EISNERAMPER

PRIORITY HEALTH CARE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

PRIORITY HEALTH CARE, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Priority Health Care, Inc.
Marrero, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Priority Health Care, Inc. ("the Organization"), which comprise the statement of financial position as of December 31, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Priority Health Care, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("Government Auditing Standards"). 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 Priority Health Care, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Other Matters

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; and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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; and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2024, 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.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
July 1, 2024

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

A S S E T S

Assets:		
Cash	$	8,383,278
Grants receivable		179,800
Patient receivables		592,130
Other receivables		78,551
Pharmacy inventory		209,247
Other assets		78,939
Total current assets		9,521,945
Property and equipment, net		4,976,935
Total assets	$	14,498,880

L I A B I L I T I E S A N D N E T A S S E T S

Liabilities:		
Accounts payable and accrued expenses	$	480,518
Accrued salaries and related liabilities		179,220
Notes payable - current portion		174,169
Total current liabilities		833,907
Notes payable - long term portion		2,084,319
Total long-term liabilities		2,084,319
Total liabilities		2,918,226
Net assets:		
Without donor restriction		11,580,654
Total net assets		11,580,654
Total liabilities and net assets	$	14,498,880

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

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

Changes in Net Assets Without Donor Restrictions	
Operating revenues:	
Patient revenue	$ 12,018,135
Grants and contracts	2,381,938
340B pharmacy revenue	685,903
Rent income	248,830
Interest	62,502
Other income	233,017
Total operating revenues	15,630,325
Operating expenses:	
Program services	10,153,439
Support services	3,900,071
Total operating expenses	14,053,510
Change in net assets	1,576,815
Net assets, beginning of year	10,003,839
Net assets, end of year	$ 11,580,654

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

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Support Services	Total
Client services	$ 154,336	$ 24,497	$ 178,833
Contract services	287,799	386,480	674,279
Depreciation	-	261,173	261,173
Facilities & equipment	10,535	105,734	116,269
Insurance	254,034	310,123	564,157
Interest	5,967	94,854	100,821
Lab fees & vaccine	1,077	34,766	35,843
Marketing	72,130	122,400	194,530
Memberships, dues & subscriptions	4,500	95,266	99,766
Occupancy	8,888	54,468	63,356
Postage & printing	4,261	56,806	61,067
Prescriptions & medication	7,014,428	-	7,014,428
Professional fees	5,800	37,700	43,500
Salaries & wages	2,225,286	2,011,709	4,236,995
Supplies	54,615	24,161	78,776
Utilities	42,676	134,611	177,287
Travel & training	2,498	25,233	27,731
Miscellaneous	4,609	120,090	124,699
TOTAL EXPENSES	$ 10,153,439	$ 3,900,071	$ 14,053,510

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

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	1,576,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		261,173
(Increase) decrease in operating assets:		
Grant receivable		589,075
Patient receivables		132,326
Other receivables		(6,280)
Pharmacy inventory		(16,779)
Other assets		(12,698)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses		139,996
Accrued salaries and related liabilities		6,085
Net cash provided by operating activities		2,669,713
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(278,332)
Net cash used in investing activities		(278,332)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable		(166,447)
Net cash used in financing activities		(166,447)
Net change in cash		2,224,934
Cash, beginning of year		6,158,344
Cash, end of year	$	8,383,278
Supplemental Disclosure		
Cash paid for interest during the year	$	100,821

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

1. Summary of Significant Accounting Policies

Organization

Priority Health Care, Inc. ("the Organization") is a non-profit, federally qualified health center which provides primary medical, behavioral health, pharmacy, and social support services to residents within the New Orleans metro area. The Organization is classified by the IRS as a 501(c)(3) tax exempt organization, and serves the parishes of Jefferson, Orleans, St. Bernard, St. Tammany, St. Charles, St. John the Baptist, St. James and Plaquemines, with its clinic and administrative offices located in Marrero, LA and a clinical site in Gretna, LA.

