MARILLAC COMMUNITY HEALTH CENTERS

FINANCIAL STATEMENTS

JUNE 30, 2023

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Marillac Community Health Centers
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Marillac Community Health Centers (the Organization), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Marillac Community Health Centers as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Marillac Community Health Centers 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.

Emphasis of Matters

As described in Note 12 to the financial statements, balance of accounts payable, net assets, and expenses as of and for the year ended June 30, 2022 have been restated. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance in connection with its implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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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 the Organization's ability to continue as a going concern within one year after the date that the 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 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 financial statements.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 November 30, 2023, 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
November 30, 2023

MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022 (restated)
CURRENT ASSETS		
Cash	$ 12,548,039	$ 6,795,114
Patient receivables	2,211,593	1,600,367
Grant receivable	1,491,299	1,562,869
Other receivable	122,975	667,037
Inventory	577,340	375,033
Prepaid expenses	59,913	84,565
Other current assets	11,000	11,000
Total current assets	17,022,159	11,095,985
NON-CURRENT ASSETS		
Property, equipment, and improvements, net	1,458,639	1,108,600
Right of use assets	1,586,077	-
	3,044,716	1,108,600
TOTAL ASSETS	$ 20,066,875	$ 12,204,585

LIABILITIES AND NET ASSETS

	2023	2022 (restated)
CURRENT LIABILITIES		
Due to affiliate	$ 1,853,861	$ 1,796,997
Accounts payable and accrued expenses	4,050,929	1,288,825
Accrued salaries and payroll taxes	23,085	35,728
Unearned revenue	2,341	2,341
Operating lease liabilities, current portion	773,332	-
Total current liabilities	6,703,548	3,123,891
LONG-TERM LIABILITIES		
Operating lease liabilities, non-current portion	826,427	-
TOTAL LIABILITIES	7,529,975	3,123,891
NET ASSETS		
Without donor restriction	12,471,670	9,039,757
With donor restriction	65,230	40,937
TOTAL NET ASSETS	12,536,900	9,080,694
TOTAL LIABILITIES AND NET ASSETS	$ 20,066,875	$ 12,204,585

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

MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (restated)
REVENUES AND SUPPORT WITHOUT DONOR RESTRICTION		
Patient service fees	$ 34,886,258	$ 22,374,727
Other revenues	5,098,701	4,467,855
Federal grants	9,654,469	9,257,774
Net assets released from restriction	57,607	202,187
	49,697,035	36,302,543
OPERATING EXPENSES		
Health care services	38,831,106	28,861,387
Management and general	7,434,016	6,602,271
	46,265,122	35,463,658
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	3,431,913	838,885
REVENUES AND SUPPORT WITH DONOR RESTRICTION		
Operating grants	81,900	205,691
Net assets released from restriction	(57,607)	(202,187)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	24,293	3,504
CHANGE IN NET ASSETS	3,456,206	842,389
NET ASSETS		
Beginning of year	9,080,694	8,238,305
End of year	$ 12,536,900	$ 9,080,694

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

MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022 (restated)		
	Health Care Services	Management and General	Totals	Health Care Services	Management and General	Totals
Conferences and Travel	$ 102,394	$ 108,722	$ 211,116	$ 41,563	$ 62,096	$ 103,659
Consumer Awareness	33,480	838,256	871,736	25,304	462,719	488,023
Contract Labor	116,357	117,037	233,394	80,075	7,665	87,740
Contract Services	2,487,414	-	2,487,414	2,213,008	-	2,213,008
Depreciation	193,017	68,877	261,894	159,647	78,388	238,035
Employee Benefits	2,568,965	553,982	3,122,947	2,400,845	392,611	2,793,456
Information Technology	243,069	784,783	1,027,852	147,776	928,730	1,076,506
Insurance	300,124	75,174	375,298	265,662	74,973	340,635
Medical/Pharmacy/Lab Supplies	7,837,684	-	7,837,684	3,816,691	-	3,816,691
Occupancy	1,959,523	-	1,959,523	1,876,527	-	1,876,527
Office Expenses	611,255	205,900	817,155	547,581	55,109	602,690
Other	406,692	389,757	796,449	183,840	262,620	446,460
Other Contract Expenses	2,162,820	-	2,162,820	525,270	-	525,270
Professional Services	584,533	1,347,735	1,932,268	378,798	636,392	1,015,190
Salaries and Wages	18,847,855	2,943,793	21,791,648	15,961,718	3,640,968	19,602,686
Security	375,924	-	375,924	237,082	-	237,082
TOTAL EXPENSES	$ 38,831,106	$ 7,434,016	$ 46,265,122	$ 28,861,387	$ 6,602,271	$ 35,463,658

