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**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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## TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 3
 <u>CONSOLIDATED FINANCIAL STATEMENTS</u>	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 23
 <u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	24
Consolidating Statements of Financial Position	25 - 26
Consolidating Statements of Activities and Changes in Net Assets	27 - 28
 <u>INDEPENDENT AUDITORS' 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></u>	
	29 - 30

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Ascension DePaul Services  
New Orleans, Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Ascension DePaul Services (the Organization), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, 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 present fairly, in all material respects, the financial position of Ascension DePaul Services as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ascension DePaul Services 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 consolidated 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 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 consolidated financial statements as a whole. The accompanying schedule of Compensation, Benefits, and Other Payments to Agency Head, Consolidating Statements of Financial Position, and Consolidating Statements of Activities and Changes in Net Assets are presented for purposes of additional analysis and are 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 schedule of Compensation, Benefits, and Other Payments to Agency Head, Consolidating Statements of Financial Position, and Consolidating Statements of Activities and Changes in Net Assets are 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 October 25, 2022, on our consideration of the Organization’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 the Organization’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 the Organization’s internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
October 25, 2022

**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 8,732,157	\$ 8,224,719
Investments	6,225,174	6,603,383
Patient receivables	124,867	153,310
Grants receivable	207,877	111,001
Other receivable	329,511	-
Due from affiliate, net	1,819,897	1,820,832
Prepaid expenses, inventory and other assets	203,820	204,574
Total current assets	17,643,303	17,117,819
<b><u>NON-CURRENT ASSETS</u></b>		
Property, equipment, and improvements, net	15,513,083	16,301,886
	15,513,083	16,301,886
<b><u>TOTAL ASSETS</u></b>	<b>\$ 33,156,386</b>	<b>\$ 33,419,705</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ 898,954	\$ 543,082
Accrued salaries and vacation pay	1,937,176	1,826,347
Self insurance liability	304,988	304,988
Deferred revenue	297,393	490,453
Total current liabilities	3,438,511	3,164,870
<b><u>NON-CURRENT LIABILITIES</u></b>		
Accrued pension	648,975	1,126,012
Total non-current liabilities	648,975	1,126,012
<b><u>TOTAL LIABILITIES</u></b>	<b>4,087,486</b>	<b>4,290,882</b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions	28,884,357	28,955,139
With donor restrictions	184,543	173,684
<b><u>TOTAL NET ASSETS</u></b>	<b>29,068,900</b>	<b>29,128,823</b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 33,156,386</b>	<b>\$ 33,419,705</b>

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

**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTION</u></b>		
Patient service fees	\$ 1,037,348	\$ 781,031
Grants and contributions of cash and other financial assets:		
Marillac Mission Fund	3,155,850	2,421,554
State of Louisiana - WIC	410,775	502,245
Other	565,852	426,322
Contributions of nonfinancial assets	22,132	852,635
Special event income (loss), net of expenses of \$45,286 and \$2,644, respectively	(16,675)	11,287
Rental income	127,568	139,743
Lease and other income from affiliate	29,560,913	27,255,382
Proceeds from business interruption claim	77,070	-
Net assets released from restrictions	228,108	130,818
	<u>35,168,941</u>	<u>32,521,017</u>
<b><u>TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTION</u></b>		
	<u>35,168,941</u>	<u>32,521,017</u>
<b><u>OPERATING EXPENSES</u></b>		
Health care services	29,329,964	25,658,620
Management and general	6,972,667	6,121,245
	<u>36,302,631</u>	<u>31,779,865</u>
<b><u>TOTAL OPERATING EXPENSES</u></b>		
	<u>36,302,631</u>	<u>31,779,865</u>
<b><u>INCOME (LOSS) FROM OPERATIONS</u></b>	(1,133,690)	741,152
<b><u>OTHER INCOME (EXPENSE)</u></b>		
Contribution to affiliate	-	(153,166)
Investment income (loss), net	(195,729)	1,314,176
Pension related changes other than net periodic pension cost	477,037	-
Insurance proceeds related to property and equipment	781,600	-
Contribution of net assets assumed in merger	-	1,248,099
	<u>(70,782)</u>	<u>3,150,261</u>
<b><u>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</u></b>		
	<u>(70,782)</u>	<u>3,150,261</u>
<b><u>NET ASSETS WITH DONOR RESTRICTION</u></b>		
Grants and contributions	185,634	42,856
Construction grant	53,333	80,000
Net assets released from restrictions	(228,108)	(130,818)
	<u>10,859</u>	<u>(7,962)</u>
<b><u>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</u></b>		
	<u>10,859</u>	<u>(7,962)</u>
<b><u>CHANGE IN NET ASSETS</u></b>	(59,923)	3,142,299
<b><u>NET ASSETS</u></b>		
Beginning of year	29,128,823	25,986,524
End of year	<u>\$ 29,068,900</u>	<u>\$ 29,128,823</u>