The mission of the Organization is to provide holistic health care to underserved communities that empower people to live healthy lives. The purpose is to offer services on a sliding fee scale to ensure everyone has access to needed care, which they can afford, in order to adopt lifestyle choices that have a positive effect on their health.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the Organization 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 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. The Organization had no net assets with donor restrictions at or during the year ended December 31, 2023.

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.

Cash

Cash includes amounts on deposit at local financial institutions.

Patient Receivables

Patients are expected to pay for services rendered at the time of the clinic visits. If a patient is unable to pay at the time of service, a receivable is recorded. Patients are sent a billing statement following the date of visit. Receivables are recorded at estimated net realizable value based on management's assessment of collectability, current economic conditions, and prior experience.

1. Summary of Significant Accounting Policies (continued)

Patient receivables can be impacted by the effectiveness of the Organization's collection efforts. Additionally, significant changes in payor mix, economic conditions, or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. The Organization continually reviews the net realizable value of accounts receivable by monitoring historical cash collections and current economic conditions with consideration of reasonable and supportable forecast, as well as by analyzing current period revenue and aged accounts receivable by payor. The Organization determines its estimate of implicit price concessions based on its historical collection experience, current economic conditions, and reasonable and supportable forecast 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. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the Organization has determined that recent historical experience provides the best basis for estimating credit losses. At each reporting date, the estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. Because the Organization's estimates of patient receivables, adjusted for explicit and implicit price concessions, are expected to be fully collectible, the financial statements do not include an allowance for credit losses.

The Organization determines if patient receivables are past-due based on the date of service; however, the Organization does not charge interest on past-due accounts. The Organization charges off patient accounts receivable if management considers the collection of the outstanding balances to be doubtful. Accounts are written off when all reasonable collection efforts have been performed.

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.

Grants Receivable

Management of the Organization determined that year-end balances related to grants receivable were collectible. Accordingly, a valuation allowance was determined to be unnecessary.

Pharmacy Inventory

Pharmacy inventory consists primarily of drugs and medical supplies and are stated at the lower of cost (using the first-in, first-out method) or net realizable value.

Property and Equipment

Property and equipment is recorded at historical cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life or increase the value of an asset (greater than one year) and with a unit cost of greater than $5,000 are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets which range from 3 to 30 years. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gains and losses are recognized in the Organization's annual operations. Maintenance and repair expenditures are expensed as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Patient Revenue

Patient revenue represents the estimated net realizable amounts from patients, third party payors, and others for patient care services rendered or prescriptions dispensed. Revenues are recorded during the period the health care services are provided or prescriptions dispensed, based upon the estimated amounts due from payors. Estimates of contractual allowances (explicit price concessions) are based upon the specified payment terms.

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. Of the Organization's patient revenue, approximately 14% is revenue whose performance obligations are met over time, and 86% is revenue whose performance obligations are satisfied at a point in time. The Organization does not have any performance obligations that are unsatisfied or partially unsatisfied at December 31, 2023. Thus, the Organization has no contract assets at December 31, 2023 or 2022. At December 31, 2022, patient receivables were $724,456, and other receivables related to pharmacy were $72,271.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, and discounts provided to uninsured patients in accordance with the Organization's policy (i.e., explicit and implicit price concessions). The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The estimated reimbursement amounts are made on a payer-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 managed care contractual terms resulting from contract renegotiations and renewals. Due to the complexities involved in the classification and documentation of health care services authorized and provided, the estimation of revenues earned and the related reimbursement are often subject to interpretations that could result in payments that are different from the Organization's estimates.

The Organization provides discounts from gross charges to uninsured patients who do not qualify for Medicaid. These discounts are similar to those provided to many local managed care plans. After the discounts are applied, if the Organization expects to be unable collect a significant portion of uninsured patients' accounts, it records significant provisions for doubtful accounts (implicit price concessions) related to uninsured patients in the period the services are provided based upon historical collection experience.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Grants and Contributions

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

The Organization receives support in the form of grants from federal, state, and local governmental agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts 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 Statement of Financial Position. No amounts were received in advance under the Organization’s grants in 2023 or remaining from prior years.

