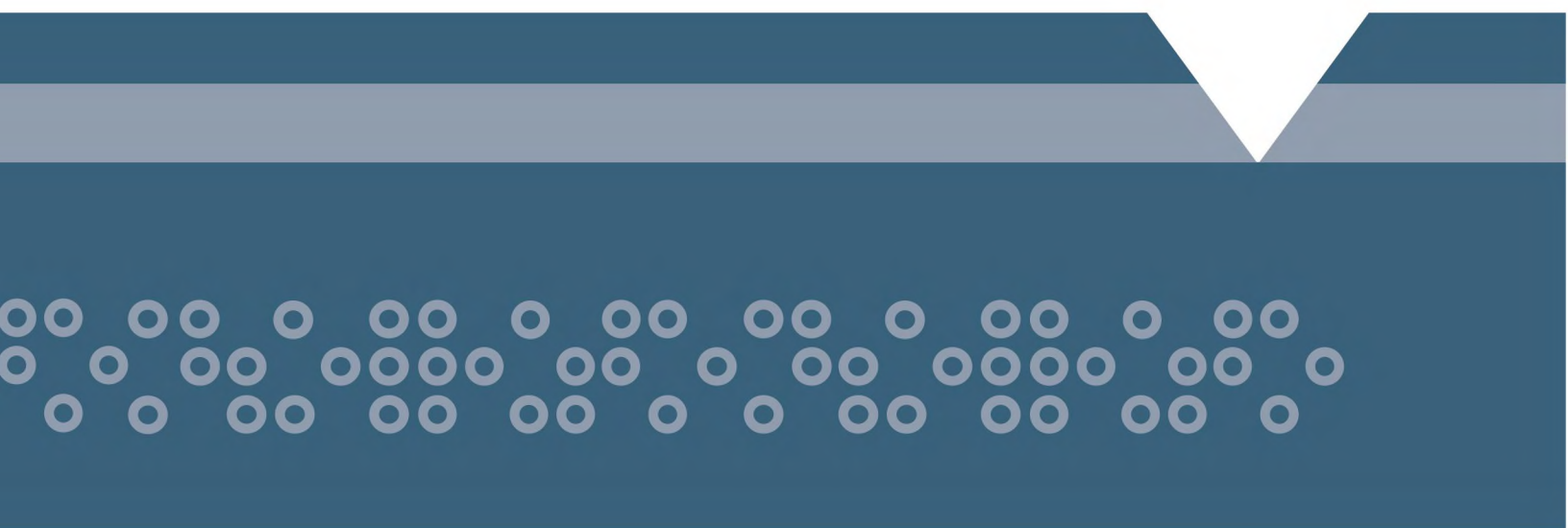


Pinnacle Family Health, Inc.

West Monroe, Louisiana

Annual Financial Report

December 31, 2022 and 2021



CERTIFIED PUBLIC
ACCOUNTANTS

PINNACLE FAMILY HEALTH, INC.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2022 AND 2021
TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-18

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Compensation, Reimbursements, Benefits and Other Payments to Agency Head	21

OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance	24-25
Schedule of Findings and Questioned Costs	26
Schedule of Prior Audit Findings	27

AUDITED FINANCIAL STATEMENTS



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Board of Directors
Pinnacle Family Health, Inc.

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pinnacle Family Health, Inc. (formerly Greater Ouachita Coalition for Providing Aids Resources and Education)(a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinnacle Family Health, Inc. as of December 31, 2022 and 2021, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pinnacle 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on page 19 and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 June 23, 2023 on our consideration of Pinnacle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pinnacle's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pinnacle's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
June 23, 2023

PINNACLE FAMILY HEALTH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents	1,933,635	1,216,394
Investments	137,734	162,378
Grants receivable	543,063	441,274
340B program receivable	639,810	470,629
Medical services accounts receivable, net	44,994	60,172
Inventories	38,626	44,210
Total current assets	<u>3,337,862</u>	<u>2,395,057</u>
<u>Other assets:</u>		
Tenant improvements in progress	463,480	-
Property and equipment, net	269,639	299,969
	<u>733,119</u>	<u>299,969</u>
TOTAL ASSETS	<u><u>4,070,981</u></u>	<u><u>2,695,026</u></u>
LIABILITIES AND NET ASSETS		
<u>Current liabilities:</u>		
Accounts Payable	220,806	175,297
340B program overpayment liability	731,800	-
Accrued expenses	45,858	51,544
Current portion of long-term debt	3,629	595
Total current liabilities	<u>1,002,093</u>	<u>227,436</u>
<u>Long-term liabilities</u>		
Deferred compensation liability	104,171	-
Long-term debt, net of current portion	146,371	149,405
	<u>250,542</u>	<u>149,405</u>
Total liabilities	<u>1,252,635</u>	<u>376,841</u>
Net Assets		
Without Donor Restrictions		
Undesignated	2,818,346	2,318,185
Total net assets without donor restrictions	<u>2,818,346</u>	<u>2,318,185</u>
Total Net Assets	<u>2,818,346</u>	<u>2,318,185</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>4,070,981</u></u>	<u><u>2,695,026</u></u>