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



**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>				<b>2021</b>			
	Health Care Services	Management and General	Fundraising	Totals	Health Care Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 17,388,859	\$ 3,936,762	\$ -	\$ 21,325,621	\$ 15,619,836	\$ 3,424,305	\$ -	\$ 19,044,141
Employee benefits	2,830,067	1,097,963	-	3,928,030	2,579,364	845,345	-	3,424,709
Supplies	1,991,808	86,188	-	2,077,996	1,550,769	83,889	-	1,634,658
Purchased services	1,186,503	534,963	-	1,721,466	957,188	414,884	-	1,372,072
Professional fees	1,285,741	176,630	-	1,462,371	1,302,053	139,274	-	1,441,327
Depreciation	1,012,222	107,684	-	1,119,906	1,004,326	155,916	-	1,160,242
Disaster Recovery	759,180	-	-	759,180	-	-	-	-
Utilities	651,599	87,514	-	739,113	686,095	91,667	-	777,762
Rent	634,632	21,898	-	656,530	492,243	16,284	-	508,527
Insurance	407,614	58,867	-	466,481	368,275	54,783	-	423,058
Consumer awareness	44,254	374,390	-	418,644	12,934	340,745	-	353,679
Janitorial services	399,045	632	-	399,677	310,186	10,176	-	320,362
Security	327,032	945	-	327,977	328,523	-	-	328,523
Office expenses	151,291	99,832	-	251,123	110,454	92,655	-	203,109
External staffing	139,443	89,170	-	228,613	213,361	345,909	-	559,270
Miscellaneous	11,683	149,852	-	161,535	5,334	57,504	-	62,838
Travel, meetings, and conferences	41,459	94,329	-	135,788	33,140	39,896	-	73,036
Repairs and maintenance	48,492	7,540	-	56,032	45,147	2,544	-	47,691
Bank charges	1,069	44,577	-	45,646	33,782	442	-	34,224
Special events	-	-	45,286	45,286	-	-	2,644	2,644
Vehicle maintenance	17,971	2,931	-	20,902	5,610	5,027	-	10,637
<b>Total expenses by function</b>	<b>29,329,964</b>	<b>6,972,667</b>	<b>45,286</b>	<b>36,347,917</b>	<b>25,658,620</b>	<b>6,121,245</b>	<b>2,644</b>	<b>31,782,509</b>
Less: expenses included with revenues on the statements of activities and changes in net assets								
Special event expenses	-	-	(45,286)	(45,286)	-	-	(2,644)	(2,644)
<b>Total expenses included in the expense section on the statements of activities and changes in net assets</b>	<b>\$ 29,329,964</b>	<b>\$ 6,972,667</b>	<b>\$ -</b>	<b>\$ 36,302,631</b>	<b>\$ 25,658,620</b>	<b>\$ 6,121,245</b>	<b>\$ -</b>	<b>\$ 31,779,865</b>

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

**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (59,923)	\$ 3,142,299
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,119,906	1,160,242
Unrealized loss (gain) on investments	485,000	(628,737)
Contribution of net assets assumed in merger	-	(1,248,099)
Contributed property capitalized	(22,132)	(852,635)
Insurance proceeds related to property and equipment	(781,600)	-
Changes in assets and liabilities:		
(Increase) decrease in operating assets:		
Patient receivables	28,443	(23,584)
Grants receivable	(96,876)	70,407
Other receivable	(329,511)	-
Due from affiliate	935	(173,535)
Prepaid expenses, inventory and other assets	754	(44,062)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	355,872	26,846
Accrued pension, salaries and vacation pay	(366,208)	290,073
Deferred revenue	(193,060)	56,106
Net cash provided by operating activities	141,600	1,775,321
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Net sales and (purchases) of investments	(106,791)	91,526
Property and equipment purchases	(308,971)	(171,709)
Insurance proceeds related to property and equipment	781,600	-
Cash received in merger	-	1,421,629
Net cash provided by investing activities	365,838	1,341,446
<b><u>NET CHANGE IN CASH</u></b>	507,438	3,116,767
<b><u>CASH</u></b>		
Beginning of year	8,224,719	5,107,952
End of year	\$ 8,732,157	\$ 8,224,719

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

# **ASCENSION DEPAUL SERVICES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Organization and Mission**

#### **Organizational Structure**

Ascension DePaul Services (the Organization) is a member of Ascension Health. In December 2011, Ascension Health Alliance, doing business as Ascension, became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries. In addition to serving as the sole corporate member of Ascension Health, Ascension serves as the member or shareholder of various other subsidiaries. Ascension, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province, the Congregation of St. Joseph, the Congregation of the Sisters of St. Joseph of Carondelet, the Congregation of Alexian Brothers of the Immaculate Conception Province – American Province and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

Ascension DePaul Services, headquartered in New Orleans, Louisiana, is a nonprofit Health Ministry. The Health Ministry provides outpatient health care services. The Health Ministry is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of Ascension Health are related to providing health care services.

Ascension DePaul Services in Arkansas doing business as DePaul Community Health Centers merged with and into Ascension DePaul Services in New Orleans, Louisiana effective January 1, 2021. Thus, as of January 1, 2021, the Organization provides services to residents in the greater New Orleans, Louisiana and Dumas, Arkansas areas.

#### **Mission**

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve persons living in poverty and other vulnerable persons of the community, including victims of substance abuse, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Organization and Mission (continued)**

##### **Mission (continued)**

Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated using internal cost data and is estimated by reducing charges forgone by a factor derived from the ratio of total operating expenses to billed charges for patient care.

#### **2. Summary of Significant Accounting Policies**

##### **Description of Business and Basis of Presentation**

The consolidated financial statements include Ascension DePaul Services (ADS) and its controlled subsidiaries Daughters of Charity Services of New Orleans Foundation (DCSNOF), Daughters of Charity Services of New Orleans East (DCSNOE), and Ascension DePaul Foundation of New Orleans, L.L.C. (ADFNO) (collectively, the Organization). ADS, DCSNOF, and DCSNOE are each 501(c)(3) exempt organizations. ADFNO is a wholly owned subsidiary which is disregarded for income tax purposes. The Organization provides health care services, counseling, and educational assistance to men, women, and children in the New Orleans area and reports to the national organization, Ascension Health.

