DAVID RAINES COMMUNITY HEALTH CENTER, INC.

FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
DECEMBER 31, 2025

DAVID RAINES COMMUNITY HEALTH CENTER, INC.

Contents
December 31, 2025

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Unmodified Opinion on Financial Statements Accompanied by Supplementary Information – Not-For-Profit Entity

Independent Auditor's Report

To the Board of Directors of
David Raines Community Health Center, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of David Raines Community Health Center Inc. (a Louisiana nonprofit corporation) (the Center), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 David Raines Community Health Center, Inc. as of December 31, 2025, 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Center'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 Center's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2025, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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, Reimbursements, and Other Payments to Chief Executive Officer and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

AAFCPAs, Inc.

Westborough, Massachusetts
June 29, 2026

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
December 31, 2025

Assets	
Current Assets:	
Cash	$ 1,078,303
Certificates of deposit	2,336,488
Patient accounts receivable	842,445
Grants and contributions receivable	195,408
Inventory	138,120
Prepaid expenses and other	83,819
Total current assets	4,674,583
Property and Equipment, net	5,798,454
Right-of-Use Lease Assets - Operating	255,088
Total assets	$ 10,728,125
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	$ 323,058
Salaries and related accruals	602,271
Other current liabilities	207,450
Current portion of operating lease liabilities	33,632
Line of credit	295,089
Total current liabilities	1,461,500
Long-term Liabilities:	
Operating lease liabilities, net	232,264
Total liabilities	1,693,764
Net Assets:	
Without donor restrictions:	
Operating	3,541,804
Property and equipment	5,492,557
Total without donor restrictions	9,034,361
Total liabilities and net assets	$ 10,728,125

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2025

Operating Revenue:	
Net patient service revenue	$ 10,350,239
Grants and contributions	4,573,713
Pharmacy revenue	3,874,816
Other income	623,713
Interest income	107,818
Total operating revenue	19,530,299
Operating Expenses:	
Program services	10,133,430
General and administrative	8,985,105
Total operating expenses	19,118,535
Changes in net assets without donor restrictions	411,764
Net Assets Without Donor Restrictions:	
Beginning of year	8,622,597
End of year	$ 9,034,361

The accompanying notes are an integral part of these statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended December 31, 2025

Cash Flows from Operating Activities:		
Changes in net assets without donor restrictions	$	411,764
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		480,889
Changes in operating assets and liabilities:		
Patient accounts receivable		140,939
Grants and contributions receivable		13,319
Inventory		92,943
Prepaid expenses and other		56,947
Accounts payable		(400,372)
Salaries and related accruals		37,552
Other current liabilities		(43,604)
Operating leases		10,808
Net cash provided by operating activities		801,185
Cash Flows from Investing Activities:		
Purchases of property and equipment		(114,933)
Maturities of certificates of deposit		2,242,680
Purchases of certificates of deposit		(2,336,488)
Net cash used in investing activities		(208,741)
Cash Flows from Financing Activities:		
Proceeds from line of credit		20,089
Net Change in Cash		612,533
Cash:		
Beginning of year		465,770
End of year	$	1,078,303
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$	24,347

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services	General and Administrative	Total
Personnel and Related Costs:			
Salaries and wages	$ 6,601,441	$ 3,926,053	$ 10,527,494
Payroll taxes and fringe benefits	667,894	1,437,348	2,105,242
Total personnel and related costs	7,269,335	5,363,401	12,632,736
Occupancy:			
Rent, utilities, and maintenance	28,794	570,890	599,684
Depreciation	-	480,889	480,889
Equipment	16,120	87,063	103,183
Total occupancy	44,914	1,138,842	1,183,756
Other:			
Professional fees and contractual	662,485	1,742,100	2,404,585
Program and other supplies	2,083,876	297,894	2,381,770
Other	25,583	332,647	358,230
Conferences and travel	32,218	44,147	76,365
Employee retention and development	13,063	20,032	33,095
Public relations, advertising and events	935	31,615	32,550
Registration	1,021	14,427	15,448
Total other	2,819,181	2,482,862	5,302,043
Total expenses	$ 10,133,430	$ 8,985,105	$ 19,118,535

