient. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Because its performance obligations relate to contracts with a duration of less than one year, the Clinic has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-60-14(a) and, therefore, 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. The performance obligations for these contracts are generally completed when the patients no longer require services, which generally occurs within days or weeks of the end of the reporting period.

As provided for under the guidance, the Clinic does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The Clinic is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The Clinic accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for services performed. Based on historical collection trends and other analyses, the Clinic has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

The Clinic has agreements with third-party payers that provide for payments to the Clinic at amounts different from charged rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, case rates, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third party payers and others for services rendered.

The Clinic participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Clinic is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submissions of annual cost reports by the Clinic and audits thereof by the Medicare/Medicaid fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

The Clinic also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Clinic under these agreements includes prospectively determined rates per discharge, reimbursed cost, discounts from billed charges, case rates, and daily rates.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Clinic determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with policy, and implicit price concessions provided to uninsured patients.

Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the Clinic expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

For receivables associated with uninsured patients (also known as 'self-pay'), 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 Clinic records implicit price concessions in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between 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 credit loss.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductible and coinsurance, which vary in amount. The Clinic estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and final settlements are determined.

340b Drug Program – The 340b drug program is a federal program whereby drug manufacturers provide outpatient drugs to eligible healthcare organizations at significantly reduced cost. The Clinic tracks separately the revenues and expenses related to the outpatient drugs provided under this program.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and Contributions – From time to time, the Clinic receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of nonfinancial assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Unrestricted grants and contributions are reported as net assets without donor restrictions. Grants and contributions restricted to a specific purpose or in perpetuity are reported as net assets with donor restrictions.

Pharmacy – During the year ended December 31, 2018, the Clinic opened a retail delivery pharmacy managed by a third party. Pharmacy revenue is recognized at the time pharmaceuticals or medical supplies are delivered to patients. Pharmacy revenue is reported at the net realizable amounts due from customers or third-party payors.

Donated Assets – Donated medical supplies are recorded at fair value as received and include medications and related medical supplies donated to the Clinic. Donated facilities are recorded at fair market value in the statements of activities and include the Clinic's parking lot surface, which is not included in the Clinic's building lease.

Donated Services – Donated services are recorded at fair value and recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Clinic.

Incentive Revenue

The Clinic participates in various incentive programs with third party insurers who provide bonus payments based on quality measures and metrics established by the program. The Clinic recognizes incentive payments as revenue when it is reasonably assured that the quality measures and metrics have been achieved. Total incentive revenue was $938,174 and $1,014,520 for the years ended December 31, 2023 and 2022, respectively, and is included as a component of other revenue on the consolidated statements of activities.

Accounts Receivable

Patient Accounts Receivable – Patient accounts receivable represent amounts due for medical services provided in their clinics (primary care). The Clinic grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Patient accounts receivable is reported net of estimated contractual adjustments and implicit price concessions.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

Accounts are written off after all collection efforts have been exhausted or claims have exceeded timely filing limits based on the payer's guidelines. Subsequent adjustments that are determined to be the result of an adverse change in a payer's ability to pay are recognized as credit loss expense and are reported in operating expenses. After the full retrospective adoption of ASC 606, there was no credit loss expense for the years ended December 31, 2023 and 2022.

Grants Receivable and Other Receivables – Grants receivable and other receivables consist primarily of estimated amounts due under certain grants, certain estimated incentive payments, and other programs.

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing grantor and payer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, credit losses have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in the excess revenues (expenses) over expenses (revenues) as received. The allowance for credit losses was $0 at December 31, 2023 and 2022, respectively.

Inventory

Inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out method (FIFO). When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

Property and Equipment

Land is carried at cost and all other property and equipment is stated at cost less accumulated depreciation. Expenditures for additions, major renewals, and betterments are capitalized and repairs and maintenance are charged to operations as incurred. Depreciation expense is recognized over the estimated useful lives of the property and equipment using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining term of the lease.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, management evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets were significantly impaired as of December 31, 2023 and 2022.

Debt Issuance Costs

Expenditures for debt issuance costs related to debt maturing in May 2053, with original cost of $427,826, were capitalized and are being amortized over the life of the respective loan (Note 6).

Debt issuance costs are amortized on the straight-line basis to interest expense over the term of the respective loan. The straight line method yields results substantially similar to those that would be produced under the effective interest rate method. Debt issuance costs are presented as a direct reduction from the carrying value of the debt liability, consistent with the presentation of debt discounts. Amortization of the debt issuance costs totaled $10,696 and $0 for the years ended December 31, 2023 and 2022, respectively.

Leases

The Clinic lease office space and equipment. The Clinic determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Clinic uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Clinic will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Clinic's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Trust

The beneficial interest in trust is carried at fair value.