##### **Organization and Income Taxes**

ADS is a nonprofit corporation organized under the laws of the State of Louisiana in 1996.

DCSNOF was incorporated in the state of Louisiana on November 23, 2009. The sole mission of the foundation is to provide financial resources for the execution of the mission of ADS.

DCSNOE was incorporated in the state of Louisiana on January 24, 2012. The primary purpose of the corporation is to further the tradition of healing and service to the sick and poor established by St. Vincent dePaul, St. Louise de Marillac, and St. Elizabeth Ann Seton and exemplified by the philosophy and mission of ADS.

ADS, DCSNOF, and DCSNOE are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and each qualify as an organization that is not a private foundation as defined in Section 509(a) of the Code. Each of these entities is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

ADFNO was incorporated in the state of Louisiana on September 18, 2012. The sole mission of the foundation is to provide financial resources for the execution of the mission of ADS.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Organization and Income Taxes (continued)**

The Organization applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits or liabilities that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Organization has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with more than a 50% likelihood of being sustained upon examination by the taxing authorities.

##### **Basis of Accounting**

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised. In-kind donations are recognized at their fair market value when received.

##### **Principles of Consolidation**

The consolidated financial statements include the financial statements of ADS and the subsidiaries in which ADS has a controlling interest and economic benefit: DCSNOF, DCSNOE, and ADFNO. All significant intercompany balances and transactions have been eliminated in consolidation.

##### **Financial Statement Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization 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 the Organization. These net assets may be used at the discretion of the Organization’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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Restrictions temporary in nature are described in Note 4. The Organization had no restrictions that were perpetual in nature as of June 30, 2022 and 2021.

##### **Cash**

The Organization considers cash to be all cash deposits in financial institutions.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Use of Estimates**

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the useful lives and valuation of property and equipment and the valuation of receivables and investments. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

##### **Grants, Contributions of Cash and Other Financial Assets, and Revenue Recognition**

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of 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 substantially met.

The Organization also receives support in the form of grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures (refundable advances) are reported as deferred revenue in the Consolidated Statements of Financial Position.

Grants and contributions are recorded as revenue or support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions. Grant revenue restricted to capital improvements is deferred and recognized as the grantor's restrictions expire or are met by the Organization. Grants receivable are reflected on the consolidated statements of financial position based on the expected timing of payment from the grantor.

##### **Contributions of Nonfinancial Assets**

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the Consolidated Statements of Activities and Changes in Net Assets included contributions of property and equipment. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The contributed property and equipment will be used for program and general and administrative activities. In valuing the contributed property and equipment, the Organization estimated the value on the basis of (1) estimated fair value based on the donor's recent purchase price as well as current average price for similar items located on a publicly available website, or (2) current price located on a publicly available website for identical or similar assets.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Patient Service Fees and Revenue Recognition**

Patients are expected to pay for services rendered at the time services are provided. If a patient is unable to pay at the time of service, a receivable is recorded. Patients are sent a billing statement within a month following the date of visit and every month thereafter. Receivables are recorded at estimated net realizable value.

The collection of outstanding receivables from Medicare, Medicaid, commercial payors, other third-party payors and patients is the primary source of cash and is critical to operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding.

Patient service fees represent the estimated net realizable amounts from patients, third party payors, and others for services rendered. Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from payors. Estimates of contractual allowances (explicit price concessions) under commercial health plans are based upon the payment terms specified in the related contractual agreements. The Organization extends credit to patients, as well as to third-party intermediaries responsible for medical services provided to patients. The Organization provides discounts from gross charges to uninsured patients who do not qualify for Medicaid. The balance in patient accounts receivable is presented net of contractual adjustments (explicit price concessions) and an estimated provision for doubtful accounts (implicit price concessions).

The Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The allowance for doubtful accounts relates primarily to amounts related to patient care and is based upon management of the Organization's review of aging of outstanding receivables, historical collection information, and existing economic conditions. Patient accounts receivable are due in full when billed. Interest is not charged on past due accounts. The Organization determines its estimate of implicit price concessions based on its historical collection experience with each financial class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach. Accounts are written off when all reasonable internal and external collection efforts have been performed or when the accounts reach 365 days old.

## ASCENSION DEPAUL SERVICES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Summary of Significant Accounting Policies (continued)

##### Patient Service Fees and Revenue Recognition (continued)

The Organization has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) ASC 606-10-32-18 and 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 Organization'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 payor pays for that service will be one year or less.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Performance obligations satisfied over time relate to patients receiving services in the Organization's outpatient clinics. The Organization measures the performance obligation from the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services and over a period of less than one day.

Substantially all of the Organization's patient service fees are revenues whose performance obligations are met over time. The Organization does not have performance obligations that are unsatisfied or partially unsatisfied at June 30, 2022 or 2021.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The estimated reimbursement amounts are made on a payor-specific basis and are recorded based on the best information available regarding management's interpretation of the applicable laws, regulations and contract terms. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in commercial contractual terms resulting from contract renegotiations and renewals. Due to the complexities involved in the classification and documentation of health care services authorized and provided, the estimation of revenues earned and the related reimbursement are often subject to interpretations that could result in payments that are different from the Organization's estimates.