As of December 31, 2023, the Organization has been awarded grants of approximately $5,400,000 which were conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. As of December 31, 2023, approximately $1,400,000 has not been recognized as revenue as the Organization has not yet incurred the qualifying expenditures to seek reimbursement.

Grants and contributions are recorded 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 restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets are reclassified to net assets without donor restriction and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as revenue without donor restriction.

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 provided to the patient. Laws and regulations surrounding the 340B drug program are complex and are subject to interpretation and change.

Functional Allocation of Expenses

Expenses presented in the financial statements are allocated between program services and support services based on the function benefited. Allocations are determined by management. Salaries, benefits, and related expenses are allocated based on estimated time and effort. Other expenses are allocated based on actual expenses and level of effort.

Advertising

Advertising costs are expensed as incurred and are reported in the statement of functional expenses as marketing expenses.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from State income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. Accordingly, no provision for income taxes has been included in the financial statements.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statement. As of December 31, 2023, the Organization has determined that it does not have any uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax returns generally remain subject to examination by the taxing authorities for three years.

Contributions of Nonfinancial Assets (In-Kind Contributions)

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 December 31, 2023.

Recently adopted accounting pronouncements

Effective January 1, 2023, the Organization adopted FASB ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")*, as amended. ASU 2016-13 replaces the "incurred loss" credit losses framework with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology which requires management's measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. The Organization adopted ASU 2016-13 using the modified retrospective method for financial assets measured at amortized cost which consisted of patient receivables. The adoption and application of the standard had no material effect on these financial statements.

2. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets as of December 31, 2023. These amounts are available to meet general expenditures within one year of the statement of financial position date. The Organization also has a line of credit available to meet short-term needs, as described in Note 6. As of December 31, 2023, $500,000 remained available on the line of credit. There were no net assets with donor restrictions at December 31, 2023. While the Organization does not have a formal liquidity policy, management monitors cash flow monthly.

Cash	$ 8,383,278
Grants receivable	179,800
Patient receivables	592,130
Other receivables	78,551
Total financial assets available to meet cash needs for general expenditures within one year	$ 9,233,759

3. Grants Receivable

As of December 31, 2023, grants receivable consisted of the following:

Description	Amount
City of New Orleans (Ryan White)	$ 7,356
Louisiana Office of Public Health	54,338
Health Resources and Service Administration	85,819
Center for Disease and Control Prevention	13,853
Other	18,434
Total	$ 179,800

4. Patient Receivables and Revenue

The Organization's patient receivables include those resulting from medical, social, and pharmacy services provided. The Organization grants credit without collateral to its patients, most of whom are local residents that may or may not be insured by a third-party payer. The Organization's accounting policy for these revenues and related receivables are included in Note 1. Receivables at December 31, 2023 related to patient services are as follows:

	Receivables
Commercial	27%
Medicaid	38%
Medicare	23%
Ryan White funding	12%

The Organization receives payments for patient services on behalf of the patients from the federal government under the Medicare program, state governments under their respective Medicaid or similar programs, managed care plans, private insurers, and directly from patients.

Patient revenue for the year ended December 31, 2023 is summarized as follows:

Medicare	$ 3,418,336
Medicaid	5,404,526
Commercial and other	2,523,384
Ryan White, federal grant funding	831,330
Patient revenues before provision for doubtful accounts (implicit price concessions)	12,177,576
Less: provision for doubtful accounts	(159,441)
Patient revenue, net	$ 12,018,135

For the year ended December 31, 2023, the Organization recorded approximately $3,711,981 of explicit price concessions (contractual adjustments) as a direct reduction of patient revenues.