Fair Value Measurements

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 12. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Net Assets

The Clinic reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Clinic, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Uncompensated Absences

The Clinic allows regular full-time employees, with a minimum of three months employment, to receive compensated absences (vacation and sick leave) based on length of service: 1-4 years, 136 hours; 5-9 years, 176 hours; and 10+ years, 216 hours. Employees are eligible to carry-over to the following year up to 40 hours of accrued time. Any hours above 40 at the end of each year will be forfeited. Upon termination, all accrued hours are paid to an employee at full value based on base hourly rates as of termination date. As of December 31, 2023 and 2022, accrued uncompensated absences were $169,009 and $137,198, respectively.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest

Interest costs are charged to expense or capitalized as incurred. The Clinic capitalized interest expense of $0 and $139,750 during the years ended December 31, 2023 and 2022, respectively.

Advertising

Advertising costs are expensed as incurred and totaled $246,120 and $196,705 for the years ended December 31, 2023 and 2022, respectively. Advertising costs are included as a component of other expense on the consolidated statements of functional expenses.

Functional Allocations of Expenses

Any costs related to program administration are functionally classified as support service expenses. Any costs related to activities that constitute direct conduct or direct supervision of program service are program expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Clinic.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services based on actual or percentage of use. The expenses that are allocated include depreciation, insurance, rent, donated facilities, and utilities which are allocated on a square footage basis. Salaries and wages, benefits and payroll taxes, contractual services, accounting and legal services, billing fees, other, postage, repairs and maintenance, pharmacy expense, 340b drug program, trash and waste removal, travel, meetings, and conferences, training and continuing education, advertising, technology, cleaning services, communications, and security are allocated on basis of estimates of time and effort.

Current Healthcare Environment

The Clinic monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Clinic in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Healthcare Environment (Continued)

- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity

- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Clinic's financial position and operating results.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, St. Thomas Community Health Center, Inc. is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent, administration of self-insurance activities, and commissions.

St. Thomas Community Health Center, Inc. utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023 and 2022, the Clinic has no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements. The Clinic believes it is no longer subject to income tax examinations for years prior to 2018.

St. Thomas Specialty Services, LLC and St. Thomas Foundation, Inc., each with the consent of its member have elected to each be a limited liability company. In lieu of corporate income taxes, the member of the limited liability company is taxed on their proportionate share of each member's taxable income. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, July 30, 2024. See Note 6 and Note 15 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Clinic adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Clinic elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Clinic recognized on January 1, 2022 a lease liability at the carrying amount of the operating lease obligations on December 31, 2022, of $2,207,585 and a right-of-use asset at the carrying amount of the operating lease asset of $2,207,585. The Clinic also recognized on January 1, 2022 a lease liability of $2,259,020, which represents the present value of the remaining operating lease payments of $2,207,585, discounted using the weighted average risk free rate of 1.16%, and a right-of-use asset of $2,259,020, which represents the operating lease liability of $2,259,020.

The standard had a material impact on the Clinic's consolidated statements of financial position, but did not have an impact on the consolidated statements of activities, nor consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (continued)

In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The Clinic adopted ASU 2016-13 on January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only. Please refer to accounts receivables policy.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Clinic maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Clinic's expenditures come due. The following reflects the Clinic's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions.

December 31,	**2023**	2022
Total assets at year end	**$39,250,382**	$36,062,534
Less non-financial assets:		
Inventory	(289,378)	(224,852)
Prepaid expenses	(1,300)	(3,600)
Deposits and other non-current assets	(84,975)	(45,317)
Operating lease right-of-use assets, net	(1,555,750)	(1,597,682)
Note receivable	(3,512,600)	-
Beneficial interest in trust	(8,314,584)	(7,443,381)
Property and equipment, net	(18,468,874)	(17,486,268)
Financial assets at year-end	**7,022,921**	9,261,434
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted amounts per debt agreements, included in cash and cash equivalents	(215,833)	-
Financial assets available to meet cash needs for general expenditures within one year	**$ 6,807,088**	$ 9,261,434

The Clinic has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 30 days of normal operating expenses, which are, on average, approximately $2,500,000 to $3,000,000. Management believes it has appropriate available financial resources.

Note 4: PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2023 and 2022 are as follows:

	Estimated Useful Lives (in years)	**2023**	2022
Buildings	39 years	**$ 19,425,317**	$ 12,639,264
Leasehold improvements	5-10 years	**1,348,684**	1,109,479
Vehicles	7 years	**175,350**	175,350
Furniture and fixtures	5-7 years	**271,944**	271,944
Computer equipment	3-7 years	**178,438**	162,458
Medical equipment	3-7 years	**710,546**	448,449
Total depreciable property and equipment		**22,110,279**	14,806,944
Less accumulated depreciation and amortization		**(4,577,211)**	(3,972,703)
Total depreciable property and equipment, net		**17,533,068**	10,834,241
Land		**847,800**	331,300
Constructions in progress		**88,006**	6,320,727
Total Property and equipment, net		**$ 18,468,874**	$ 17,486,268

Depreciation expense for the years ended December 31, 2023 and 2022 was $615,204 and $470,860, respectively.

Note 5: LEASES

The Clinic has operating leases for buildings and equipment. The leases have remaining lease terms from six to seventy-five months, some of which may include options to extend the leases. The optional periods are only included in determining the lease term if the Clinic determines they are reasonably likely to exercise the option.

The weighted average remaining lease term and weighted average discount rate at December 31, 2023 was forty-eight months and 2.56%, respectively. Lease expense related to the leases was $572,224 for the year ended December 31, 2023.