The Organization does not pursue collection of amounts related to patients who meet guidelines to qualify as charity care. The federal poverty level is established by the federal government and is based on income and family size. The Organization provides discounts from gross charges to uninsured patients who do not qualify for Medicaid or charity care. These discounts are similar to those provided to many local commercial plans. After the discounts are applied, the Organization is still unable to collect a significant portion of uninsured patients' accounts, and records significant provisions for doubtful accounts (based upon historical collection experience) related to uninsured patients in the period the services are provided.

The allowance for contractual adjustments was \$78,440 and \$110,165, respectively, at June 30, 2022 and 2021. The allowance for uncollectible accounts was \$191,348 and \$162,837, respectively, at June 30, 2022 and 2021. The Organization has not changed its charity care or uninsured discount policies during fiscal years 2022 or 2021. The Organization maintains an allowance for doubtful accounts from third-party payors, which pertain to uncollectible claims from prior periods.



## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. Summary of Significant Accounting Policies (continued)**

##### **340B Program Revenue**

The Organization participates in the 340B Drug Pricing Program (340B Program) administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Revenue and expenditures related to this program are recorded once the prescription drugs are transferred to the patient. Laws and regulations surrounding the 340B drug program are complex and are subject to interpretation and change.

##### **Lease and Other Income from Affiliate**

The Organization recognizes revenue from the affiliate when the performance obligations of transferring the goods or providing the services are met. Revenues related to leases are recognized monthly as the leased facilities are used or services are provided.

##### **Operating Income (Loss)**

The consolidated statements of activities and changes in net assets include the line item entitled “income (loss) from operations.” Income or loss from operations includes, but is not limited to, patient revenues, contributions and grants without donor restriction, rental income, and other income. Changes in net assets without donor restriction which are excluded from operating income include certain contributions to affiliates, investment income, pension, and other non-operating activities.

##### **Investments**

The Organization maintains an investment in the Ascension Investment Management (AIM) investment pool managed by Ascension Health for its member institutions. Net earnings of the AIM are allocated to investing participants on a pro rata basis. The AIM investments consist primarily of U.S. Government obligations, corporate obligations, marketable equity securities, and loans receivable from member institutions. Investments are carried at market value, less any outstanding checks. Net investment income (loss) is reported in the consolidated statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

##### **Inventory**

Inventories include freight-in and materials, and are stated at the lower of cost (on a first-in, first-out basis) or net realizable value. Provision is made for slow-moving, obsolete or unusable inventory.

##### **Property, Equipment, and Improvements**

Property, equipment, and leasehold improvements are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Donated property is recorded at its fair market value at the date of donation.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Property, Equipment, and Improvements (continued)**

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended June 30, 2022 or 2021.

Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statement of activities and changes in net assets.

##### **Lease Expenses**

The Organization leases various operating facilities under operating leases which are cancelable. Total rental expense is included in the Consolidated Statements of Functional Expenses.

##### **Allocated Expenses**

The financial statements report certain categories of expenses that are attributable to either health care services or management and general services of the Organization. The majority of expenses incurred by the organization are directly attributable to one of these two categories. However, management has allocated depreciation on the basis of square footage.

##### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes in net assets.

##### **Change in Accounting Principle**

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The Organization adopted this ASU during the year ended June 30, 2022. The ASU was applied on a retrospective basis, and the adoption had no impact to net assets as of June 30, 2022 or 2021.

## ASCENSION DEPAUL SERVICES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Summary of Significant Accounting Policies (continued)

##### Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the statements of financial position as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This standard will be applicable for the Organization's fiscal year ending June 30, 2023. The Organization is currently assessing the impact of this pronouncement on its consolidated financial statements.

#### 3. Liquidity and Availability of Resources

As of June 30, 2022, the Organization has a working capital of \$14,204,792. Financial assets available for general expenditure within one year as of June 30, consist of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 8,732,157	\$ 8,224,719
Investments	6,225,174	6,603,383
Patient receivables	124,867	153,510
Grants receivable	207,877	111,001
Other receivable	329,511	-
Due from affiliate, net	1,819,897	1,820,832
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 17,439,483</u>	<u>\$ 16,913,445</u>

As part of the Organization's liquidity management plan, excess cash is transferred to the Ascension Investment Management (AIM) investment pool, which is managed by Ascension Health for its member institutions. These funds primarily consist of U.S. government obligations, corporate obligations, marketable equity securities, and loans receivable from member institutions.

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

## ASCENSION DEPAUL SERVICES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 4. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted by grantors and donors for specific programs, purposes, or for use in subsequent periods. These restrictions are considered to expire when the restriction has been met. Net assets with donor restrictions at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Formation (purpose)	\$ 34,061	\$ 34,061
Rednu fund (purpose)	32,219	21,524
FISH program (purpose)	16,656	16,475
Providence EAP funds (purpose)	14,431	19,933
Disaster Recovery (purpose)	5,699	-
Thriving readers (purpose)	4,738	6,515
Other grants (purpose)	76,739	75,176
	<u>\$ 184,543</u>	<u>\$ 173,684</u>

#### 5. Property, Equipment and Improvements

At June 30 the cost of property, equipment and improvements was as follows:

	<u>2022</u>	<u>2021</u>	<u>Useful lives</u>
Land	\$ 2,566,198	\$ 2,566,198	
Building	23,010,765	23,010,765	5 - 20 years
Leasehold improvements	617,511	617,511	15 - 20 years
Furniture and equipment	6,985,916	6,723,686	5 - 20 years
Vehicles	389,704	389,704	5 years
Construction in progress	100,113	31,238	
	<u>33,670,207</u>	<u>33,339,102</u>	
Less accumulated depreciation	<u>(18,157,124)</u>	<u>(17,037,216)</u>	
Total property and equipment, net	<u>\$ 15,513,083</u>	<u>\$ 16,301,886</u>	