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

MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,456,206	$ 842,389
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	261,894	238,035
Changes in assets and liabilities:		
(Increase) decrease in operating assets:		
Patient receivables	(611,226)	30,904
Grant receivable	71,570	(821,601)
Other receivable	544,062	(595,849)
Inventory	(202,307)	(34,628)
Prepaid expenses	24,652	34,835
Other assets	13,682	-
Increase (decrease) in operating liabilities:		
Due to affiliate	56,864	(24,739)
Accounts payable and accrued expenses	2,762,104	418,996
Accrued salaries and payroll taxes	(12,643)	29,657
Unearned revenue	-	(97,659)
Net cash provided by operating activities	6,364,858	20,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, equipment, and improvements purchases	(611,933)	(352,785)
Net cash used in investing activities	(611,933)	(352,785)
NET CHANGE IN CASH	5,752,925	(332,445)
CASH		
Beginning of year	6,795,114	7,127,559
End of year	$ 12,548,039	$ 6,795,114

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

MARILLAC COMMUNITY HEALTH CENTERS
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Description of Business and Basis of Presentation

Marillac Community Health Centers (MCHC) (the Organization) provides health care services, counseling, and educational assistance to men, women, and children in the New Orleans area. MCHC began providing services effective March 1, 2012.

Organization and Income Taxes

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 2010. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

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. 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 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.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which requires 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 10. The Organization had no restrictions that were perpetual in nature as of June 30, 2023 or 2022.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Grants, Contributions, 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 are reported as refundable advances in the Statements of Financial Position. No amounts were reported as refundable advances at June 30, 2023 or 2022. As of June 30, 2023, the Organization has been awarded cost-reimbursable grants of approximately $20.3 million which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Of this amount, the conditional grant commitments that are not recognized in the June 30, 2023 financial statements consisted of conditional cost-reimbursement grants awarded by government agencies of approximately $9 million.

Grants and contributions are recorded as revenue 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. 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 Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions of Nonfinancial Assets

In-kind contributions are recorded as contributions based on their fair value as of the date of the contribution. There were no in-kind contributions reported in the statement of activities for the year ended June 30, 2023 or 2022.

1. Organization and Summary of Significant Accounting Policies (continued)

Patient Service Fees and Revenue Recognition

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. Revenues from pharmacy sales are recorded at the time products are sold and are included in patient service fees. 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).

Patients are expected to pay for services rendered at the time of the clinic visits. If a patient does not 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. Accounts are written off when all reasonable internal and external collection efforts have been performed or when the accounts reach approximately 365 days old. The allowance for uncollectible accounts was approximately $4,217,000 and $7,608,000 as of June 30, 2023 and 2022, respectively. The Organization has not changed its charity care or uninsured discount policies during fiscal years 2023 or 2022.

The allowance for doubtful accounts 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.

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. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to patients in the Organization's pharmacy and the Organization is not required to provide additional goods or services related to that sale. Approximately 48% of the Organization's patient service fees is revenue whose performance obligations are met over time, and 52% is revenue whose performance obligations are satisfied at a point in time. The Organization does not have performance obligations that are unsatisfied or partially unsatisfied at June 30, 2023 or 2022.

The Organization has elected the practical expedient allowed under 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.

1. Organization and Summary of Significant Accounting Policies (continued)

Patient Service Fees and Revenue Recognition (continued)

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.

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.

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). The Organization contracts with local retail pharmacies under the program, which results in additional revenues and discounts on outpatient prescriptions for the Organization's patients. 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.

Cash

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

Inventory

Inventory includes freight-in and materials and are stated at the lower of cost (on a first-in, first-out basis) or net realizable value. Inventory includes vaccines and medical supplies. 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.

1. Organization and 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 for the years ended June 30, 2023 or 2022.

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 statements of activities and changes in net assets.