Note 5: LEASES (Continued)

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

For the years ending December 31,	
2024	$ 577,312
2025	380,952
2026	291,222
2027	244,720
2028	66,744
Thereafter	83,430
Total future minimum lease payments	**1,644,380**
Less imputed interest	(72,981)
Present value of lease liabilities	**1,571,399**

Total rent expense for operating leases, primarily related to facilities and equipment, was $578,963 and $642,005 for the years ended December 31, 2023 and 2022, respectively. The leases have various maturities through May 31, 2030, with minimum monthly payments ranging from $974 to $21,446

Note 6: LONG-TERM DEBT

Long-term debt consist of the following:

December 31,	**2023**	2022
Economic Injury Disaster note payable to Small Business Administration (SBA)	**$ -**	$ 99,925
Notes payable to Whitney Bank	**7,100,072**	7,637,484
New Markets Tax Credit- Facility A	**3,512,600**	-
New Markets Tax Credit- Facility B	**1,337,400**	-
Total debt outstanding	**11,950,072**	7,737,409
Less: current maturities	**(705,754)**	(778,080)
Less: unamortized deferred financing costs	**(417,130)**	-
Long-term debt, net of current maturities and unamortized deferred financing costs	**$ 10,827,188**	$ 6,959,329

Economic Injury Disaster Loan

On May 15, 2020, a loan agreement was executed between the Clinic and the SBA in the amount of $150,000, bearing interest at a fixed rate of 2.75% with monthly principal and interest payments of $641 beginning May 15, 2021, maturing on May 15, 2050, unsecured. As of December 31, 2023 and 2022, the unpaid principal balance of this loan was $- and $99,925, respectively.

Note 6: LONG-TERM DEBT (Continued)

Whitney Bank Loans

The Clinic entered into the below loan agreements with Whitney Bank to purchase buildings and fund construction of new clinic sites as follows:

- Loan agreement dated August 3, 2016 for the amount of $880,000, bearing interest at a fixed rate of 4.15% with monthly principal and interest payments of $8,998, maturing August 3, 2026, secured by property. The balance as of December 31, 2023 and 2022 was $289,327 and $380,016, respectively.
- Loan agreement dated August 10, 2018 for the amount of $492,699, bearing interest at a fixed rate of 5.50% with monthly principal and interest payments of $9,429, maturing August 10, 2023, unsecured. The balance as of December 31, 2023 and 2022 was $0 and $95,938, respectively.
- Loan agreement dated October 12, 2017 for the amount of $3,046,000, bearing interest at a fixed rate of 4.49% with principal and interest payments of $23,286, maturing October 12, 2032, secured by property. The balance as of December 31, 2023 and 2022 was $2,106,047 and $2,285,530, respectively. The loan agreement contains a debt service ratio financial covenant.
- Loan agreement dated February 22, 2022 for the amount of $3,465,000, bearing interest at a fixed rate of 3.69% with principal and interest payments of $46,823, beginning February 22, 2023 and maturing February 22, 2037, secured by property. Before February 22, 2023, only interest payments were required to be made. The balance as of December 31, 2023 was $3,318,795. The loan agreement contains a debt service ratio financial covenant.
- Loan agreement dated July 19, 2022 for the amount of $1,411,000, bearing interest at a fixed rate of 5.54% with principal and interest payments of $11,559, beginning July 19, 2023 maturing July 19, 2037, secured by property. Before July 19, 2023, only interest payments were required to be made. The balance as of December 31, 2023 was $1,385,903. The loan agreement contains a debt service ratio financial covenant.

New Markets Tax Credits; Loans, Note Receivable, and Reserve Account

Note Receivable – A leveraged loan agreement was executed between an affiliate of the Federal NMTC Investor and STF in the amount of $3,512,600, maturing May 1, 2046, and an interest rate of 1.00% (the Leveraged Loan). Interest only is receivable quarterly through June 2030, with principal and interest payments receivable quarterly from June 2030 through maturity. The Federal NMTC Investor has pledged and granted a security interest to STCHC for substantially all assets of its entities involved in the financing transactions. The Leveraged Loan collaterally assigns all present and future payments, distributions (cash or otherwise), proceeds, profits, income, compensation, property, assets and rights due or to become due and payable to STCHC in connection with all of the Federal NMTC Investor's membership interest.

Note 6: LONG-TERM DEBT (Continued)

Reserve Account – As required by the terms set forth in the New Markets Tax Credit agreements, STCHC must maintain certain reserve accounts for the payment of debt obligations and other expenses. As of May 1, 2023, the reserve account was funded for $237,500, in accordance with the agreements. The reserve account balance at December 31, 2023 was $215,833, and is included with cash and cash equivalents on the consolidated statements of financial position.

New Markets Tax Credits Facilities – Loan agreements were executed between STCHC and the CDE as follows, which funded renovations of buildings owned by STCHC:

- Facility A- Loan agreement date May 1, 2023 for the amount of $3,512,600, bearing interest at a fixed rate of 1.35% with quarterly interest payments of $11,865, beginning May 1, 2023 maturing May 1, 2053, secured by property. After June 5, 2030, principal and interest payments will start. The balance as of December 31, 2023 was $3,512,600.