## ASCENSION DEPAUL SERVICES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 6. Patient Service Revenue

The Organization receives payments for patient services from the federal government under the Medicare program, state governments under their respective Medicaid or similar programs, commercial plans, private insurers, and directly from patients. Revenues from third-party payors and the uninsured for the years ended June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Medicare	\$ 216,453	\$ 197,063
Medicaid	826,575	1,222,799
Commercial and other insurers	732,692	417,223
Self-pay	283,842	176,302
Gross patient revenues	2,059,562	2,013,387
Contractual adjustments (implicit price concessions)	(680,818)	(749,249)
Provision for doubtful accounts (explicit price concessions)	(341,396)	(483,107)
Patient service fees	<u>\$ 1,037,348</u>	<u>\$ 781,031</u>

#### 7. Transactions with Affiliates

The Organization participates in the Ascension Health Retirement Plan. During the years ended June 30, 2022 and 2021, the Organization was allocated part of the Plan's net periodic pension costs as described in Note 9 – Employee Benefit Plans.

Various insurance coverages are maintained by Ascension Health for the benefit of its member organizations. The Organization participated in several group insurance policies including professional/general liability, malpractice, worker's compensation, property, automobile, directors and officers, etc.

The Organization receives yearly allocations from the national Daughters of Charity Foundation (DCF). DCF also provides additional funding for certain projects in which the Organization participates. Amounts received from the Daughters of Charity Foundation are reported in the Consolidated Statement of Activities and Changes in Net Assets.

For the years ended June 30, 2022 and 2021, the Organization had \$329,511 and \$0, respectively, due from Ascension Risk Services (a related entity) included in other receivable in the Consolidated Statements of Financial Position.

The Organization entered into an affiliation agreement with Marillac Community Health Centers (MCHC) effective March 1, 2012. Under the terms, the Organization provides leased employees, building space, equipment, supplies, and other services to MCHC in order for MCHC to provide primary care and preventative services and facilitate access to comprehensive health and social services for medically-underserved persons in the greater New Orleans area. The affiliation agreement shall continue indefinitely unless it is amended or terminated. Termination can occur with or without cause by either party.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **7. Transactions with Affiliates (continued)**

As consideration for the Organization's provision of these goods and services, the Organization bills MCHC on a monthly basis for the fees incurred. Leased employees are charged at a ratable amount of their wages for the period based on the allocation of their time with an additional allocation for benefits. Paid time off for leased employees is charged as an expense to MCHC with the ultimate liability recorded on the Organization's books. Building space is charged at \$14 per square foot for space assigned to MCHC as stipulated in the affiliation agreement. Equipment is charged at the monthly rate of depreciation for items with a remaining net book value plus 10%. Purchased services for billing are charged 6.5% and 6% of net revenue collections remitted to the Organization during the years ended June 30, 2022 and 2021. During the years ended June 30, 2022 and 2021, pharmacy administrative services were charged at a rate of \$18.00 per prescription. All other services are based on internal allocation assessments.

During the years ended June 30, 2022 and 2021, total billings from the agreement to MCHC were \$29,560,913 and \$27,255,382, respectively, of which \$1,912,536 and \$2,005,164 relate to pharmacy administrative services, respectively. The Organization donated \$0 and \$153,166, respectively, to MCHC for the years ended June 30, 2022 and 2021. At June 30, 2022, the Organization has a receivable of \$2,561,840 which offsets the payable of \$741,943. At June 30, 2021, the Organization has a receivable of \$2,495,896 which offsets the payable of \$675,064. Management of the Organization determined that no provision related to this balance is required at June 30, 2022 and 2021. Thus, the due from affiliate balance is \$1,819,897 and \$1,820,832 at June 30, 2022 and 2021, respectively, as presented in the Consolidated Statements of Financial Position.

As discussed in Note 15, the Organization had claims with Ascension Risk Services during 2022 related to impacts from Hurricane Ida and a fire.

#### **8. Concentrations of Risk**

Health care counseling services and educational assistance are provided to clients who reside primarily in the New Orleans area. In addition, a substantial portion of net patient service fees and reimbursements are provided for by federal agencies.

During the years ended June 30, 2022 and 2021, the Organization received approximately 72% and 56%, respectively, of its grant and contribution revenue from one source. The ability of the Organization to continue functioning at its current level of operations is dependent upon its ability to generate similar future support.

The Organization has an affiliation agreement with MCHC, as described in Note 7. During the years ended June 30, 2022 and 2021, the amount due from MCHC was 5.7% and 5.4%, respectively, of total assets of the Organization. Lease and other income from MCHC totaled 84.1% and 83.8%, respectively, of total revenues, gains, and other support without donor restriction during the years ended June 30, 2022 and 2021, respectively.

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time the amounts on deposit may exceed the federally insured limits.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **9. Employee Benefit Plans**

The Organization participates in the Ascension Health Retirement Plan (the Plan), which is a non-contributory defined benefit pension plan covering all eligible employees of Ascension Health entities. Plan benefits are based on each participant's years of service and compensation. Plan assets are invested in a master trust consisting of cash and cash equivalents, equities, fixed income funds and alternative investments. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. Contributions to the Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to Plan participants. The Organization made no contributions to the plan for the years ended June 30, 2022 and 2021.