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

PINNACLE FAMILY HEALTH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Support and Revenues		
Federal grant funding	2,503,602	1,868,297
Governmental grants other	2,500	-
Nongovernmental grants	12,500	10,000
Contributions	9,081	9,457
340B revenue	6,918,979	5,398,688
Medical service income, net	780,583	740,951
Net investment return	(22,326)	18,719
Total Support and Revenue	10,204,919	8,046,112
 Expenses		
Program Services		
Part C Ryan White	502,359	544,169
Part C Ryan White - COVID	-	17,389
Part B Ryan White	1,562,011	859,817
Part B Ryan White - COVID	16,321	-
FQHC LAL Clinic and 340B	6,031,622	4,376,166
LAL COVID	-	46,192
Prevention and Wellness	58,389	44,189
ARP - LAL	234,208	144,993
Broadway Cares	6,462	3,784
Total Program Services	8,411,372	6,036,699
Supporting Services		
Management & General	1,293,386	624,048
Total Supporting Services	1,293,386	624,048
Total Expenses	9,704,758	6,660,747
 Change in Net Assets	500,161	1,385,365
 NET ASSETS AT BEGINNING OF YEAR	2,318,185	932,820
 NET ASSETS AT END OF YEAR	2,818,346	2,318,185

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

PINNACLE FAMILY HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Medical Clinic &340B
	Part C Ryan White	Part B Ryan White		Medical / Related Services	
		TBRA	STRMU		
Bank charges	-	-	-	-	-
Advertising	-	-	-	-	-
Continuing education	-	-	-	-	8,395
Cleaning	-	-	-	-	2,077
Contract labor	16,571	-	-	-	71,804
Dues and subscriptions	-	-	-	-	21,113
Building expense	-	550	-	-	-
Miscellaneous	-	-	-	-	10,466
Office expense	-	68,798	-	-	12,777
Professional fees	-	-	-	-	1,946
Postage	-	11,163	-	-	-
Telephone and internet	-	24,487	-	-	16,431
Utilities	-	18,220	-	-	9,190
Direct assistance:					
Food	-	513,000	-	-	-
HIV Clinic	11,248	-	-	-	-
Dental	32,775	-	-	-	-
Housing	-	34,596	90,639	1,095	-
Medicine	-	-	-	-	4,995,509
Transportation	-	78,984	-	-	2,627
Utilities	-	-	1,865	2,288	-
Other	-	-	-	-	-
Medical expense	-	6,395	-	-	-
Educational materials	-	-	-	-	-
Equipment rental	-	-	-	-	172
Equipment repairs	-	-	-	-	-
Insurance	-	29,484	-	-	27,195
Health insurance	22,722	50,959	-	-	38,130
Workman's compensation	-	3,896	-	-	102
Rent	-	69,711	-	-	36,437
Salaries and wages	379,652	490,247	17,613	-	692,048
Deferred compensation	-	-	-	-	-
Retirement	11,050	8,337	-	-	21,756
Payroll taxes	28,135	34,167	3,170	-	47,089
Interest expense	-	-	-	-	-
Travel	206	105	-	-	-
Vehicle expense	-	2,242	-	-	10,258
Total expenses before depreciation	<u>502,359</u>	<u>1,445,341</u>	<u>113,287</u>	<u>3,383</u>	<u>6,025,522</u>
Depreciation	-	-	-	-	6,100
Total expenses, year ended December 31, 2022	<u><u>502,359</u></u>	<u><u>1,445,341</u></u>	<u><u>113,287</u></u>	<u><u>3,383</u></u>	<u><u>6,031,622</u></u>

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

PINNACLE FAMILY HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Program Services						Supporting Services	Totals
Prevention and Wellness		Part B	Broadway	ARP	Total	Administrative	2022
Prevention	Wellness	Covid 19	Cares	LAL		Expense	
-	-	-	-	-	-	3,415	3,415
-	-	-	-	-	-	11,207	11,207
-	-	-	-	-	8,395	-	8,395
-	-	-	-	-	2,077	519	2,596
-	-	-	-	-	88,375	-	88,375
-	-	-	-	-	21,113	5,525	26,638
-	-	-	-	63	613	185,044	185,657
142	-	-	-	-	10,608	9,870	20,478
279	-	-	-	-	81,854	69,835	151,689
-	-	-	-	-	1,946	54,583	56,529
-	-	-	-	-	11,163	3,762	14,925
-	-	-	-	-	40,918	5,270	46,188
-	-	-	-	-	27,410	1,622	29,032
-	-	-	-	-	513,000	-	513,000
-	-	-	-	-	11,248	-	11,248
-	-	-	-	-	32,775	-	32,775
-	-	1,591	2,694	-	130,615	-	130,615
-	-	-	-	-	4,995,509	-	4,995,509
-	-	-	-	-	81,611	-	81,611
-	-	5,794	3,768	-	13,715	-	13,715
-	189	8,936	-	-	9,125	67,858	76,983
-	-	-	-	-	6,395	151,992	158,387
8,876	-	-	-	-	8,876	-	8,876
-	-	-	-	-	172	12,369	12,541
-	-	-	-	-	-	6,439	6,439
-	-	-	-	-	56,679	3,022	59,701
5,898	-	-	-	2,666	120,375	25,420	145,795
-	-	-	-	-	3,998	68	4,066
-	-	-	-	14,400	120,548	-	120,548
37,978	-	-	-	187,545	1,805,083	461,365	2,266,448
-	-	-	-	-	-	104,171	104,171
1,426	-	-	-	2,420	44,989	14,504	59,493
2,820	-	-	-	14,853	130,234	31,392	161,626
-	-	-	-	-	-	4,110	4,110
781	-	-	-	-	1,092	43,219	44,311
-	-	-	-	4,836	17,336	-	17,336
58,200	189	16,321	6,462	226,783	8,397,847	1,276,581	9,674,428
-	-	-	-	7,425	13,525	16,805	30,330
58,200	189	16,321	6,462	234,208	8,411,372	1,293,386	9,704,758