- Facility B- Loan agreement date May 1, 2023 for the amount of $1,337,400, bearing interest at a fixed rate of 1.35% with quarterly interest payments of $4,518, beginning May 1, 2023 maturing May 1, 2053, secured by property. After June 5, 2030, principal and interest payments will start. The balance as of December 31, 2023 was $1,337,400.

The CDE funded the New Markets Tax Credits Facilities with the intention that the proceeds will qualify as a "qualified low-income community investment" (QLICI) for purposes of generating tax credits called New Markets Tax Credits (NMTCs) under section 45D of the Internal Revenue Code of 1986, as amended. The tax credits provide 39 percent of the qualified equity investment and are claimed over a seven year credit allowance period.

To qualify, STCHC must comply with certain guarantees and certain reserves, including but not limited to, business operations in compliance with applicable NMTCs program rules and regulations; qualified construction and development; required insurance coverage; and maintenance of required reserves. If, as a result of a breach of the agreements or loan documents by STCHC, the CDE is required to recapture all or any part of the New Markets Tax Credits previously claimed by the Federal NMTC Investor, STCHC agrees to pay to the applicable Federal NMTC Investor an amount equal to the sum of the credits recaptured.

At the end of the seven year tax credit compliance period, the Federal NMTC Investor may exercise a put option during the 6-month put option period (the Put Option Period) whereby the Federal NMTC Investor will tender the NMTCs Facilities to STCHC for the put price of $1,000.

In the event the Federal NMTC/HTC Investor does not exercise the put and STCHC remains in compliance with the loan terms and the NMTCs rules and regulations, STCHC may exercise a call option during the six months following the Put Option Period to purchase the NMTCs Facilities for an amount equal to the loans' fair market value determined by mutual agreement among the parties or a qualified independent appraiser.

Note 6: LONG-TERM DEBT (Continued)

Maturities of long-term debt subsequent to December 31, 2023 consists of the following:

For the years ending December 31,	
2024	$ 705,754
2025	733,871
2026	749,425
2027	689,104
2028	718,293
Thereafter	8,353,624
Total	$ 11,950,072

Interest expense was $302,109 and $144,619 for the years ended December 31, 2023 and 2022, respectively. Capitalized Interest for the years ended December 31, 2023 and 2022 was $0 and $139,750, respectively.

Certain note agreements contain various special provisions and covenants. Management believes the Clinic was compliant with these requirements as of December 31, 2023 and 2022, except that management failed to maintain the required minimum debt service coverage ratio and failed to deliver audited financial statements by the required deadline. Subsequent to the year ended December 31, 2023, the bank waived these specific requirements but not the remainder of the requirements for the year then ended.

Note 7: PATIENT REVENUES

As an FQHC, the Clinic receives a fixed rate per encounter for its Medicare and Medicaid patients. The Clinic has agreements with third party payors that provide for payments to the Clinic at amounts different from its established billing rates. The Clinic provides medical assistance to eligible Medicaid and Medicare recipients and receives reimbursements from the State of Louisiana's Department of Health and Hospitals and the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) for claims submitted in conjunction with those services provided.

For the years ended December 31, 2023 and 2022, the Clinic received or expects to receive $7,999,499 and $9,481,136 in reimbursements for Medicaid and Medicare claims submitted, respectively.

The Medicare intermediary for Medicare patients reimburses for services rendered to Medicare program beneficiaries under an all-inclusive rate for each visit that is subject to audit and retroactive adjustments. Management does not believe that the ultimate outcome of any cost report audit will have a significant impact on the Clinic's consolidated financial statements.

Note 7: PATIENT REVENUES (Continued)

The table below shows the sources of patient service revenues:

For the years ended December 31,	2023	2022
Medicaid and Medicare	$ 7,999,499	$ 9,481,136
Commercial	1,318,994	890,233
Private pay	674,821	827,613
Total	$ 9,993,314	$ 11,198,982

Note 8: OTHER REVENUES

Other revenues consisted of the following:

For the years ended December 31,	2023	2022
Incentive revenue	$ 938,174	$ 1,014,520
Other grants	51,861	142,734
Other revenue	139,883	152,561
Total	$ 1,129,918	$ 1,309,815

Note 9: 340B DRUG PRICING PROGRAM

The Clinic participates in the 340B Drug Pricing Program (340B Program), enabling the Clinic to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Clinic earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Clinic operates an internal pharmacy and has contracted with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Clinic.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to amounts related to the 340B Program could occur in the near term.