Leases

Effective July 1, 2022, the Organization accounts for leases in accordance with ASU 2016-02, Leases (Topic 842), which requires the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The Organization determines if an arrangement is a lease at the inception of the contract. For leases with terms greater than twelve months, right-of-use assets and lease liabilities are recognized at the contract commencement date based on the present value of lease payments over the lease term. Right-of-use assets represent the Organization's right to use the underlying asset for the lease term. Lease liabilities present the Organization's obligation to make lease payments arising from these contracts. The Organization uses a risk-free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised.

Lease agreements may include rental escalation clauses or renewal options that are factored into management's determination of lease payments, when appropriate. The estimated useful life of right-of-use (ROU) assets is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Organization's lease agreements generally do not contain any material residual value guarantees, restrictions, or covenants.

The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this practical expedient to all relevant asset classes. Additionally, the Organization elected transition provisions available which allowed the carryforward of the Organization's historical assessments of whether contracts contain leases, the lease classification, and the treatment of initial direct costs.

Unearned Revenue

Patient revenues are recognized when performance obligations have been satisfied. Payments received in advance as well as overpayments are recorded as unearned revenue.

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Expenses

The statements of functional expenses present expenses by function and natural classification. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques. Salaries, benefits, and related expenses are based on actual time and effort. Depreciation is allocated based on activities benefited. Other expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas (health care services or management and general).

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying 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 February 2016, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective July 1, 2022, using the modified retrospective method of adoption. The Organization elected to use the transition option that allows an organization to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment (if any) to the opening balance of net assets in the year of adoption. Comparable periods continue to be presented under the guidance of the previous standard. The standard had a material impact on the 2023 statement of financial position but did not have a significant impact on the statement of activities and changes in net assets, the statement of functional expenses, or the statement of cash flows. There was no adjustment to the opening balance of net assets as a result of the adoption. Amounts recognized on the statements of financial position at July 1, 2022 related to ROU assets and lease liabilities were approximately $1,600,000.

2. Liquidity and Availability

As of June 30, 2023, the Organization has a working capital of $10,318,611. Financial assets available for general expenditure within one year as of June 30, consist of the following:

	2023	2022
Cash	$ 12,548,039	$ 6,795,114
Patient receivables	2,211,593	1,600,367
Grant and other receivables	1,614,274	2,229,906
Total financial assets	16,373,906	10,625,387
Less, net assets with donor restriction	(65,230)	(40,937)
Financial assets available to meet general expenditures over the next twelve months	$ 16,308,676	$ 10,584,450

2. Liquidity and Availability (continued)

The Organization considers general expenditures to include expenses covering both program and ongoing operational activities. Donor restricted assets which are expected to be available for general expenditure within one year are included above.

As part of the Organization's liquidity management plan, management of the Organization is focused on increasing the days cash on hand through business operations. 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.

3. Property, Equipment and Improvements

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

	2023	2022	Useful lives
Leasehold improvements	$ 575,340	$ 575,340	15 - 20 years
Furniture and equipment	1,982,257	1,370,327	5 - 20 years
Vehicles	69,343	69,343	5 years
Construction in progress	9,744	9,744	
	2,636,684	2,024,754	
Less accumulated depreciation	(1,178,045)	(916,154)	
Total	$ 1,458,639	$ 1,108,600	

4. Patient Service Fees

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 payers and the uninsured for the years ended June 30, 2023 and 2022 are summarized as follows:

	2023	2022
Medicare	$ 8,707,009	$ 6,502,667
Medicaid	29,850,806	20,158,705
Commercial and other insurers	5,224,042	2,655,782
Self-pay	926,091	2,538,829
Gross patient revenues	44,707,948	31,855,983
Contractual adjustments (implicit price concessions)	(8,297,117)	(7,247,416)
Provision for doubtful accounts (explicit price concessions)	(1,524,573)	(2,233,840)
Patient service fees	$ 34,886,258	$ 22,374,727

5. Transactions with Affiliates

The Organization entered into an affiliation agreement with Ascension DePaul Services (ADS) effective March 1, 2012. Under the terms, ADS provides leased employees, building space, equipment leases, 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.

As consideration for ADS's provision of these goods and services, ADS 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 ADS'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 at 6.5% and 6.5% of net revenue collections remitted to ADS during the years ended June 30, 2023 and 2022, respectively. During fiscal years 2023 and 2022, pharmacy administrative services were paid to ADS at a rate of $18.00 per prescription. All other services are based on internal allocation assessments.