5. Property and Equipment

Property and equipment at December 31, 2023 consisted of the following:

Buildings	$	4,973,719
Leasehold improvements		483,260
Equipment, furniture, and fixtures		372,877
Mobile equipment		194,315
Land		54,220
		6,078,391
Less: accumulated depreciation		(1,101,456)
Property and equipment, net	$	4,976,935

6. Notes Payable and Line of Credit

Notes payable consists of the following at December 31, 2023:

Note payable to a financial institution, dated October 15, 2018 payable in monthly installments of principal and interest of $19,551 with a rate of interest of 4.85%. The note matures with a final balloon payment in January 2029, and is secured by property owned by the Organization and certain deposits.	$	1,976,350
Note payable to a financial institution, dated July 19, 2021 payable in monthly installments of principal and interest of $3,475 with a rate of interest of 2.99%. The note matures in July 2031, and is secured by property owned by the Organization and certain deposits.		282,138
Total notes payable		2,258,488
Less: current maturities		(174,169)
Long-term portion	$	2,084,319

Maturities of the Organization's notes payable are as follows for the years ending December 31:

Year Ending		Amount
2024	$	174,169
2025		182,570
2026		191,077
2027		199,991
2028		209,134
Thereafter		1,301,547
	$	2,258,488

The Organization has a $500,000 line of credit with a financial institution, secured by all inventory, equipment, receivables, deposit accounts, and other assets. The line of credit expires October 15, 2026. Interest is due monthly at a rate of 4.85%, along with monthly principal payments. At December 31, 2023, the line of credit had no outstanding balance.

6. Notes Payable and Line of Credit (continued)

As part of the notes payable and line of credit agreements with the financial institution, the Organization has agreed to comply with certain covenants. These consist of reporting requirements, financial benchmarks, and maintenance of certain insurance policies.

7. Commitments and Contingencies

The Organization participated in a number of state and federally-assisted programs in 2023. 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.

The provision of healthcare services entails an inherent risk of liability. Participants in the healthcare industry are subject to lawsuits alleging malpractice, violations of false claims acts, product liability, or 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 regulatory actions seeking fines and penalties for alleged violations of healthcare laws and is potentially 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.

8. Business and Credit Concentrations

The Organization maintains its cash with several financial institutions operating primarily in southern Louisiana. The balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

9. Occupancy

The Organization owns its facility in Marrero, Louisiana and leases space to other entities under leases expiring at various dates through September 2027. Rent income associated with these leases totaled $248,830 for the year ended December 31, 2023. The cost of the leased facility and improvements is approximately $4,054,000, and the carrying value at December 31, 2023 is approximately $3,345,000. Approximately two thirds of the facility is held for leasing to others. The following is a schedule by year of future rent income under the non-cancelable lease agreements:

Year ending December 31st		Amount
2024	$	171,218
2025		76,538
2026		59,338
2027		35,503
	$	342,597

10. Retirement Plan

The Organization has a 401(k) retirement plan for its employees. The plan is open to employees who are over the age of twenty-one and who have met the eligibility requirements. Contributions by the Organization include matching contributions of 4% of the employees' compensation. Total employer contributions to the plan were $110,477 for the year ended December 31, 2023.

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 1, 2024, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2023

Agency Head: Tamara Boutte, Chief Executive Officer

Purpose		Amount
Salary	$	237,631
Benefits - insurance		38,495
Benefits - retirement		8,678
Benefits - other		13,565
	$	298,369

See accompanying independent auditors' report.

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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
Priority Health Care, Inc.
Marrero, 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 (Government Auditing Standards), the financial statements of Priority Health Care, Inc. ("the Organization"), which comprise the statement of financial position as of December 31, 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 July 1, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
July 1, 2024

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

To the Board of Directors
Priority Health Care, Inc.
Marrero, Louisiana

Report on Compliance for The Major Federal Program

Opinion on the Major Federal Program

We have audited Priority Health Care, Inc.'s ("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 December 31, 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 its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("Government Auditing Standards"); 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.

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 GAAS, *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, they 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.

In performing an audit in accordance with GAAS, *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.

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.