Note 10: CONCENTRATIONS

The Clinic maintains cash deposits with multiple financial institutions at December 31, 2023 and 2022 in excess of federally insured limits of $2,546,500 and $6,624,054, respectively. Concentrations of credit risk with respect to accounts receivable is limited due to the number of customers comprising the Clinic's customer base and their dispersion across different geographic regions. To reduce risk, the Clinic routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Patient Accounts Receivable

The Company grants credit without collateral to customers, most of who are local residents and are insured under third-party payer agreements. The percentage mix of accounts receivables from patients and major third-party payers at December 31, 2023 and 2022 was as follows:

December 31,	**2023**	2022
Medicaid	**72 %**	58 %
Medicare	**17 %**	19 %
Commercial and Private Pay	**11 %**	23 %
Total	**100 %**	100 %

Note 11: PENSION PLAN

Effective January 1, 2006, the Clinic established the St. Thomas Community Healthcare Center Retirement Plan (the Plan), a 401(k) Plan. Employees over the age of 18, who have worked for the Clinic for more than 90 days, and have 1,000 hours of service in a plan year, are eligible to participate in the Plan. Plan expenses may be paid by the Clinic or by the Plan. Matching contributions are determined annually by the Clinic. The Clinic matches 100% of employee contributions up to 6% of gross pay. For the years ended December 31, 2023 and 2022, the Clinic incurred $481,149 and $444,632, respectively, of administrative costs and matching contributions related to the Plan.

Note 12: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Clinic has the ability to access as of the measurement date.

Note 12: FAIR VALUE MEASUREMENTS (Continued)

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
    - observable; or
    - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Beneficial Interest in Trust

The beneficial interest in trust consists of the fair market value of a sole beneficiary in certain assets held in an irrevocable trust with a perpetual term by the trustee. The donor restrictions imposed limit the Clinic to receive only quarterly distributions to be distributed by the trustee. All gains and losses are taxable to the trustee. As the Clinic does not receive direct benefits or losses from changes in market value, those assets are restricted due to the trust's perpetual term.

As of December 31, 2023 and 2022, the Clinic's beneficial interest in trust, fair value, was considered a Level 3 Input.

The following table sets forth a summary of changes in the fair value of the Clinic's level 3 assets for the years end December 31, 2023 and 2022:

December 31,	**2023**	2022
Beginning balance	**$ 7,443,381**	$ 9,543,904
Income	**170,311**	170,515
Deposit	**61,055**	11
Disbursements	**(289,124)**	(396,471)
Bank fees	**(80,960)**	(79,739)
Change in market value	**1,009,920**	(1,794,839)
Ending balance	**$ 8,314,584**	$ 7,443,381

Note 13: COMMITMENTS AND CONTINGENCIES

Commitments

The Clinic is a recipient of several grants and awards of federal and state funds. These grants and awards are governed by various federal and state guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants and awards is under the contract and administration of the Clinic and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

Contingencies

Certain claims, suits and complaints arising in the ordinary course of operations have been filed or are pending against the Clinic. In the opinion of management, all such matters are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Clinic if disposed of unfavorably. The results of legal proceedings cannot be predicted with certainty; however, and an unfavorable resolution of one or more of these legal proceedings could have a significant effect on the Company's financial position, or results of operations.

Note 14: INSURANCE PROCEEDS

On August 29, 2021 the Company incurred property damage as a result of Hurricane Ida. During fiscal years 2023 and 2022, the Company received $0 and $114,728, respectively, in insurance proceeds and incurred $0 and $147,540, respectively, of expenses relating to replacing and repairing damaged property and equipment of which, during fiscal year 2023, $0 was capitalized as part of leasehold improvements and $0 was expensed in the accompanying statements of operations.

Note 15: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2023 through July 30, 2024, the date the Clinic’s consolidated financial statements were available to be issued.

On March 1, 2024, the Clinic closed on a series of transactions to secure NMTC Facilities. In summary, the contributed costs by STCHC, prior to the closing, were passed through to the Community Development Entity (CDE). The CDE executed loan agreements with the Clinic to enter into NMTC Facilities as follows: Facilities B and C were funded for $335,525 and $1,151,875, respectively, both maturing March 1, 2054, and interest of 1.00%. Interest only is payable monthly for the first 7 years, with principal amortization payments due monthly over the last 23 years of the loans. Proceeds from these loans were used to reimburse STCHC for previously expended costs and fund required reserve accounts.

Note 15: SUBSEQUENT EVENTS (Continued)

At the end of the seven year tax credit compliance period, the State NMTC investor may exercise a put option during the 6-month put option period (the Put Option Period) whereby the State NMTC investor will tender the NMTCs Facilities to the Clinic for the put price of $1,000. In the event the State NMTC investor does not exercise the put and the Clinic remains in compliance with the loan terms and the NMTCs rules and regulations, it may exercise a call option during the six months following the Put Option Period to purchase the NMTCs Facilities for an amount equal to the loans' fair market value determined by mutual agreement among the parties or a qualified independent appraiser.