1. OPERATIONS AND NONPROFIT STATUS

Operations

David Raines Community Health Center, Inc. (the Center) was established as a Louisiana corporation, in 1992. It is the Center's mission to provide accessible, affordable, comprehensive, and quality health care services to the communities they serve. The Center was established to address healthcare needs of underserved populations in Shreveport, Louisiana.

Nonprofit Status

The Center is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Center is also exempt from state income taxes. Donors may deduct contributions made to the Center within the IRC regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Center prepares its financial statements in accordance with generally accepted accounting standards (U.S. GAAP) and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Certificates of Deposit

Certificates of deposit (CD) with original maturities greater than three months and maturing less than twelve months from the statement of financial position date are classified as CDs and are reported accordingly in the accompanying statement of financial position.

CDs as of December 31, 2025, consist of fourteen CDs with maturity dates varying from January 2026 through November 2026 and bearing interest at rates ranging from 3.69% to 4.02%.

Inventory

Inventory consists of pharmaceuticals on hand and is recorded at the lower of cost (as determined by the first-in, first out (FIFO) method) or market.

Patient Accounts Receivable

Patient accounts receivable is stated at the amount of consideration to which the Center expects to be entitled in exchange for providing patient care. The Center records any implicit price concessions (see page 11) based upon management's experience and other circumstances, which may affect the ability of patients or third-party payors to meet their obligations. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. The opening balance of patient accounts receivable, including pharmacy receivables, at January 1, 2025, was $983,384.

Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2025, consist of contributions committed to the Center, and government grants. Grants and contributions receivable are recorded at their net present value, less allowances for doubtful accounts, when unconditionally committed. There was no allowance for doubtful accounts deemed necessary as of December 31, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

The Center performs individual credit risk assessments which evaluate the individual circumstances, abilities and intentions of each patient prior to providing patient services and filling patient prescriptions. If subsequent to providing the services and filling the prescriptions, the Center becomes aware of patient-specific events, facts or circumstances indicating patients no longer have the ability or intention to pay the amount of consideration to which the Center is expected to be entitled for providing the patient services and filling the patient prescriptions, then the related patient and pharmacy receivable balances are written off as a credit loss expense. No material credit loss expense was recognized for the year ended December 31, 2025. Recoveries of accounts receivable previously written-off are recorded when received.

Property and Equipment

Property and equipment are recorded at cost when purchased, or at fair value at the date of donation. Renewals and betterments in excess of over $5,000 and a useful life greater than one year are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 years
Equipment	3 - 5 years
Vehicles	5 - 8 years
Software	2 - 3 years
Leasehold improvements	Remaining lease term
Land improvements	15 years

Land is not depreciated.

The Center accounts for the carrying value of its property and equipment in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. The carrying value is evaluated annually for impairment. No impairment loss was recognized in fiscal year 2025.

Leases

The Center determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. The Center determines such assets are leased because the Center has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Center determines it does not have the right to control and direct the use of the identified asset. The Center's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Center separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space and land. The Center has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Center determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Center uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, the Center may use a risk-free rate based on the information available at the commencement date to determine the present value of lease payments.

The lease terms may include options to extend or to terminate the lease that the Center is reasonably certain to exercise. Lease expense for operating leases is generally recognized on a straight-line basis over the lease term.

The Center has elected not to record leases with an initial term of twelve (12) months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Net Assets

Net assets consist of the following:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Center. The Center has grouped its net assets without donor restrictions into the following categories:

Operating net assets represents funds available to carry on the operations of the Center.

Property and equipment net assets reflect and account for the activities relating to the Center's property and equipment and ROU lease assets - operating, net of lease liabilities and line of credit balance.