Purpose of the Report

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.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
July 1, 2024

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GRANTOR	ASSISTANCE LISTING NUMBER	ENTITY NUMBER	ACTIVITY
U.S. Department of Health & Human Services			
Direct:			
Health Resources and Service Administration			
Health Center Program Cluster			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS28963	$ 240,630
Grants for New and Expanded Services under the Health Center Program	93.527	H80CS28963; H8GCS48048	878,778
Total Health Center Program Cluster			1,119,408
Grants for Capital Development in Health Centers	93.526	C8ECS44664; H8FCS41379C6	208,326
Centers for Disease Control and Prevention			
National Center For HIV, Viral Hepatitis, STDs And TB Prevention			
HIV Prevention Activities Non-Governmental Organization Based	93.939	NU62PS924707	606,116
Pass-through program from:			
City of New Orleans			
HIV Emergency Relief Project Grants	93.914	N/A	110,821
Louisiana Department of Health and Hospitals			
HIV Prevention Activities Health Department Based	93.940	LDH-2000786941	235,810
U.S. Department of Housing & Urban Development			
Pass-through program from:			
Unity of Greater New Orleans			
Emergency Solutions Grant Program	14.231	LA-H220051	27,137
Total Expenditures of Federal Awards			$ 2,307,618

Priority Health Care did not pass through any amounts to sub-recipients.

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") includes the federal grant activity of Priority Health Care, Inc. ("the Organization") under programs of the federal government for the year ended December 31, 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. The Organization is defined in Note 1 to the financial statements for the year ended December 31, 2023. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies, as applicable.

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 the Organization's financial statements for the year ended December 31, 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 $2,307,618 are included in the Statement of Activities and Changes in Net Assets in the category "Grants and Contracts."

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted as of a date subsequent to December 31, 2023.

5. De Minimis Cost Rate

During the year ended December 31, 2023, the Organization did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

(1) Summary of Independent Auditors' Results

Financial Statements

The type of report issued on the financial statements:	Unmodified opinion
Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. 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 program:	
c. Material weakness(es) identified?	No
d. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified opinion
Any audit findings which are required to be reported under the Uniform Guidance?	No
Identification of major program: United States Department of Health and Human Services: Health Center Program Cluster	93.527 and 93.224
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:*

None.

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

None.

EISNERAMPER

PRIORITY HEALTH CARE, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2023

PRIORITY HEALTH CARE, INC.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Priority Health Care, Inc., 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) of Priority Health Care, Inc. (the "Entity") for the fiscal period January 1, 2023 through December 31, 2023. Priority Health Care, Inc's management is responsible for those C/C areas identified in the SAUPs.

Priority Health Care, Inc has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, the 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 Priority Health Care, Inc to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of Priority Health Care, Inc. for the fiscal period January 1, 2023 through December 31, 2023. 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 Priority Health Care, Inc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of 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.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
July 1, 2024

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).

No exception noted.

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.

No exception noted.

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

No exception noted.

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).

No exception noted.

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 Louisiana Code of Governmental Ethics (R.S. 24:1111-1121) does not apply to the Entity. Thus, this procedure is not applicable and was not performed.

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 not-for-profit organization. Thus, this procedure is not applicable and was not performed.

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.

Exception noted. The Entity's written policies and procedures related to Information Technology Disaster Recovery/Business Continuity do not address attribute (5) timely application of all available system and software patches/updates. The other attributes were addressed in the Entity's written policies and procedures.

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.

R.S. 42:342-344 does not apply to the Entity. Thus, this procedure is not applicable and was not performed.

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 comparisons, at a minimum, on all proprietary funds, and semi-annual budget- to-actual comparisons, 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 not-for-profit organization. Thus, this procedure is not applicable and was not performed.

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.

The Entity had no prior year audit findings. Thus, this procedure is not applicable and was not performed.