OTHER REPORTS AND SUPPLEMENTARY SCHEDULES

St. Thomas Community Health Center, Inc. and Subsidiaries
Consolidating Statement of Financial Position

As of December 31, **2023**

	St. Thomas Community Health Center, Inc.	St. Thomas Specialty Services, LLC	St. Thomas Foundation, Inc.	Eliminations	Consolidated
Assets					
Current Assets					
Cash	$ 3,669,738	$ 27,055	$ 23,417	$ -	**$ 3,720,210**
Grants receivable	472,722	-	-	-	**472,722**
Patient accounts receivable	2,805,009	24,980	-	-	**2,829,989**
Lease receivable	192,990	-	-	(192,990)	**-**
Inventory	289,378	-	-	-	**289,378**
Prepaid expenses	1,300	-	-	-	**1,300**
Total current assets	7,431,137	52,035	23,417	(192,990)	**7,313,599**
Non-current assets					
Deposits and other non-current assets	84,975	-	-	-	**84,975**
Operating lease right-of-use assets, net	1,555,750	-	-	-	**1,555,750**
Note receivable	-	-	3,512,600	-	**3,512,600**
Beneficial interest in trust	8,314,584	-	-	-	**8,314,584**
Property and equipment, net	18,468,874	-	-	-	**18,468,874**
Total non-current assets	28,424,183	-	3,512,600	-	**31,936,783**
Total assets	$ 35,855,320	$ 52,035	$ 3,536,017	$ (192,990)	**$ 39,250,382**
Liabilities and Net Assets					
Current liabilities					
Accounts payable and accrued liabilities	$ 1,528,410	$ -	$ -	$ -	**$ 1,528,410**
Lease payable	-	192,990	-	(192,990)	**-**
Uncompensated absences	169,009	-	-	-	**169,009**
Current maturities of long-term debt	705,754	-	-	-	**705,754**
Current portion of operating lease liabilites	577,312	-	-	-	**577,312**
Total current liabilities	2,980,485	192,990	-	(192,990)	**2,980,485**
Long-term liabilities					
Operating lease liabilities, less current portion	994,087	-	-	-	**994,087**
Long-term debt, net of current maturities	10,827,188	-	-	-	**10,827,188**
Total long-term liabilities	11,821,275	-	-	-	**11,821,275**
Total liabilities	14,801,760	192,990	-	(192,990)	**14,801,760**
Net assets					
Without donor restrictions	12,738,976	(140,955)	3,536,017	-	**16,134,038**
With donor restrictions	8,314,584	-	-	-	**8,314,584**
Total net assets	21,053,560	(140,955)	3,536,017	-	**24,448,622**
Total liabilities and net assets	$ 35,855,320	$ 52,035	$ 3,536,017	$ (192,990)	**$ 39,250,382**

St. Thomas Community Health Center, Inc. and Subsidiaries
Consolidating Statement Of Activities

For the year ended December 31,					**2023**
	St. Thomas Community Health Center, Inc.	St. Thomas Specialty Services, LLC	St. Thomas Foundation, Inc.	Eliminations	**Consolidated**
Operating revenues					
Patient service revenue	$ 9,798,591	$ 194,723	$ -	$ -	**$ 9,993,314**
Contributions	191,463	-	3,512,600	(3,512,600)	**191,463**
Grant revenues	3,898,238	-	-	-	**3,898,238**
340b drug program	1,657,353	-	-	-	**1,657,353**
Pharmacy revenues	17,456,492	-	-	-	**17,456,492**
Other revenues	1,363,821	-	23,417	(257,320)	**1,129,918**
Loan Forgiveness	-	-	-	-	**-**
Change in value of interest in beneficial trust	1,160,327	-	-	-	**1,160,327**
Total operating revenues	35,526,285	194,723	3,536,017	(3,769,920)	**35,487,105**
Operating expenses					
Program services					
Health care	32,545,058	257,320	-	(3,769,920)	**29,032,458**
Total program services	32,545,058	257,320	-	(3,769,920)	**29,032,458**
Support Services					
Management and general	7,443,948	22,324	-	-	**7,466,272**
Total supporting services	7,443,948	22,324	-	-	**7,466,272**
Total expenses	39,989,006	279,644	-	(3,769,920)	**36,498,730**
Change in net assets	$ (4,462,721)	$ (84,921)	$ 3,536,017	$ -	**$ (1,011,625)**

St. Thomas Community Health Center, Inc. and Subsidiaries
Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer

For the year ended December 31, 2023	**Dr. Donald T. Erwin, MD, CEO**
Salary	$ -
Benefits - health insurance	-
Benefits - retirement	-
Benefits - dental and vision insurance	-
Benefits - other insurance	-
Deferred compensation	-
Car allowance	-
Vehicle provided by STCHC	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-
	$ -

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expenses, per diem, and registration fees be reported as a supplemental report within the financial statement of local governmental and quasi-public auditees. In 2015 Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

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

To the Board of Directors of
St. Thomas Community Health Center, Inc. and Subsidiaries
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of St. Thomas Community Health Center, Inc. and Subsidiaries (a nonprofit organization; the Clinic) which comprise the consolidated statements of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated July 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Clinic's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 Clinic's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clinic'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 Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
July 30, 2024

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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

To the Board of Directors of
St. Thomas Community Health Center, Inc. and Subsidiaries
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited St. Thomas Community Health Center, Inc. and Subsidiaries' (the Clinic) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Clinic's major federal programs for the year ended December 31, 2023. The Clinic's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Clinic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
July 30, 2024