PINNACLE FAMILY HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Medical Clinic &340B
	Part C	Part B Ryan White			
	Ryan White	Medical Services	TBRA	STRMU	
Bank charges	-	-	-	-	-
Advertising	-	-	-	-	-
Continuing education	-	663	-	-	3,858
Cleaning	-	4,680	-	-	8,098
Contract labor	18,921	100	-	-	79,613
Dues and subscriptions	-	-	-	-	18,393
Building expense	-	-	-	-	17,000
Miscellaneous	-	10	-	-	3,194
Office expense	-	14,190	-	-	26,869
Professional fees	-	-	-	-	-
Postage	-	16,561	-	-	32
Telephone	-	10,666	-	-	22,566
Utilities	-	8,489	-	-	11,004
Direct assistance:	-	-	-	-	-
Food	-	254,775	-	-	-
Health support	14,843	-	-	-	-
HIV Clinic	-	-	-	-	2,412
Dental	15,161	-	-	-	-
Housing	-	2,058	54,926	3,556	-
Medicine	-	-	-	-	3,202,584
Transportation	-	40,650	-	-	3,467
Utilities	-	-	1,268	2,318	321
Other	23,943	-	-	-	47,241
Medical expense	-	2,002	-	-	156,659
Educational materials	-	-	-	-	-
Equipment rental	-	923	-	-	6,498
Equipment repairs	-	-	-	-	100
Insurance	-	1,811	-	-	48,882
Health insurance	24,872	47,509	-	-	26,240
Workman's compensation	-	1,272	-	-	2,349
Rent	-	36,250	-	-	67,960
Salaries and wages	403,845	322,653	-	-	557,071
Retirement	11,687	7,642	-	-	20,246
Payroll taxes	30,897	24,312	-	-	40,999
Interest expense	-	-	-	-	-
Travel	-	533	-	-	191
Vehicle expense	-	-	-	-	2,319
Total expenses before depreciation	544,169	797,749	56,194	5,874	4,376,166
Depreciation	-	-	-	-	-
Total expenses, year ended December 31, 2021	<u>544,169</u>	<u>797,749</u>	<u>56,194</u>	<u>5,874</u>	<u>4,376,166</u>

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

PINNACLE FAMILY HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Program Services						Supporting Services	Totals	
Prevention and Wellness		Part C	LAL	Broadway	ARP	Total	Administrative	2021
Prevention	Wellness	Covid 19	Covid 19	Cares	LAL		Expense	
-	-	-	-	-	-	-	2,435	2,435
-	1,396	-	-	-	-	1,396	4,097	5,493
-	-	-	-	-	-	4,521	-	4,521
295	-	1,734	78	-	-	14,885	2,024	16,909
-	-	-	3,429	-	5,860	107,923	-	107,923
-	-	-	-	-	-	18,393	4,589	22,982
-	-	-	-	-	-	17,000	44,643	61,643
-	-	30	25	-	-	3,259	8,752	12,011
176	523	8,070	3,449	-	26,020	79,297	49,125	128,422
-	-	-	-	-	-	-	24,757	24,757
194	-	-	-	-	-	16,787	2,988	19,775
1,476	-	925	-	-	-	35,633	7,079	42,712
349	-	-	-	-	-	19,842	1,898	21,740
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	254,775	-	254,775
-	-	-	-	-	-	14,843	-	14,843
-	891	-	-	-	-	3,303	-	3,303
-	-	-	-	-	-	15,161	-	15,161
-	-	-	-	2,271	-	62,811	-	62,811
-	-	-	-	-	-	3,202,584	-	3,202,584
-	-	-	-	-	-	44,117	-	44,117
-	-	-	-	1,513	-	5,420	-	5,420
-	-	-	-	-	-	71,184	-	71,184
-	-	4,962	411	-	-	164,034	-	164,034
5,725	-	-	-	-	-	5,725	-	5,725
37	35	-	-	-	-	7,493	-	7,493
-	-	1,668	-	-	-	1,768	675	2,443
604	-	-	-	-	5,659	56,956	5,430	62,386
2,902	-	-	4,371	-	3,368	109,262	17,494	126,756
-	-	-	-	-	-	3,621	1,565	5,186
4,338	-	-	-	-	7,200	115,748	-	115,748
22,356	-	-	25,056	-	84,913	1,415,894	369,879	1,785,773
855	-	-	626	-	1,296	42,352	13,496	55,848
1,699	-	-	2,131	-	6,965	107,003	27,332	134,335
-	-	-	-	-	-	-	6,531	6,531
338	-	-	-	-	-	1,062	12,453	13,515
-	-	-	516	-	-	2,835	-	2,835
41,344	2,845	17,389	40,092	3,784	141,281	6,026,887	607,242	6,634,129
-	-	-	6,100	-	3,712	9,812	16,806	26,618
41,344	2,845	17,389	46,192	3,784	144,993	6,036,699	624,048	6,660,747

PINNACLE FAMILY HEALTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Changes in net assets	500,161	1,385,365
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on investments	27,651	(11,167)
Depreciation expense	30,330	26,618
(Increase) decrease in:		
Grants receivable	(101,789)	(331,815)
340B receivable	(169,181)	64,931
Medical services accounts receivable, net	15,178	67,933
Inventories	5,584	(101)
Increase (decrease) in:		
Accounts Payable	45,509	(209,653)
340B program overpayment liability	731,800	-
Accrued expenses	(5,685)	22,767
Deferred compensation liability	104,171	-
Net cash provided by operating activities	<u>1,183,729</u>	<u>1,014,878</u>
Cash Flow From Investing Activities		
Proceeds from sale of investments	39,633	22,943
Purchase of investments	(42,641)	(28,291)
Payments for tenant improvements in progress	(463,480)	-
Purchase of property and equipment	-	(257,123)
Net cash used in investing activities	<u>(466,488)</u>	<u>(262,471)</u>
Increase in Cash	717,241	752,407
Cash at Beginning of Year	<u>1,216,394</u>	<u>463,987</u>
Cash at End of Year	<u><u>1,933,635</u></u>	<u><u>1,216,394</u></u>
Supplemental Disclosures		
Cash paid for interest	<u>10,000</u>	<u>-</u>