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 and included a total of 6 bank accounts (2 of which were savings accounts and not a part of the Entity's daily operations). 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 four bank accounts and obtained the bank reconciliations for one month during the fiscal period, resulting in 4 bank reconciliations obtained and subjected to the below 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 within 1 month of the date the reconciliation was prepared (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 deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Management of the Entity represented that the receipt of public funds during the period was done via electronic funds transfer; there were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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:

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were 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;

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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.

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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:

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

i. Observe that receipts are sequentially pre-numbered.

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were 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).

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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

There were no deposits of public funds via cash, checks, or money orders during the fiscal period. Thus, the procedures under this heading are not applicable and were not performed.

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 the 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 fiscal 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.

A listing of non-payroll disbursements for each bank reconciliation selected in procedure #3A was provided related to the fiscal period. From each of the listings provided, we haphazardly selected five disbursements and performed the procedure above. No exceptions were noted as a result of performing this procedure.

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 active cards during the fiscal period 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 haphazardly selected the four cards (two credit cards and two debit cards) active during the fiscal period. We haphazardly selected one monthly statement for each of the four 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, excluding fuel cards, 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 transactions, or all transactions if less than ten from each statement and obtained supporting documentation for the transactions. For each transaction, observed that it was supported by (1) an original itemized receipt that identified 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). 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 during the fiscal period was provided. 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, excluding the practitioner's contract, and

An active vendor list for the fiscal period was provided, indicating no such agreements/contracts were initiated or renewed during the fiscal period. Thus, this procedure is not applicable and the below procedures were not performed.

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 Entity had no agreements/contract initiated or renewed during the fiscal period. Thus, this procedure is not applicable and 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 Entity had no agreements/contract initiated or renewed during the fiscal period. Thus, this procedure is not applicable and 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 Entity had no agreements/contract initiated or renewed during the fiscal period. Thus, this procedure is not applicable and 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.

The Entity had no agreements/contract initiated or renewed during the fiscal period. Thus, this procedure is not applicable and was not performed.

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 period 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.

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. From the listing provided, we haphazardly selected two employees/officials and performed the specified procedures. No exceptions were noted as a result of performing this procedure.

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 Louisiana Code of Governmental Ethics (R.S. 24:1111-1121) does not apply to the Entity. Thus, this procedure is not applicable and was not performed.

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 Louisiana Code of Governmental Ethics (R.S. 24:1111-1121) does not apply to the Entity. Thus, this procedure is not applicable and was not performed.

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

R.S. 42:1170 does not apply to the Entity.. Thus, this procedure is not applicable and was not performed.

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 not-for-profit organization. Thus, this procedure is not applicable and was not performed.

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 not-for-profit organization. Thus, this procedure is not applicable and was not performed.

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 indicating there were no 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 Payroll and Personnel 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.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

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

The Entity is a not-for-profit organization and is not subject to R.S. 42:1267. Thus, this procedure is not applicable and was not performed.

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 not-for-profit organization and is not subject to R.S. 42:343. Thus, this procedure is not applicable and was not performed.

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 not-for-profit organization. Thus, this procedure is not applicable and was not performed.

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 not-for-profit organization and is not subject to R.S. 42:344. Thus, this procedure is not applicable and was not performed.

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

      The Entity is a not-for-profit organization and is not subject to R.S. 42:344. Thus, this procedure is not applicable and was not performed.

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

      The Entity is a not-for-profit organization and is not subject to R.S. 42:344. Thus, this procedure is not applicable and was not performed.

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

      The Entity is a not-for-profit organization and is not subject to R.S. 42:344. Thus, this procedure is not applicable and was not performed.

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

      The Entity is a not-for-profit organization and is not subject to R.S. 42:344. Thus, this procedure is not applicable and was not performed.

Schedule B

Priority Health Care, Inc. (the Entity) provided a response and corrective action plan for the exceptions noted in Schedule A as set forth below:

Priority Health Care's management concurs with the exceptions noted in the Statewide Agreed Upon Procedures report. The Entity will evaluate each exception and implement policies and procedures where appropriate and necessary to strengthen internal controls over financial operations of the Entity.