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures ($)	Amount Passed through to Subrecipient	Total Federal Expenditures ($)
Health Center Program Cluster					
Department of Health and Human Services					
COVID-19 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) [April 2021 - March 2023]	93.224	N/A	$ 87,862	$ -	$ 87,862
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) [March 2023 - February 2024]	93.224	N/A	1,916,682	-	1,916,682
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) [September 2023 - August 2024]	93.224	N/A	70,540	-	70,540
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) [March 2019 - February 2023]	93.224	N/A	373,139	-	373,139
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) [September 2023 - December 2024]	93.527	N/A	39,197	-	39,197
COVID-19 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) [December 2022 - May 2023]	93.527	N/A	234,469	-	234,469
Total Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			2,721,889	-	2,721,889
Total Health Center Program Cluster			2,721,889	-	2,721,889

(Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures ($)	Amount Passed through to Subrecipient	Total Federal Expenditures ($)
Health Center Infrastucture Support [September 2021 - September 2024]	93.526	N/A	307,748	-	307,748
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	N/A	93,591	-	93,591
Total Department of Health and Human Services			3,123,228	-	3,123,228
Total Expenditures of Federal Awards			$ 3,123,228	$ -	$ 3,123,228

(Concluded)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – This schedule includes the activity of St. Thomas Community Health Center, Inc. and Subsidiaries (the Clinic) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2: INDIRECT COST RATE

The Clinic has not elected to use the 10% de minimis indirect cost rate.

Note 3: LOAN

The Clinic did not expend federal awards related to loans or loan guarantees during the year.

Note 4: FEDERALLY FUNDED INSURANCE

The Clinic has no federally funded insurance.

Note 5: NONCASH ASSISTANCE

The Clinic did not receive any federal noncash assistance for the fiscal year ended December 31, 2023.

Note 6: RECONCILIATION OF FEDERAL EXPENDITURES TO FEDERAL REVENUE

Below is a reconciliation of the schedule of expenditures of federal awards to the grant revenues as presented on the consolidated statement of activities of the Clinic.

For the year ended December 31, 2023:	
Total federal expenditures	$ 3,123,228
Grant revenues not from federal awards	775,010
Total grant revenues	$ 3,898,238

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(es) identified?	None noted
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(es) identified?	None noted
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)?	No

Identification of major federal programs:

Assistance Listing Number	Federal Program or Cluster
93.224, 93.527	Health Center Program Cluster

Dollar threshold used to distinguish between type A and B programs was $750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes? Yes

Section II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS

Finding 2023-001 Noncompliance – LATE FILING FINDING

Criteria: Per Louisiana Revised Statute 24:513, the Clinic is required to complete and submit an audit to the Louisiana Legislative Auditor "within six months of the close of the local auditee's or vendor's fiscal year."

Condition: The Clinic did not complete and submit the audit to the Louisiana Legislative Auditor within the required time period.

Cause: The Clinic did not obtain a debt covenant waiver timely to ensure that the audit was submitted within the required time periods.

Effect: Federal, state, or local awards could be withheld if the required report is not submitted timely..

Recommendation: We recommend that the Clinic implement controls and processes to ensure all required reports are submitted timely.

Management Response: See corrective action plan on page 47.

Section III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

Section IV: SUMMARY OF PRIOR AUDIT FINDINGS

None noted.

ST THOMAS
COMMUNITY
HEALTH CENTER

July 30, 2024

Carr, Riggs & Ingram, LLC
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Metairie, LA 70002

RE: Management' s Response to Consolidated Financial Statement Findings

CORRECTIVE ACTION PLAN

Finding 2023-001 Noncompliance – LATE FILING FINDING
Planned Corrective Action: Management will implement processes to identify and obtain any necessary debt covenant waiver timely to ensure that the audit is submitted within the required time period.
Anticipated Completion Date: December 31, 2024
Responsible Party: Robert Darrow, CFO

Robert Darrow

Robert Darrow
Chief Financial Officer

St. Thomas Community Health Center, Inc. and Subsidiaries

AGREED-UPON PROCEDURES REPORT

December 31, 2023

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of St. Thomas Community Health Center
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, 2023 through December 31, 2023. St. Thomas Community Health Center, Inc. and Subsidiaries (the Center)'s management is responsible for those C/C areas identified in the SAUPs.

The Center 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, 2023 through December 31, 2023. 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 Center's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the Center's operations:

   a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.

   Results: No exceptions were found as a result of applying the procedure.

   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.

   Results: No exceptions were found as a result of applying the procedure.

c) *Disbursements,* including processing, reviewing, and approving.

Results: No exceptions were found as a result of applying the procedure.

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).

Results: No exceptions were found as a result of applying the procedure.

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 rates of pay or approval and maintenance of pay rate schedules.

Results: No exceptions were found as a result of applying the procedure.

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.

Results: No exceptions were found as a result of applying the procedure.

g) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Results: No exceptions were found as a result of applying the procedure.

h) *Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Results: No exceptions were found as a result of applying the procedure.

i) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Not applicable.

j) *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.

Results: No exceptions were found as a result of applying the procedure.

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.*

   Results: No exceptions were found as a result of applying the procedure.

   b) *Observe that the minutes reference or include financial activity relating to public funds if those public funds comprised more than 10% of the Center's collections during the fiscal period.*

   Results: No exceptions were found as a result of applying the procedure.