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

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Organization

The mission of the Pinnacle Family Health, Inc. (Pinnacle) is to provide accessible, comprehensive, and high-quality healthcare, behavioral health, and support services for people in an affirming and inclusive setting, with a particular emphasis on people who are low-income and medically underserved, people who are LGBTQ+, and people living with HIV. Originally incorporated as Greater Ouachita Coalition Providing Aids Resources and Education, in anticipation of opening a new primary care clinic the organization changed its name to Pinnacle Family Health, Inc. in May, 2022, to more accurately describe the breadth of services provided to the community.

2. Summary of Significant Accounting Policies

The accounting policies of Pinnacle conform to generally accepted accounting principles as applicable to not-for-profit organizations. The more significant accounting policies of Pinnacle are described below:

Use of Estimates

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

Basis of Presentation

The financial statements of Pinnacle have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Pinnacle to report information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Pinnacle or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Pinnacle currently has only net assets without donor restrictions.

Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions, primarily personnel costs, are allocated on the basis of estimates of time and effort or other reasonable bases consistently applied.

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Programs

Pinnacle's principal programs and primary funding sources are:

Ryan White Part C Early Intervention Services (HIV Medical Care) Grant Program

The purpose of this program is to support outpatient HIV early intervention services and ambulatory care for uninsured/underinsured individuals through Early Intervention Services (EIS). This program allows grant recipients to enhance response to the HIV epidemic in their area through the provision of comprehensive primary HIV medical care and support services. Funding for this program is through the HIV/AIDS Bureau of the Health Resources and Services Administration of the U.S. Department of Health and Human Services.

Ryan White Part B HIV Care Grant Program

Supportive Services

The purpose of this program is to develop or enhance access to a comprehensive continuum of high-quality HIV care and treatment for low-income people living with HIV, with the goals of reducing HIV incidence, increasing access to care and optimizing health outcomes, and reducing HIV-related health disparities. Funding for this program is through the Louisiana Office of Public Health STD/HIV/Hepatitis Program.

Ryan White Part B HIV Care Grant Program

Housing Opportunities for Persons with AIDS

The purpose of this program is to provide housing opportunities for low-income persons living with HIV in order to prevent homelessness. Funding for this program is through the Louisiana Office of Public Health STD/HIV/Hepatitis Program.

HIV Prevention Grant Programs

The purpose of this program is to provide HIV testing, counseling, and prevention materials within Region 8. Funding for this program is through the Louisiana Office of Public Health STD/HIV/Hepatitis Program.

340B Drug Discount Program

Pinnacle is engaged in an agreement with Reliant Healthcare to stock prescription medications purchased at a discounted rate for the purpose of distribution to eligible patients of the health center. Pinnacle purchases the medications from wholesaler Morris and Dickson, and Reliant Healthcare holds and distributes them upon receipt of a valid medical provider's prescription. The agreement allows Pinnacle to receive reimbursement for the cost of the medication sold as well as 72.50% of the gross profit from the sale of the medications, less a flat fee of \$10.00 per prescription.

Federally Qualified Health Center Look-Alike (FQHC LAL)

Pinnacle has been designated as a Federally Qualified Health Center Look-Alike (FQHC LAL) by the Bureau of Primary Health Care (BPHC) of the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (DHHS) since November 01, 2019. The initial FQHC LAL designation period is from November 01, 2019 through April 30, 2023. The health center

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

currently operates as GO CARE Community Health Center (GCCHC). GCCHC strives to provide affirming and inclusive care that is affordable and comprehensive for children and adults in Northeast Louisiana. Comprehensive healthcare services are provided to people spanning in age from pediatrics to geriatrics. Additionally, GCCHC has implemented a Sliding Fee Discount Program for individuals whose income is below 200% of the Federal Poverty Guidelines and who are uninsured or underinsured.

During 2021, GCCHC received funding under the Look-Alike program for expanding capacity for Coronavirus testing (LAL-ECT), as well as the FY 2021 American Rescue Plan – Funding for Look-Alikes (ARP-LAL).

Cash and Cash Equivalents

Pinnacle considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Medical Services

Patient accounts receivable are reported at net realizable value. Pinnacle grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements, primarily with Medicare, Medicaid, and various commercial insurance companies. For receivables associated with services provided to patients who have third-party coverage, Pinnacle estimates net realizable value based on the estimated contractual reimbursement percentage, which in turn is based on current contract provisions and historical paid claims by payor. Pinnacle does not charge interest on past due accounts.

340B Program

The 340B Program receivable is the amount due from Reliant Healthcare for Pinnacle’s share of medications dispensed. The receivable is collected in the following month. Subsequent to year-end, an error was discovered by the 340B pharmacy that resulted in Pinnacle receiving duplicate payments for numerous claims in 2022. The total overpayment of \$731,800 is reflected in the financial statements as a current liability. The overpayment will be repaid in 2023.

Investments

Investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gain and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. Net investment return is reported net of external investment expense.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in that principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Pinnacle groups investments at fair value in up to three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Grants Receivable

Grants receivable represent amounts that have been expensed for grant purposes and are to be reimbursed in full by the grantor and have been promised over the next twelve months.