Net periodic pension expense (benefit) was (\$477,037) and \$0 for the years ended June 30, 2022 and 2021, respectively. The service cost component of net periodic pension cost charged to the Organization is actuarially determined while other components are allocated based on the Organization's pro rata share of Ascension Health's overall projected benefit obligation. The net pension liability was \$648,975 and \$1,126,012 at June 30, 2022 and 2021, respectively.

The Organization maintains a defined contribution retirement plan, which allows participants to contribute by salary reduction pursuant to Section 403(b) of the Internal Revenue Code. For employees hired beginning January 1, 2013, employee contributions are matched by the Organization at a rate of 50% percent of the first 6% percent of earnings contributed by employees. The Organization's contributions are fully vested to the employee after three years of service for employees hired after January 1, 2013. For employees hired prior to January 1, 2013, employee contributions are matched by the Organization at a rate of one dollar for each three dollars of employee contributions up to 5% of an employee's salary. For employees hired prior to January 1, 2013, the Organization's contributions became fully vested to the employee after five years of service to the Organization.

Beginning January 1, 2013, an employer automatic contribution amount is based on years of benefit service from a contribution of no less than \$1,400, or from 2% to 3.5% of earnings based on years of benefit service from less than 5 to more than 15 years.

Employer automatic contributions are vested after completing a vesting service requirement (usually three or five years). The Organization's contributions to the plan totaled \$670,184 and \$580,535, respectively, for the years ended June 30, 2022 and 2021.

## ASCENSION DEPAUL SERVICES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **10. Fair Value Measurements**

The Organization applies fair value accounting which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described below:

*Level 1* – valuation is based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market.

*Level 2* – valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

*Level 3* – valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization maintains an investment in the Ascension Investment Management (AIM) investment pool (also referred to as the "Alpha Fund") managed by Ascension Health for its member institutions. The values of the Organization's investments in this pool are based on information provided by Ascension Health. These investments are measured at fair value using the net asset value per share (or its equivalent) as provided by Ascension Health and are considered to be Level 2 investments the fair value hierarchy. There have been no changes in the methodology used as of June 30, 2022 and 2021.

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



## ASCENSION DEPAUL SERVICES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 11. Contingencies

The Organization is, from time to time, involved in certain claims and legal actions arising in the normal course of business. The Organization is not aware of any pending lawsuits, but the Organization believes that any potential claims resulting from litigation and not covered by insurance would not materially affect the consolidated financial statements.

The Organization participated in a number of state and federally-assisted grant programs in fiscal years 2022 and 2021. The programs are subject to compliance audits. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The Organization believes that the amount of disallowances, if any, which may arise from future audits, will not be material to the consolidated financial statements.

The provision of healthcare services entails an inherent risk of liability. Participants in the healthcare industry are subject to lawsuits alleging malpractice, violation of false claims acts, product liability, or other related legal theories, many of which involve large claims and significant defense costs. Like many other entities engaged in the healthcare industry in the United States, the Organization has the potential for liability claims, disputes and legal actions for professional liability and other related issues. It is expected that the Organization will continue to be subject to such suits as a result of the nature of its business. Further, as with all healthcare providers, the Organization is periodically subject to the increased scrutiny of regulators for issues related to compliance with healthcare fraud and abuse laws and with respect to the quality of care provided to its patients. Like other healthcare providers, in the ordinary course of business, the Organization is also subject to claims made by employees and other disputes and litigation arising from the conduct of its business.

#### 12. Agreements

In July 2016, the Organization entered into a three-year agreement with Children’s Clinic of New Orleans, L.L.C. (CCNO) and MCHC to assume operations of a clinic operated by CCNO. Under the terms of the agreement, the Organization has assumed responsibility for operations at the clinic, including items such as employees and assets, and MCHC has assumed responsibility for the lease agreements effective September 2016. In July 2017, the lease agreement was automatically renewed and will continue to automatically renew in one-year terms until CCNO or MCHC gives termination notice.

#### 13. Leases

The Organization has entered into several operating leases for office space and buildings used in operations. Future minimum lease payments under the lease agreements are as follows at June 30, 2022:

2023	\$ 453,642
2024	285,144
2025	165,495
2026	178,128
2027	200,292
Thereafter	<u>954,552</u>
	<u>\$ 2,237,253</u>

Total rental expense on cancelable leases is included in the statements of activities and changes in net assets.

## **ASCENSION DEPAUL SERVICES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **14. Merger with Ascension DePaul Services d/b/a DePaul Community Health Centers**

Ascension DePaul Services doing business as DePaul Community Health Centers located in Arkansas merged with and into Ascension DePaul Services located in New Orleans, Louisiana effective January 1, 2021. Both are subsidiaries of Ascension Health and serve as community health and service agencies. The title of all assets and responsibilities for all liabilities of DePaul Community Health Centers located in Arkansas were transferred to Ascension DePaul Services located in New Orleans, Louisiana. As a result of the merger, the Organization reported a contribution of net assets of \$1,248,099 during the year ended June 30, 2021, which is reflected in the Consolidated Statements of Activities and Changes in Net Assets.

#### **15. Claims with Ascension Risk Services during 2022**

During the fiscal year ended June 30, 2022, the Organization was impacted by Hurricane Ida and a minor fire that took place at the Carrollton location. These events resulted in business disruption. The disruption was temporary and is not expected to impact the Organization going forward. Impacts to facilities were covered by insurance with Ascension Risk Services. Amounts received from Ascension Risk Services related to these events are reported as “Proceeds from business interruption claim” and “Insurance proceeds related to property and equipment” in the Consolidated Statements of Activities and Changes in Net Assets.