Leases for four clinic sites are in the name of MCHC. However, for administrative purposes, ADS remits monthly payment to each lessor. Building space is then charged to MCHC by ADS at cost. See information on lease commitments in Note 9.

During the years ended June 30, 2023 and 2022, total billings from the agreement to MCHC were $32,357,625 and $29,560,913, respectively. ADS remitted $0 and $0, respectively, to MCHC for the years ended June 30, 2023 and 2022. At June 30, 2023 and 2022, the net amount owed by MCHC to ADS is $1,853,861 and $1,796,997, respectively, as presented in the Statements of Financial Position.

6. 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 financial statements

The Organization participated in a number of state and federally-assisted grant programs in fiscal years 2023 and 2022. 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 financial statements.

6. Contingencies (continued)

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.

7. 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 clinic service fees and reimbursements are provided for by federal agencies. The Organization has a substantial amount of self-pay patients. The ability of these patients to pay for services is uncertain and additional allowance provisions may be necessary in the future should management's estimates not reflect actual results.

The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of June 30, 2023 and 2022 was as follows:

	2023	**2022**
Medicare and Medicaid	62%	76%
Commercial and other insurers	34%	16%
Self-pay	4%	8%
	100%	100%

Federal grants are approximately 19% and 26% of the total revenues and support without donor restriction for the years ended June 30, 2023 and 2022, respectively. 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 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.

8. Agreements with Other Entities

In September 2014, the Organization entered into agreements with Children's Hospital, Children's Hospital Medical Practice Corporation ("CHMPC"), and Ascension DePaul Services (ADS) to assume operations of four pediatric clinics operated by CHMPC. No assets or liabilities were assumed by MCHC. Under the terms of the agreements, assets of the clinics were donated to ADS. MCHC assumed responsibility for operations of the clinics under the affiliation agreement with ADS. The initial term of this agreement was three years, with automatic annual renewal options that have been exercised. Each party to the agreement has the option to terminate at an earlier date under certain circumstances.

8. Agreements with Other Entities (continued)

In July 2016, MCHC entered into an additional agreement with Children's Clinic of New Orleans, L.L.C. (CCNO) and Ascension DePaul Services to assume operations of a clinic operated by CCNO. Under the terms of the agreement, ADS assumed responsibility for operations at the clinic, including items such as employees, assets, and lease agreements effective September 2016. The initial term of this agreement was three years, with automatic annual renewal options that have been exercised. Each party to the agreement has the option to terminate at an earlier date under certain circumstances.

Clinics involved in these agreements are added under the scope of MCHC's agreement with Ascension DePaul Services described in Note 5.

In November 2021, the Organization entered into an agreement with AbsoluteCARE Manager, LLC to provide case management service and social worker services to the Organization. AbsoluteCARE also operates the healthy rewards program to the Organization's patients. The effective date of this agreement is January 1, 2022. The initial term of this agreement is 4 years expiring December 31, 2025. The Organization shall pay monthly fee for services which is included in the Organizations Statement of Activities.

In November 2021, The Organization entered into an agreement with AbsoluteCARE Manger, LLC to manage the Organizations Absolute Care pharmacy program. The initial term of this agreement is four years, with automatic renewal options for additional 2 year terms. Monthly billings for these services are included in the Organizations Statement of Activities

Total billings for AbsoluteCARE contracts described above was $2,162,820 for the year ended June 30, 2023. Total billings for AbsoluteCARE for the year ended June 30, 2022 was $525,671. A prior year restatement was made to related to billings (expenses) for fiscal year 2022. See Note 12.

9. Leases

The Organization has operating lease agreements for the rental of office space and office and equipment at varying terms. Amounts recognized at July 1, 2022, related to ROU assets and related lease liabilities were $1,586,077 and $1,599,759, respectively

Other information related to leases is as follows as of and for the year ended June 30, 2023:

Operating cash flows from operating leases	$	908,633
ROU assets obtained in exchange for lease obligations	$	-
Weighted average remaining lease term		3.59 Years
Weighted average discount rate		2.84%

Operating lease cost	$	859,541
Short-term lease cost		1,437,135
Total operating lease cost	$	2,296,676

9. Leases (continued)

As lessee, operating lease liabilities under non-cancellable leases (excluding short-term) leases are as follows:

Years Ending June 30:		
2024	$	807,443
2025		447,332
2026		136,466
2027		45,312
2028		45,312
Thereafter		203,904
Total lease payments	$	1,685,769
Less: interest		(86,010)
	$	1,599,759

Lease costs for the fiscal year ended June 30, 2022 totaled $1,283,994.