Inventories

Food card and stock medication inventories are stated at cost, first-in, first-out basis.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from three to twenty years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments. Fixed assets are composed of vehicles, equipment, and robots. Land was purchased in 2021 as the site of a new clinic building with construction planned for 2022. A different location was selected for the new clinic and the land is currently being held for investment.

	<u>2022</u>	<u>2021</u>
Land	220,000	220,000
Vehicles	67,623	67,623
Leasehold improvements	<u>50,417</u>	<u>50,417</u>
Total fixed assets	338,040	338,040
Less-accumulated depreciation	<u>(68,401)</u>	<u>(38,071)</u>
Fixed assets, net	<u>269,639</u>	<u>299,969</u>

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Revenue and Revenue Recognition

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, after contractual adjustments. Patient accounts receivable include charges for amounts due from Medicare, Medicaid, commercial insurers and self-pay patients. Contractual adjustments represent the differences between amounts billed as patient service revenue and amounts contracted with third party payors and are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

Pinnacle grants credit without collateral to its patients, most of whom are local residents insured under third-party payor agreements. Accounts receivable are reported at their net realizable value from third-party payors, patients, residents, and others for services rendered. Allowances (explicit price concessions) are provided for third-party payors based on estimated reimbursement rates. Allowances (implicit price concessions) are also provided for uncollectible accounts based on an estimate of ultimate collectability. Write-off of uncollectible accounts is determined on a case-by-case basis after a review of the circumstances surrounding individual patient accounts.

Contributions

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

Government Grants and Contracts

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Under ASU 2018-08, these arrangements constitute contributions since the grantor does not receive commensurate value for the consideration received by Pinnacle; rather the purpose of an arrangement is for the benefit of the general public. Therefore, Pinnacle's management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Under ASU 2018-08, a refundable advance is recorded when Pinnacle receives assets in advance of the satisfaction of the conditions within these arrangements. At December 31, 2022, and 2021 the organization had not received any cost-reimbursable grants for which the qualifying expenditures have not yet been incurred.

Economic Dependency

Pinnacle receives over 25% of its support through federal government grant funding and another 68% from its 340B Drug Program. The continued yearly renewal of these grants and continuation of the 340B drug program are vital to the continuation of the entity.

Compensated Absences

Employees of Pinnacle are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. Pinnacle does not accumulate vacation or sick

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

time. The estimate of the amount of compensation for future absences is immaterial and, accordingly, no liability has been recorded in the accompanying financial statements. Pinnacle's policy is to recognize the costs of compensated absences when paid to employees.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled \$11,207 and \$5,493 for the years ended December 31, 2022 and 2021, respectively.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Statement No. 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. This Statement outlines a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-t-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about an entity's leasing activities. Management evaluated the effects of Topic 842 and determined them to be immaterial to the financial statements. Management did not implement Topic 842.

3. Liquidity and Availability

Pinnacle regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Pinnacle considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date as of December 31, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,933,635	\$ 1,216,394
Investments	137,734	162,378
Grants receivable	543,063	441,274
340B program receivable	639,810	470,629
Medical services accounts receivable, net	<u>44,994</u>	<u>60,172</u>
	<u>\$ 3,299,236</u>	<u>\$ 2,350,847</u>

As part of its liquidity management plan, Pinnacle invests cash in excess of current requirements in mutual funds and in a separate checking account used as a reserve account to provide funds to cover expenditures when grant payments are delayed. The majority of Pinnacle's expenditures are based on government grant funding so that the amount of expenditures is directly related to grant funding available.

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

4. Investments

At December 31, 2022, investments are thirteen publicly traded mutual funds, which consist of nine stock-based funds six bond-based funds, five exchange traded products; and a money market fund. These investments are carried at fair value based on quoted prices in active markets on a trade-date basis and summarized as follows:

	As of December 31, 2022			As of December 31, 2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds	<u>140,506</u>	<u>137,734</u>	<u>(3,892)</u>	<u>137,003</u>	<u>162,378</u>	<u>25,295</u>

The primary investment objectives are liquidity and preservation of principal, while also earning a competitive market rate of return. The investment return and its classification can be found in the statements of activities.

5. Fair Value Measurements

The fair values of assets measured on a recurring basis are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
December 31, 2022		
Marketable securities	<u>137,734</u>	<u>137,734</u>
December 31, 2021		
Marketable securities	<u>162,378</u>	<u>162,378</u>

6. Inventories

Inventories at December 31, consisted of the following:

	2022	2021
Stock medications inventory	18,426	15,510
Food card inventory	<u>20,200</u>	<u>28,700</u>
Total	<u>38,626</u>	<u>44,210</u>

7. Economic Injury Disaster Loan

Pinnacle received an Economic Injury Disaster Loan (EIDL) in the amount of \$150,000 on May 15, 2020, due to the effects of the COVID-19 pandemic. The loan is payable in 360 monthly installments of \$641 including interest at 2.75%, originally beginning in April 2022. The SBA extended the due date of the first payment to November 15, 2022, thirty months from the note date. Although payments have begun, all payments made in 2022 were applied to accrued interest. The note is collateralized by all tangible and intangible personal property of the organization.

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Aggregate maturities of this loan as of December 31, 2022 are as follows:

2023	3,628
2024	3,730
2025	3,834
2026	3,941
2027	4,050
Thereafter	<u>130,817</u>
	<u>150,000</u>

8. Net Patient Service Revenue

During fiscal year 2020, Pinnacle adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, using the modified retrospective method (ASC 606). The overall impact of adoption was not material to the accompanying financial statements, with the primary changes related to presentation of certain information, as described below, and expanded disclosures related to revenue recognition principles, disaggregation of revenues and other matters.