#### **16. Subsequent Events**

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued October 25, 2022, and determined that there were no additional subsequent events requiring disclosure. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

#### **17. Social Accountability (Unaudited)**

On an annual basis, the Organization reports its fulfillment of its religious, charitable, educational, scientific, and other philanthropic purposes. The following summarizes the Organization’s social accountability report. As evidence of public support for its works and validation of its charitable character, the Organization received approximately \$4.1 million and \$3.39 million for the years ended June 30, 2022 and 2021, respectively, from public foundations, corporations, private individuals and government contracts for services.

The Organization provides access to essential primary care, dental services, and mental health and social services in federally designated Health Professions Shortage areas, in neighborhoods in Jefferson and Orleans Parishes within Louisiana, as well as the cities of Dumas and Gould within Arkansas. Total service provided was 115,536 and 117,491 encounters for the years ended June 30, 2022 and 2021, respectively.

To increase financial access to these services, the Organization offers charity care. During the years ended June 30, 2022 and 2021, respectively, these fee reductions amounted to \$230,679 and \$151,894.

**SUPPLEMENTARY INFORMATION**

**ASCENSION DEPAUL SERVICES**  
**SCHEDULE OF COMPENSATION, BENEFITS, AND**  
**OTHER PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**Agency Head: Michael Griffin, President and Chief Executive Officer**

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Salary	\$ 58,698
Benefits - insurance	9,717
Benefits - retirement	2,380
Reimbursements	12,949
Travel	1,008
Registration fees	1,882
Special meals	3,454
	<u>\$ 90,088</u>

See accompanying independent auditors' report.

**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	<b><u>ASSETS</u></b>		<b><u>Consolidated</u></b>
	<b><u>ADS (1)</u></b>	<b><u>DCSNOF</u></b>	
<b><u>CURRENT ASSETS</u></b>			
Cash	\$ 8,732,157	\$ -	\$ 8,732,157
Investments	6,225,174	-	6,225,174
Patient receivables	124,867	-	124,867
Grants receivable	207,877	-	207,877
Other receivable	329,511	-	329,511
Due from affiliate, net	1,819,897	-	1,819,897
Prepaid expenses, inventory and other assets	203,820	-	203,820
Total current assets	17,643,303	-	17,643,303
<b><u>NON-CURRENT ASSETS</u></b>			
Property, equipment and improvements, net	15,513,083	-	15,513,083
<b><u>TOTAL ASSETS</u></b>	<b>\$ 33,156,386</b>	<b>\$ -</b>	<b>\$ 33,156,386</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable and accrued expenses	\$ 898,954	\$ -	\$ 898,954
Accrued salaries and vacation pay	1,937,176	-	1,937,176
Self insurance liability	304,988	-	304,988
Deferred revenue, current portion	297,393	-	297,393
Total current liabilities	3,438,511	-	3,438,511
<b><u>NON-CURRENT LIABILITIES</u></b>			
Accrued pension	648,975	-	648,975
Total non-current liabilities	648,975	-	648,975
<b><u>TOTAL LIABILITIES</u></b>	4,087,486	-	4,087,486
<b><u>NET ASSETS</u></b>			
Without donor restrictions	28,884,357	-	28,884,357
With donor restrictions	184,543	-	184,543
<b><u>TOTAL NET ASSETS</u></b>	29,068,900	-	29,068,900
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 33,156,386</b>	<b>\$ -</b>	<b>\$ 33,156,386</b>

(1) This column represents the consolidated results for the ADS and DCSNOE entities.

(continued)

**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2022 AND 2021**

	<b><u>ASSETS</u></b>		
	<b>2021</b>		<b><u>Consolidated</u></b>
	<b><u>ADS (1)</u></b>	<b><u>DCSNOF</u></b>	<b><u>Total</u></b>
<b><u>CURRENT ASSETS</u></b>			
Cash	\$ 8,224,719	\$ -	\$ 8,224,719
Investments	6,603,383	-	6,603,383
Patient receivables	153,310	-	153,310
Grants receivable	111,001	-	111,001
Other receivable	-	-	-
Due from affiliate, net	1,820,832	-	1,820,832
Prepaid expenses, inventory and other assets	204,574	-	204,574
Total current assets	17,117,819	-	17,117,819
<b><u>NON-CURRENT ASSETS</u></b>			
Property, equipment and improvements, net	16,301,886	-	16,301,886
<b><u>TOTAL ASSETS</u></b>	<b>\$ 33,419,705</b>	<b>\$ -</b>	<b>\$ 33,419,705</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable and accrued expenses	\$ 543,082	\$ -	\$ 543,082
Accrued salaries and vacation pay	1,826,347	-	1,826,347
Self insurance liability	304,988	-	304,988
Deferred revenue, current portion	490,453	-	490,453
Total current liabilities	3,164,870	-	3,164,870
<b><u>NON-CURRENT LIABILITIES</u></b>			
Accrued pension	1,126,012	-	1,126,012
Total non-current liabilities	1,126,012	-	1,126,012
<b><u>TOTAL LIABILITIES</u></b>	<b>4,290,882</b>	<b>-</b>	<b>4,290,882</b>
<b><u>NET ASSETS</u></b>			
Without donor restrictions	28,955,139	-	28,955,139
With donor restrictions	173,684	-	173,684
<b><u>TOTAL NET ASSETS</u></b>	<b>29,128,823</b>	<b>-</b>	<b>29,128,823</b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 33,419,705</b>	<b>\$ -</b>	<b>\$ 33,419,705</b>

(1) This column represents the consolidated results for the ADS and DCSNOE entities.