10. Net Assets With Donor Restrictions

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

	2023	2022
Coronavirus pandemic, COVID-19 (purpose)	$ 12,480	$ 12,480
Other (purpose)	52,750	28,457
	$ 65,230	$ 40,937

11. Hurricane Ida

During the fiscal year ended June 30, 2022, the Organization was impacted by Hurricane Ida, resulting in temporary business disruption. Impacts to the Organization were covered by insurance with Ascension Risk Services and totaled $400,043. During the fiscal year ended June 30, 2022, amounts received from Ascension Risk Services related to these events are reported as "Other revenues" in the Statements of Activities and Changes in Net Assets, and is reported as "Other receivable" in the Statements of Financial Position. Amounts were received during the fiscal year ended June 30, 2023.

12. Restatement

During the year ended June 30, 2023, the Organization determined that amounts billed for the AbsoluteCARE contracts (described in Note 8) were not properly accrued as of and for the year ended June 30, 2022. This resulted in an understatement of accounts payable and operating expenses in the amount of $525,671. The restatement impacts the amounts reported as accounts payable, net assets, and operating expenses at June 30, 2022. The accounts payable amount previously reported at $763,154 has been restated to $1,288,825 in the Statement of Financial Position. The net assets previously reported at $9,606,365 has been restated to $9,080,694 in the Statement of Financial Position. Total operating expenses previously reported as $34,937,987 has been restated to $35,463,658.

13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 30, 2023, and determined that there were no additional subsequent events requiring disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

14. 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. The Organization provides access to essential health and social services in a federally-designated Health Professions Shortage Area, as well as other under-served neighborhoods of Orleans Parish. Total service provided was 147,317 and 144,626 encounters for the years ended June 30, 2023 and 2022, respectively. To increase financial access to these services, the Organization offers its services on a sliding fee scale basis, adjusting for income and family size. During the years ended June 30, 2023 and 2022, these fee reductions amounted to $4,753,297 and $2,186,687, respectively. The Organization accepts Medicaid as payment for its patient services, which resulted in fee reductions from the State of $7,454,058 and $4,124,408 for the year ended June 30, 2023 and 2022, respectively.

SUPPLEMENTARY INFORMATION

MARILLAC COMMUNITY HEALTH CENTERS

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD YEAR ENDED JUNE 30, 2023

Agency Head: Michael Griffin, President and Chief Executive Officer

Not applicable. Public funds were not used for agency head compensation, benefits, and other payments during the fiscal year ended June 30, 2023.

See accompanying independent auditors' report.

MARILLAC COMMUNITY HEALTH CENTERS

SINGLE AUDIT REPORT

JUNE 30, 2023

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MARILLAC COMMUNITY HEALTH CENTERS

SINGLE AUDIT REPORT

JUNE 30, 2023

Marillac Community Health Centers
New Orleans, Louisiana

Single Audit Report

June 30, 2023

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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
Marillac Community Health Centers
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marillac Community Health Centers ("the Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

The Organization's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 30, 2023

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors
Marillac Community Health Centers
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on The Major Federal Program

We have audited Marillac Community Health Centers' (the Organization's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2023, and have issued our report thereon dated November 30, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
November 30, 2023

MARILLAC COMMUNITY HEALTH CENTERS
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal Assistance Listing Number	Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA):			
Direct			
Health Center Program Cluster			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS24198	$ 550,958
COVID-19: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H8FCS41479	3,436,220
Grants for New and Expanded Services Under the Health Center Program	93.527	H8FCS41479, H8GCS47515, H8HCS45031	3,618,993
Total Health Center Program Cluster			7,606,171
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332	NAVCA210395	412,434
Public Health Training Centers Program	93.516	T29HP46693	215,589
Healthy Start Initiative	93.926	U1VMC46318	119,158
Grants for Capital Development in Health Centers	93.526	C8ECS43825	383,817
Teaching Health Center Graduate Medical Education Payment	93.530	T9BHP45362	264,944
Pass-through program from:			
Louisiana Department of Health, Office of Behavior Health			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM080236	449,999
Total Federal Award Expenditures			$ 9,452,112

MCHC did not pass through any amounts to sub-recipients

See accompanying notes to the schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Marillac Community Health Centers (MCHC) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MCHC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the MCHC. The MCHC reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2023.