As part of the adoption of ASC 606, Pinnacle elected certain available practical expedients under the standard. First, Pinnacle elected the practical expedient that allows nonrecognition of the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to Pinnacle's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. Any financing component is not deemed to be significant to the respective contracts. Additionally, Pinnacle has applied the practical expedient whereby all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that Pinnacle otherwise would have recognized is one year or less in duration.

Management has determined that Pinnacle has an unconditional right to payment only subject to the passage of time for services provided to date based on just the need to finalize billing for such services (i.e., charge lag) at the balance sheet date. Pinnacle provides outpatient services only so there is minimal lag time between the date services are provided and the billing date. Thus, management has determined that Pinnacle does not have any amounts that should be reflected separately as contract assets.

As a result of the adoption of ASC 606, estimated uncollectible amounts from patients that were previously presented as the provision for uncollectible accounts in the statements of activities are now considered implicit price concessions (as defined in ASC 606) and, therefore, included in net patient service revenue. Such implicit price concessions reflected in net patient service revenue in the accompanying financial statements for the year ended December 31, 2022 and 2021 were \$27,019 and \$90,159. Implicit price concessions are presented as a direct reduction of patient accounts receivable.

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

9. Related Parties

Pinnacle Asset Holdings, LLC (Holdings) was organized in 2022 as a 501(c)(2) organization to purchase the property that will be renovated for a new community health center facility expected to open in early 2024. Renovations began in 2023 and once completed, the facility will be leased to Pinnacle. Although Holdings has its own separate board of directors, Holdings and Pinnacle share a common officer. To date, Pinnacle has contributed \$463,480 toward construction costs and are shown as tenant improvements in progress in the financial statements. Pinnacle will also guarantee the notes payable with Homeland Bank that Holdings will incur related to the purchase and renovation of the facility building.

10. Financial Instruments

Concentrations of Credit Risk

Financial instruments that potentially expose Pinnacle to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. Pinnacle has not experienced any losses on its cash equivalents. Pinnacle's investments do not represent significant concentrations of market risk in as much as Pinnacle's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

Collateralization Policy

Pinnacle does not require collateral to support financial instruments subject to credit risk unless otherwise disclosed.

11. Income Taxes

Pinnacle is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Pinnacle is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, Pinnacle must assess whether it has any tax positions associated with unrelated business income subject to income tax. Pinnacle does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in Pinnacle's accounting records.

Pinnacle is required to file U.S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2019 and beyond remain subject to examination by the Internal Revenue Service.

12. Lease Expense

Pinnacle is obligated under a lease agreement for the building in which it operates. Beginning June 1, 2018, a new lease agreement was signed following the completion of improvements to additional space for expanded clinic operations, which is subject to automatic renewal and the monthly payment is \$7,746. The monthly lease payment of \$7,746 is effective for the initial term of June 1, 2018 – May 31, 2023. Because of the planned move into the new facility in early 2024, the lease will be on a month-to-month basis at the end of the lease term.

PINNACLE FAMILY HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Effective January 15, 2021 Pinnacle signed a two-year lease for the property adjacent to the office location to be used as staff parking. The monthly lease payment is \$1,100 for the lease term. This lease will also be on a month-to-month basis at the end of the lease term.

Effective May 6, 2021 Pinnacle signed an eighteen-month lease for additional office space. The new office space will be used for administrative offices. The monthly lease payment is \$1,200 for the lease term. Because of the planned move to the new facility, this lease will not be renewed.

The rental expense relative to these leases was \$120,548 and \$115,748 for the years ended December 31, 2022 and 2021, respectively.

Pinnacle leases four copy machines under operating leases expiring in 2025 and one copy machine lease ending in 2026. The rental expense under these leases was \$7,896 and \$7,493 for the years ended December 31, 2022 and 2021, respectively, including charges for copies in excess of contract amounts.

Future minimum rental commitments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	47,726
2024	7,896
2025	7,896
2026	7,896
Later years	-
	<u>71,414</u>

13. Employee Benefits

In January, 2021 Pinnacle adopted the Acuff and Associates, Inc. Prototype 401(k) Profit-Sharing Plan. The plan covers all employees age 21 or older with one year of service. The Company contributes to the 401(k) plan an amount equal to 100% of the participant's elective deferral contribution up to 4% of compensation and may contribute additional amounts at the option of Pinnacle's Board of Directors. Contributions related to the plan for the year ended December 31, 2022 and 2021 , were \$59,493 and \$55,848, respectively.

Effective July 1, 2022 Pinnacle adopted a Retention Incentive arrangement for the Chief Executive Officer under which, upon his departure in good standing from his position with Pinnacle, he will be paid the equivalent of one month's salary for each full year served as Chief Executive Officer, beginning on July 1, 2017. The liability for this arrangement as of December 31, 2022, was \$104,171 and is reflected in the financial statements as deferred compensation expense and liability.

Pinnacle also adopted a Section 162 Executive Bonus Plan for the Chief Executive Officer and Chief Financial Officer under which an annual bonus is paid to each in the form of a non-qualified deferred annuity. Both officers are immediately fully vested in the Bonus Plan.

14. Subsequent Events

Management evaluates events and transactions that occur after the balance sheet date but before the financial statements are made available. Management evaluated such events and transactions through June 23, 2023, the date for which financial statements were made available for distribution, and noted no significant subsequent events as of this date.