Net Assets With Donor Restrictions

The Center receives contributions and grants which are designated by donors for specific purposes or specific time periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes or over their designated time period. As of December 31, 2025, there were no net assets with donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Net Patient Service Revenue

The Center follows ASC Topic, *Revenue from Contracts with Customers* (Topic 606), whereby patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Center expects to be entitled for the transfer of goods or services to a patient or client, then recognizes this revenue when or as the Center satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Center evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Net patient service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the patients and third-party payors several days after the services are performed. Revenue is recognized as the Center satisfies performance obligations under its contracts with patients.

Performance obligations are determined based on the nature of the services provided by the Center and consist of outpatient medical, dental, behavioral health, and other specialty services. Outpatient services are generally provided at a point in time (date of service) and revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to patients and the Center does not believe it is required to provide additional goods or services related to that date of service.

The Center determines the transaction price based on standard charges for goods and services provided (fee schedule), reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's sliding fee policy, or implicit price concessions provided to uninsured patients. The Center determines its estimates of explicit price concessions which represent contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience by payor groups. The Center determines its estimate of implicit price concessions based on current and historical factors which may affect the ability to collect.

The Center has elected the practical expedient allowed under Topic 606 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 Center's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less.

The Center has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected primarily by differences among payors (for example, Medicare, Medicaid, or commercial insurances have different reimbursement payment and adjudication methodologies).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Net Patient Service Revenue (Continued)

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with significant third-party payors is as follows:

- **Medicaid -** Services are generally paid at prospectively determined rates per visit.
- **Medicare -** Services are paid in accordance with provisions of Medicare's prospective payment system (PPS) for Federally Qualified Health Centers (FQHC's). Medicare payments, including patient co-insurance, are paid on the lesser of the Center's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.
- **Commercial Insurance -** Payment agreements with certain commercial insurance carriers and health maintenance organizations provide for payment using prospectively determined rates and discounts from established charges.

The Center also receives incentive payments from various payors for meeting certain quality and performance metrics. These payments are recognized as revenue in the period the amounts are determinable as variable considerations.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretations. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Center. In addition, the contracts the Center has with commercial payors also provide for retroactive audit and review of claims.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Net Patient Service Revenue (Continued)

Disaggregation of Net Patient Service Revenue

The following table presents a disaggregation of net patient service revenue, by type for the year ended December 31, 2025:

Third-party payors - fee-for-service	$ 9,425,938
Incentives	924,301
Net patient service revenue	$ 10,350,239

Disaggregation of Patient Accounts Receivable

The following table presents a disaggregation of patient accounts receivable, by type for the year ended December 31, 2025:

Patient services - fee-for-service	$ 709,399
Pharmacy	133,046
Patient accounts receivable	$ 842,445

Consistent with the Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Center has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Center expects to collect based on its collection history with those patients.

Patients who meet the Center's criteria for charity care are provided care without charge or at amounts less than established rates based upon the sliding fee discount program. Such amounts determined to qualify as charity care are not reported as earned revenue (see page 13).

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient services in the period of the change.

Charges made to most third-party payors for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, such determinations or adjustments, if any, will not have a material effect on the financial position of the Center as of December 31, 2025, or on their changes in net assets for the year then ended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Disaggregation of Patient Accounts Receivable (Continued)

Pharmacy Revenue

Pharmacy revenue is recognized when the performance obligation of fulfilling a patient prescription is performed at a given point in time. The Center's pharmacy generates revenue from patients and third-party payors (including health insurers) and includes variable considerations for retroactive revenue adjustments due to settlement of audits, reviews and investigations. The Center is also reimbursed by commercial contract pharmacies who fill the Center's patient prescriptions, based on contractually agreed upon prices and administrative processing fees.

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (Topic 958), the Center must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Center should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed.