See accompanying independent auditors' report.

**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022		<b><u>Consolidated Total</u></b>
	<b><u>ADS (1)</u></b>	<b><u>DCSNOF</u></b>	
<b><u>REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTION</u></b>			
Patient service fees	\$ 1,037,348	\$ -	\$ 1,037,348
Grants and contributions of cash and other financial assets:			
Marillac Mission Fund	3,155,850	-	3,155,850
State of Louisiana - WIC	410,775	-	410,775
Other	565,852	-	565,852
Contributions of nonfinancial assets	22,132	-	22,132
Special event income (loss), net of expenses of \$45,286	(16,675)	-	(16,675)
Rental income	127,568	-	127,568
Lease and other income from affiliate	29,560,913	-	29,560,913
Proceeds from business interruption claim	77,070	-	77,070
Net assets released from restrictions	228,108	-	228,108
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTION</u></b>	35,168,941	-	35,168,941
<b><u>OPERATING EXPENSES</u></b>			
Health care services	29,329,964	-	29,329,964
Management and general	6,972,667	-	6,972,667
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL OPERATING EXPENSES</u></b>	36,302,631	-	36,302,631
	<hr/>	<hr/>	<hr/>
<b><u>INCOME (LOSS) FROM OPERATIONS</u></b>	(1,133,690)	-	(1,133,690)
<b><u>OTHER INCOME (EXPENSE)</u></b>			
Contribution to affiliate	-	-	-
Investment income, net	(195,729)	-	(195,729)
Pension related changes other than net periodic pension cost	477,037	-	477,037
Insurance proceeds related to property and equipment	781,600	-	781,600
Contribution of net assets assumed in merger	-	-	-
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL OTHER INCOME (EXPENSE)</u></b>	(70,782)	-	(70,782)
<b><u>NET ASSETS WITH DONOR RESTRICTION</u></b>			
Grants and contributions	185,634	-	185,634
Construction grant	53,333	-	53,333
Net assets released from restrictions	(228,108)	-	(228,108)
	<hr/>	<hr/>	<hr/>
<b><u>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</u></b>	10,859	-	10,859
<b><u>CHANGE IN NET ASSETS</u></b>			
	(59,923)	-	(59,923)
<b><u>NET ASSETS</u></b>			
Beginning of year	29,128,823	-	29,128,823
End of year	<u>\$ 29,068,900</u>	<u>\$ -</u>	<u>\$ 29,068,900</u>

(1) This column represents the consolidated results for the ADS and DCSNOE entities.

(continued)

**ASCENSION DEPAUL SERVICES**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2021		
	<u>ADS (1)</u>	<u>DCSNOF</u>	<u>Consolidated Total</u>
<b><u>REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTION</u></b>			
Patient service fees	\$ 781,031	\$ -	\$ 781,031
Grants and contributions of cash and other financial assets:			
Marillac Mission Fund	2,421,554	-	2,421,554
State of Louisiana - WIC	502,245	-	502,245
Other	426,322	-	426,322
Contributions of nonfinancial assets	852,635	-	852,635
Special event income, net of expenses of \$2,644	11,287	-	11,287
Rental income	139,743	-	139,743
Lease and other income from affiliate	27,255,382	-	27,255,382
Proceeds from business interruption claim	-	-	-
Net assets released from restrictions	130,818	-	130,818
	<u>32,521,017</u>	<u>-</u>	<u>32,521,017</u>
<b><u>TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTION</u></b>			
<b><u>OPERATING EXPENSES</u></b>			
Health care services	25,658,620	-	25,658,620
Management and general	6,121,245	-	6,121,245
	<u>31,779,865</u>	<u>-</u>	<u>31,779,865</u>
<b><u>TOTAL OPERATING EXPENSES</u></b>			
<b><u>INCOME (LOSS) FROM OPERATIONS</u></b>			
	741,152	-	741,152
<b><u>OTHER INCOME (EXPENSE)</u></b>			
Contribution to affiliate	(153,166)	-	(153,166)
Investment income, net	1,314,176	-	1,314,176
Pension related changes other than net periodic pension cost	-	-	-
Insurance proceeds related to property and equipment	-	-	-
Contribution of net assets assumed in merger	1,248,099	-	1,248,099
	<u>3,150,261</u>	<u>-</u>	<u>3,150,261</u>
<b><u>TOTAL OTHER INCOME (EXPENSE)</u></b>			
<b><u>NET ASSETS WITH DONOR RESTRICTION</u></b>			
Grants and contributions	42,856	-	42,856
Construction grant	80,000	-	80,000
Net assets released from restrictions	(130,818)	-	(130,818)
	<u>(7,962)</u>	<u>-</u>	<u>(7,962)</u>
<b><u>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</u></b>			
<b><u>CHANGE IN NET ASSETS</u></b>			
	3,142,299	-	3,142,299
<b><u>NET ASSETS</u></b>			
Beginning of year	25,986,524	-	25,986,524
End of year	<u>\$ 29,128,823</u>	<u>\$ -</u>	<u>\$ 29,128,823</u>

(1) This column represents the consolidated results for the ADS and DCSNOE entities.

See accompanying independent auditors' report.



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

To the Board of Directors  
Ascension DePaul Services  
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 Ascension DePaul Services (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 25, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 Organization’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 consolidated 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 Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Metairie, Louisiana  
October 25, 2022