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

   Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

3. Obtain listing of the entities bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Center's main operating account. Select the Center'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);*

   Results: No exceptions were found as a result of applying the procedure.

   b) *Bank reconciliations included written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and*

   Results: No exceptions were found as a result of applying the procedure.

c) *Management has documentation reflecting that it has researched reconciling items that had been outstanding for more than 12 months from the statement closing date, if applicable.*

Results: No exceptions were found as a result of applying the procedure.

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).

Results: No exceptions were found as a result of applying the procedure.

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.*

Results: No exceptions were found as a result of applying the procedure.

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.*

Results: No exceptions were found as a result of applying the procedure.

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 posting to each other and to the deposit.*

Results: No exceptions were found as a result of applying the procedure.

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.*

Results: No exceptions were found as a result of applying the procedure.

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.

Results: No exceptions were found as a result of applying the procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliation" 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). Obtain supporting documentation for each of the 10 deposits and:

   a) *Observe that receipts are sequentially pre-numbered.*

   Results: No exceptions were found as a result of applying the procedure.

   b) *Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.*

   Results: No exceptions were found as a result of applying the procedure.

   c) *Trace the deposit slip total to the actual deposit per the bank statement.*

   Results: No exceptions were found as a result of applying the procedure.

   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).*

   Results: No exceptions were found as a result of applying the procedure.

   e) *Trace the actual deposit per the bank statement to the general ledger.*

   Results: No exceptions were found as a result of applying the procedure.

Non-payroll Disbursements (excluding card purchases, 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).

   Results: No exceptions were found as a result of applying the procedure.

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), 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.*

   Results: No exceptions were found as a result of applying the procedure.

b) *At least two employees are involved in processing and approving payments to vendors.*

Results: No exceptions were found as a result of applying the procedure.

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.*

Results: No exceptions were found as a result of applying the procedure.

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 payment.*

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

10. For each location selected under #8 above, obtain the Center'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, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the Center.*

Results: No exceptions were found as a result of applying the procedure.

b) *Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.*

Results: No exceptions were found as a result of applying the procedure.

11. Using the Center's main operating account and the month selected in Bank Reconciliations procedure #3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursement if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. ***Note***: *If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

Results: No exceptions were found as a result of applying the procedure.

Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

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

    Results: No exceptions were found as a result of applying the procedure.

13. 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.

    Results: No exceptions were found as a result of applying the procedure.

    b) Observe that finance charges and late fees were not assessed on the selected statements.

    Results: No exceptions were found as a result of applying the procedure.

14. Using the monthly statements or combined statement selected under #13 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 purpose/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 has a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increase scrutiny.

    Results: No exceptions were found as a result of applying the procedure.

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

15. 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:

    Results: No exceptions were found as a result of applying the procedure.

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).

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1g).

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

Contracts

16. Obtain from management a listing of all agreements/contracts for professional services, material and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. 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:

Results: No exceptions were found as a result of applying the procedure.

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.

Results: No exceptions were found as a result of applying the procedure.

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).

Results: No exceptions were found as a result of applying the procedure.

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).

Results: No exceptions were found as a result of applying the procedure.

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 condition of the contract.*

Results: No exceptions were found as a result of applying the procedure.

Payroll and Personnel

17. 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.

    Results: No exceptions were found as a result of applying the procedure.

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 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).*

    Results: No exceptions were found as a result of applying the procedure.

    b) *Observe whether supervisors approved the attendance and leave of the selected employees or officials.*

    Results: No exceptions were found as a result of applying the procedure.

    c) *Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.*

    Results: No exceptions were found as a result of applying the procedure.

    d) *Observe the rate paid to the employees or official agree to the authorized salary/pay rate found within the personnel file.*

    Results: No exceptions were found as a result of applying the procedure.

19. 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 official's authorized pay rates in the employee or official's personnel files, and agree the termination payment to entity policy.

    Results: Exception noted – For one employee selected, the pay rate used in management's termination payment calculation was incorrect.

20. 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.

    Results: No exceptions were found as a result of applying the procedure.

Debt Service

21. Obtain a listing of bonds/notes and other debt instrument 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 as required by Article VII, Section 8 of the Louisiana Constitution.

Results: Not applicable.

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).

Results: Not applicable.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representations 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 as required by R.S. 24:523.

Results: No exceptions were found as a result of applying the procedure.

24. Observed that 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.

Results: No exceptions were found as a result of applying the procedure.

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 (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.*

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

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.*

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

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.*

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

26. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

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

27. Using the 5 randomly selected employees/officials from Payroll and Personnel procedures #17 obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirement are as follows:

- Hired before June 9, 2020 - completed the training;

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

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

We were engaged by the Center 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 perform 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 the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is 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.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
July 30, 2024

ST THOMAS
COMMUNITY
HEALTH CENTER

July 30, 2024

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
3850 North Causeway Boulevard
Suite 1400, Two Lakeway Center
Metairie, LA 70002

RE: Management' s Response to Statewide Agreed-Upon Procedures
St. Thomas Community Health Center, Inc.

Dear Sirs:

St. Thomas Community Health Center, Inc. will review policies and procedures in regard to the comments for each financial function and make appropriate changes that will improve operations and internal controls in each area that are cost effective and within our budget constraints.

Sincerely,

Robert Darrow

Robert Darrow
Chief Financial Officer