SUPPLEMENTARY INFORMATION

PINNACLE FAMILY HEALTH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	
<u>United States Department of Health and Human Services</u>		
Passed Through Louisiana Office of Public Health:		
HIV Care Formula Grants	93.917	1,445,341
HIV Care Formula Grants- COVID 19 Response	93.917	<u>16,321</u>
		1,461,662
Housing Opportunities for Persons with AIDS	14.241	<u>116,670</u>
		1,578,332
HIV Prevention Activities - Health Dept Based	93.940	58,200
Wellness Center Project	93.940	<u>189</u>
		<u>58,389</u>
Total Passthrough Awards		<u>1,636,721</u>
<u>United States Department of Health and Human Services</u>		
Direct Programs:		
Ryan White Part C Outpatient EIS Program	93.918	<u>502,359</u>
		<u>502,359</u>
Grants for New and Expanded Services under the Health Center Program - American Rescue Plan Act	93.527	<u>226,783</u>
		<u>226,783</u>
Total Direct Awards		<u>729,142</u>
Total Federal Expenditures		<u>2,365,863</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

PINNACLE FAMILY HEALTH, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Pinnacle Family Health, Inc. under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pinnacle Family Health, Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of Pinnacle Family Health, Inc.

2. Summary of Significant Accounting Policies

- a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) Pinnacle Family Health, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Pinnacle Family Health, Inc. did not expend any federal awards in the form of noncash assistance during the fiscal year. No federal awards were passed through to subrecipients.

PINNACLE FAMILY HEALTH, INC.
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2022

Agency Head: Mark Windham

Salary and expense account	\$250,000
Bonus	42,486
Benefits-insurance	6,829
Benefits-retirement	10,000
Benefits – mileage reimbursement	1,132

OTHER REPORTS



PREMIER PLAZA
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Board of Directors
Pinnacle Family Health, Inc.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pinnacle Family Health, Inc. (a nonprofit organization) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Pinnacle's basic financial statements, and have issued our report thereon dated June 23, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pinnacle's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pinnacle's internal control. Accordingly, we do not express an opinion of the effectiveness of Pinnacle's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pinnacle's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
June 23, 2023



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1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

Board of Directors
Pinnacle Family Health, Inc.

**Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited Pinnacle Family Health, Inc.’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pinnacle Family Health, Inc.’s major federal programs for the year ended December 31, 2022. Pinnacle Family Health, Inc.’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and responses.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Pinnacle Family Health, Inc.’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pinnacle Family Health, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pinnacle Family Health, Inc.’s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
June 23, 2023

PINNACLE FAMILY HEALTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

A. Summary of Audit Results

1. The auditors' report expressed an unmodified opinion on the financial statements of the Pinnacle Family Health, Inc. (Pinnacle).
2. No material weaknesses or significant deficiencies in internal control relating to the audit of the financial statements are reported.
3. No instances of noncompliance were disclosed during the audit.
4. No material weaknesses in internal control over compliance relating to the audit of a major federal award program are reported.
5. The auditor's report on compliance for the major federal award programs for Pinnacle expresses an unmodified opinion.
6. There were no audit findings relative to major federal award programs for Pinnacle.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Pinnacle was determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

None

PINNACLE FAMILY HEALTH, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

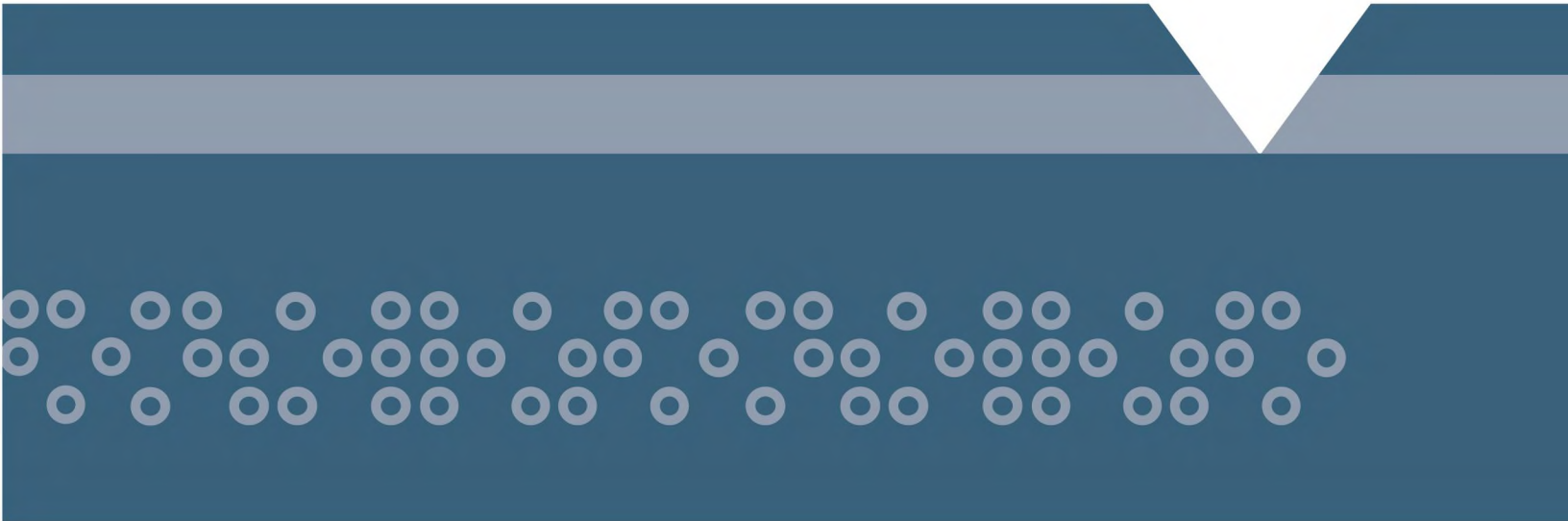
Findings – Financial Statement Audit

None

Pinnacle Family Health, Inc.