2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to MCHC's financial statements for the year ended June 30, 2023. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Financial Statements

Federal revenues of $9,654,469 are included in the Statement of Activities and Changes in Net Assets in the category "Federal grants" within Revenues and Support Without Donor Restriction.

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports.

5. De Minimis Cost Rate

During the year ended June 30, 2023, MCHC did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

MARILLAC COMMUNITY HEALTH CENTERS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

(1) Summary of Independent Auditors' Results

Financial Statements

The type of report issued on the financial statements:	Unmodified opinion
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs.	Unmodified opinion
Any audit findings which are required to be reported under the Uniform Guidance?	No
Identification of major programs:	
Health Center Program Cluster: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224, 93.527
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee under Section 530 of The Uniform Guidance:	Yes

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards:*

#2023-001 Internal Control Over Financial Reporting

Criteria:	Internal control processes for organizations should include processes that allow management to detect and correct adjustments to financial statements in order for the financial statements to be presented in accordance with U.S. GAAP.
Condition:	The Organization's control processes did not detect misstatements to accounts payable and expense balances at June 30, 2022.
Cause:	The Organization's internal control procedures were not adequate with respect to a new contract signed during the fiscal year ended June 30, 2022.
Effect:	A material prior period adjustment was required to correct balances of accounts payable and expenses reported at June 30, 2022.
Recommendation:	The Organization should review internal control processes to ensure new agreements are reviewed to ensure all financial implications are accounted for in accordance with U.S. GAAP and can be adjusted during the month and year end financial reporting process.

View of Responsible Official and Planned Corrective Action
The organization now has a policy in place that requires all new and existing contract renewals to be routed through the finance and legal departments to ensure all financial ramifications are met in accordance with U.S. GAAP and adjusted during the month and reconciled at year end.

(3) Findings and Questioned Costs Relating to Federal Awards:

None identified.

MARILLAC COMMUNITY HEALTH CENTERS

REPORT ON STATEWIDE AGREED-UPON PROCEDURES ON COMPLIANCE AND CONTROL AREAS

FOR THE YEAR ENDED JUNE 30, 2023

Postlethwaite & Netterville
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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Marillac Community Health Centers
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A 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 July 1, 2022 through June 30, 2023. Marillac Community Health Centers' management is responsible for those C/C areas identified in the SAUPs.

Marillac Community Health Centers (the Entity) 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 July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by Marillac Community Health Centers. 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 Marillac Community Health Centers 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.

Postlethwaite & Netterville

Metairie, Louisiana
November 30, 2023

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted" or for step 13 "we performed the procedure and discussed the results with management."* If not, then a description of the exception ensues.

1) Written Policies and Procedures

A. 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):

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

No exception noted.

ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

No exception noted.

iii. ***Disbursements***, including processing, reviewing, and approving.

No exception noted.

iv. ***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 written policies and procedures for receipts/collections. However, the policies and procedures for receipts/collections do not include information related to receiving, recording, and preparing deposits. The policies and procedures also do not include management's actions to determine the completeness of all collections for each type of revenue.

v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

No exception noted.

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Entity has written policies and procedures for contracting. However, the policies and procedures do not contain attribute (3) legal review.

vii. ***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 written policies and procedures for travel and expense reimbursement. However, the policies and procedures do not contain attribute (2) dollar thresholds by category of expense.

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

The Entity has written policies and procedures for credit cards. However, the policies and procedures do not contain attribute (4) required approvers of statements.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity has written policies and procedures for information technology disaster recovery/business continuity. However, the policies and procedures do not contain attributes (3) periodic testing/verification that backups can be restored and (5) timely application of all available system and software patches/updates.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

2) Board or Finance Committee

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

i. Observe whether 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.

No exception noted.

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

No exception noted.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

There were no prior year audit findings. Thus, this procedure is not applicable.

3) Bank Reconciliations

A. 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 listing of bank accounts was provided. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure. From the listing provided, we selected 5 bank accounts and obtained the bank reconciliations for the month ending June 30, 2023, resulting in 5 bank reconciliations obtained and subjected to the following procedures.