The Center also receives funding from various other governmental agencies to assist with program expenses and operating costs. These grants have been expended in accordance with the respective terms contained in the agreements and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Center as of December 31, 2025, or on its changes in net assets for the year then ended.

The Center receives grants and contributions from various Federal and state agencies and are shown as grants and contributions in the accompanying statement of activities and changes in net assets. Amounts received under grants and contracts with various Federal and state agencies have been recorded in accordance with Topic 958. These grants are considered non-reciprocal transactions because the general public receives the benefit of the assets transferred. These conditional contributions are recognized as services are provided or as qualifying costs are incurred.

See Note 11 for conditional grants at December 31, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measuring Charity Care

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based upon financial information obtained from the patient prior to services being rendered. Because the Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not included in net patient service revenue. Charity care is determined based on established policies, using patient income and assets to determine payment ability. The amount reflects the cost of free or discounted health services as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on data derived from the Center's cost accounting system and its cost to charge ratio. The Center estimates that it provided $242,097 of services, at cost, in charity care to indigent patients during fiscal 2025.

Income Taxes

The Center accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Center has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2025. The Center's information returns are subject to examination by Federal and state jurisdictions.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and wages and payroll taxes and fringe benefits, which are allocated on the basis of estimates of time and effort and rent, utilities and maintenance, which are allocated on a square footage basis.

Fair Value Measurements

The Center follows the accounting disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Center would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Center uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Center. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.

Level 2: Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

CDs are valued using level 2 inputs which include the original cost of the CD plus accrued interest.

The carrying value of all other assets and liabilities does not differ materially from their estimated fair value and are considered Level 1 in the fair value hierarchy.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

Subsequent Events

Subsequent events have been evaluated through June 29, 2026, which is the date the financial statements were available to be issued. See Note 4 for an event that met the criteria for disclosure in the financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2025:

Buildings and improvements	$ 6,639,021
Equipment	2,846,911
Vehicles	1,167,660
Software	748,135
Leasehold improvements	401,240
Land and land improvements	111,303
	11,914,270
Less - accumulated depreciation	6,115,816
Property and equipment, net	$ 5,798,454

4. LINE OF CREDIT

The Center holds a line of credit agreement with a bank. The maximum borrowing under the agreement is $2,400,000, with interest at a fixed rate of 7%. The line of credit is secured by real estate. There was an outstanding balance of $295,089 at December 31, 2025. The line of credit agreement contains various financial and non-financial covenants which the Center was in compliance with as of December 31, 2025. The line of credit was repaid in full in January 2026.

5. LEASES

The Center rents various facilities under operating lease agreements, which require monthly payments ranging from $850 to $2,307, and expire at various dates through December 2033.

Total operating lease costs included in rent, utilities, and maintenance was $91,505 for the year ended December 31, 2025.

The maturities of lease liabilities as of December 31, 2025, are as follows:

2026	$ 33,632
2027	27,682
2028	27,682
2029	27,682
2030	27,682
Thereafter	121,536
Lease liability	$ 265,896

The Center has not applied a present value discount rate to the lease liability and ROU asset as the discount would be immaterial to the financial statements. The Center's weighted-average remaining lease term is 7.81 years as of December 31, 2025.

The Center's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of December 31, 2025, there were no material leases that have been executed but not yet commenced.

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use by the Center within one year from the statement of financial position date are as follows as of December 31, 2025:

Cash	$ 1,078,303
Certificates of deposit	2,336,488
Patient accounts receivable	842,445
Grants and contributions receivables	195,408
Financial assets available to meet cash needs for general expenditures within one year	$ 4,452,644

The Center manages its liquidity and reserves following three guiding principles: to operate with financial prudence and stability; to maintain adequate liquid assets to meet short-term operating needs; and to maintain sufficient liquid assets to ensure that long-term obligations are properly met.