West Monroe, Louisiana

Statewide Agreed-Upon Procedures Report 2022



CERTIFIED PUBLIC
ACCOUNTANTS



PREMIER PLAZA
1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

Board of Directors
Pinnacle Family Health, Inc.
West Monroe, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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, 2022 through December 31, 2022. Management of Pinnacle Family Health, Inc. (Pinnacle) is responsible for those C/C areas identified in the SAUPs. These Statewide Agreed-Upon Procedures were applied only to Pinnacle's control and compliance areas, as these are the areas that involve the use of public monies.

Pinnacle 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, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

The entity has an adequate policy regarding budgeting.

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.

The entity has an adequate policy regarding purchasing.

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

The entity has an adequate policy regarding disbursements.

- 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).

The entity has an adequate policy regarding receipts/collections.

- 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.

The entity has an adequate policy regarding payroll/personnel.

- 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.

The entity has an adequate policy regarding contracting.

- g) **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)

The entity has an adequate policy regarding credit cards.

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

The entity has an adequate policy regarding travel and expense reimbursements.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable to Pinnacle as a non-profit organization.

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

Not applicable to Pinnacle as a non-profit organization.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software

patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The entity has an adequate policy regarding information technology disaster recovery/business continuity.

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

Not applicable to Pinnacle as a non-profit organization.

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.

The board and executive committee met with a quorum on a frequency in accordance with the entity's bylaws.

- b) For those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

The minutes referenced monthly financial statements that included activity relating to public funds.

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

Not applicable; no audit findings were identified.

Bank Reconciliations

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

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

Bank reconciliations were prepared for each account selected and included evidence of having been prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include 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 (e.g., initialed and dated, electronically logged); and

Bank reconciliations evidenced review by an independent member of management.

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

Entity has reconciling items over 12 months. However, the listing is substantially less than in prior years. Entity is researching and clearing reconciling items, not considered an exception.

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).

A listing of deposit sites was obtained from management.

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.

Each employee responsible for collecting cash does not share the cash drawer with another employee.

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

Entity has an employee who opens the mail receiving checks also makes deposits, however, all collection documents and deposits are reconciled and approved by the CFO.

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

Each employee responsible for collecting cash does not post collection entries to the general or subsidiary ledgers.

- 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, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

The employee responsible for reconciling cash collections to the general or subsidiary ledgers is not responsible for collecting cash.

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

The entity is covered for theft under an insurance policy that was in effect during the fiscal period.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliation procedure #3 (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

No exceptions.

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

No exceptions.

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

No exceptions.

- d) Observe that 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).

No exceptions.

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

No exceptions.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of locations was obtained from management.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

An employee can initiate a purchase request, which is then approved by a supervisor or purchasing agent.

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

The bookkeeper processes vendor payments and payments are approved by the CEO or, if over \$1,000, by the CEO and an authorized board member.

- 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.

The CFO has the ability to modify/add vendor files; however, she does not process payments.

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

All checks are signed by the CEO, his assistant to mails the checks. She has no responsibilities with processing payments.

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

All electronics disbursements of funds are approved by the CEO.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe whether the disbursement, whether by paper or electronic means, matched the related original invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

For all selections, no exceptions noted.

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

For all selections, no exceptions noted.

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

For all selections, no exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-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, 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.

A listing of locations was obtained from management.

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) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Someone other than the cardholder approved, in writing, all five cards selected.

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

Finance charges and late fees were not assessed on the selected statements.

14. Using the monthly statements or combined statements selected under procedure #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 that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

There were four findings in the transactions tested. One transaction did not have the original receipt to support the transaction, this is considered an exception. Three transactions did not have the purpose or did not list the meal participants, these transactions will not be considered an exception. These three transactions did not use public funds.

Management's Response: For missing receipts management will utilize a form to appropriately document the requirements herein. Management's approval will be required.

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:

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

No exceptions noted.

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

No exceptions noted.

- 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 Policies and Procedures procedure #1.h).

No exceptions noted.

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

No exceptions noted.

Contracts

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

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

Not applicable.

- 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).

No exceptions to procedure noted.

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

No amendments to the contracts noted; therefore, this procedure is not applicable.

- 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 that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions to procedure noted.

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.

Obtained listing from Management and agreed selected employees' salaries and pay rates without exception.

- 18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #17 above, obtain attendance records and leave documentation for the pay period, and:

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

No exceptions noted.

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

No exceptions noted.

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

Records covering accrued and used leave appear reasonable.

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

No exceptions noted.

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 policy on termination payments. Agree the hours to the employee's or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

No exceptions noted.

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.

Management's representation was obtained covering these statements.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

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

Not applicable to Pinnacle as a non-profit organization.

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

Not applicable to Pinnacle as a non-profit organization.

22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not applicable to Pinnacle as a non-profit organization.

Debt Service

Not applicable since the entity is a nonprofit.

Fraud Notice

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

N/A – no misappropriations of public funds identified during the fiscal period.

24. Observe 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.

No exceptions noted.

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 there is no written documentation, then 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 entity's local server or network, and (c) was encrypted.

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 there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

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.

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.

No exceptions noted.

Prevention of Sexual Harassment

Not applicable since the entity is a nonprofit.

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

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

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

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
June 23, 2023