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

No exception noted.

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

No exception noted.

iii. 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.

No exception noted.

4) Collections (excluding electronic funds transfers)

A. Obtain a listing of <u>deposit sites</u> 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).

The listing of deposit sites for the fiscal period was provided. No exceptions were noted as a result of performing this procedures. We selected the single deposit site and performed the procedures below.

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

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

The Entity does not use cash drawers/registers. Thus, this procedure was not performed.

ii. 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,

No exception noted.

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

No exception noted

iv. 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 verifies the reconciliation.

No exception noted.

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

No exception noted.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

i. Observe that receipts are sequentially pre-numbered.

The Entity does not use sequentially pre-numbered receipts. Thus, this procedure was not performed.

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

The Entity does not use sequentially pre-numbered receipts. The Entity uses remote deposit capture and deposit slips are not used. Thus, this procedure was not performed.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

The Entity uses remote deposit capture and deposit slips are not used Thus, this procedure was not performed.

iv. 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).

The date of receipt of the check at the collection location could not be determined from the evidence provided by the Entity. Thus, this procedure could not be performed.

v. Trace the actual deposit per the bank statement to the general ledger.

No exception noted.

5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

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

The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure. From the listing provided, we selected the single location and performed the procedures below.

B. For each location selected under #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #5A was provided. No exceptions were noted as a result of performing this procedure. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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

No exception noted

ii. At least two employees are involved in processing and approving payments to vendors;

No exception noted.

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

No exception noted.

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

No exception noted.

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

No exception noted

C. For each location selected under #5A 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 listing of non-payroll disbursements for the payment processing location selected in procedure #5A was provided related to the reporting period. No exceptions were noted as a result of performing this procedure. From the listing provided, we haphazardly selected five disbursements and performed the procedures below.

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

No exception noted.

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

No exception noted.

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

Management represented that there were no non-payroll disbursements of public funds made using electronic disbursement procedures during the testing period. Thus, this procedure was not performed.

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

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

A listing of cards was provided. No exceptions were noted as a result of performing this procedure.

B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. 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

From the listing provided, we selected the Entity's two credit cards used in the fiscal period. We haphazardly selected one monthly statement for each of the two cards selected and performed the procedures noted below.

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

No exception noted.

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

No exception noted

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

We haphazardly selected ten (or all if less than ten) transactions for each of the two cards selected in procedure #6B and performed the specified procedures. No exceptions noted.

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

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

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure. From the listing provided, we haphazardly selected five reimbursements and performed the procedures below.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

No exception noted.

8) Contracts

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

An active vendor list for the fiscal period was provided, indicating four agreements/contracts that were initiated or renewed during the fiscal period. No exceptions were noted as a result of performing this procedure. We selected the four contracts and performed the procedures below.

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

The contracts selected were not subject to Louisiana Public Bid Law. Thus, this procedure was not performed.

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

The contracts selected were not subject to approval by the governing body/board. Thus, this procedure was not performed

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

The contracts selected were not amended. Thus, this procedure was not performed.

iv. 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 exception noted

9) Payroll and Personnel

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

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure. From the listing provided, we haphazardly selected five employees/officials and performed the specified procedures. No exception noted

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

We haphazardly selected one pay period during the fiscal period and performed the procedures below for the five employees/officials selected in procedure #9A.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure. From the listing provided, we haphazardly selected two employees/officials and performed the specified procedures. No exception noted.

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

No exception noted.

10) *Ethics*

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

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

11) Debt Service

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

12) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that 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.

A listing of misappropriations of public funds and assets during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

B. 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 exception noted.

13) Information Technology Disaster Recovery/Business Continuity

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

i. Obtain and inspect 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 evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

ii. 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

iii. 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.

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

We performed the procedure and discussed the results with management

14) Prevention of Sexual Harassment

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

The Entity is a non-profit. Thus, this procedure is not applicable

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

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

The Entity is a non-profit. Thus, this procedure is not applicable

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

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

The Entity is a non-profit. Thus, this procedure is not applicable.

Schedule B

Marillac Community Health Centers (the Entity) provided a response and corrective action plan for the exceptions noted in Schedule A as set forth below.

Written Policies and Procedures

Management will review and update all policies and procedures to ensure they have the elements required to meet the organization's needs.