The Center forecasts its future cash flows on a daily basis and monitors liquidity daily and monthly. Cash reserves invested are monitored and evaluated quarterly. Financial assets in excess of daily cash requirements are invested in certificates of deposit.

7. RETIREMENT PLAN

The Center maintains a tax-deferred defined-contribution retirement plan (403(b)) that covers employees who work a minimum of 20 hours per week. Participants can contribute annually up to the amount allowed by law. The Center's employer contributions are discretionary and subject to a vesting schedule; the policy provides that the employer may contribute up to 50% (or other percentage as determined by the Center) of employee elective deferrals, with employee deferrals exceeding 6% of compensation generally not matched, and employer contributions subject to an annual cap. Retirement plan expense was $137,467 for the year ended December 31, 2025, and is included in payroll taxes and fringe benefits in the accompanying statement of functional expenses.

8. CONCENTRATIONS

The Center maintains its cash balances in commercial banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its operating cash balance.

The Center received approximately 92% of its total grants and contributions revenue during fiscal year from the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA).

Approximately 76% of the Center’s net patient service revenue for the year ended December 31, 2025, was from Medicaid. Approximately 38% of patient accounts receivable was outstanding from Medicaid as of December 31, 2025.

9. MEDICAL MALPRACTICE INSURANCE

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions.

The Center is insured for professional liability coverage through the Federal Bureau of Primary Health Care, known as the Federal Tort Claims Act (FTCA), in accordance with the Public Health Services Act. This coverage is provided to the Center through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded the Center is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Center, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners.

10. CONTINGENCY

The Center, from time-to-time, is the defendant in lawsuits. It is management’s experience and the opinion of legal counsel that the Center will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from these lawsuits.

11. CONDITIONAL GRANTS

The Center was awarded other conditional commitments from various Federal and state agencies, which contain funder-imposed conditions that represent a barrier that must be overcome, as well as a release from obligations. The Center recognizes related revenue from these government awards when funder-imposed conditions are substantially met (see Note 2). The funder-imposed conditions for these grants include the requirement for the Center to incur qualifying expenses. These commitments are not included in the accompanying financial statements. Amounts committed but not recognized totaled $809,921 as of December 31, 2025.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Programs:			
Health Center Program Cluster:			
Health Center Program	93.224	N/A	$ 4,178,212
Grants for New and Expanded Services under the Health Center Program	93.527	N/A	37,873
Total Health Center Program Cluster and U.S. Department of Health and Human Services			4,216,085
U.S. Department of Agriculture:			
Passed-Through State of Louisiana, Department of Health:			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2000675378 2000941310	300,895
Total Expenditures of Federal Awards			$ 4,516,980

Note 1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Note 2. **Indirect Cost Rate**

The Center has elected not to use the de minimis cost rate for its Federal programs.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.

Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
For the Year Ended December 31, 2025

Louisiana Revised Statue (R.S.) 24:514(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:514(A)(3) to clarify that nongovermental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

No compensation paid from public funds.

Agency Head: Willie C. White, III

Category	Amount	Total
Salary	$ -	
Stipend	-	
PTO Buy Back	-	
Retroactive Pay	-	
Total Salary		$ -
Benefits:		
Health Insurance	-	
Retirement	-	
Total benefits		-
Travel:		
Conferences	-	
Airfare and lodging	-	
Total travel		-
Total Compensation, Benefits, Travel, and Other Expenses		$ -

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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*

Independent Auditor's Report

To the Board of Directors of
David Raines Community Health Center, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of David Raines Community Health Center, Inc. (the Center), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AAFCPAs, Inc.

Westborough, Massachusetts
June 29, 2026

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508.366.9100
aafcpa.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors of
David Raines Community Health Center, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited David Raines Community Health Center, Inc. (the Center) 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 Center's major Federal program for the year ended December 31, 2025. The Center's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center 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 Center'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 Center's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page occurred, whether due to fraud or error, and express an opinion on the Center'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 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 on the previous page is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of the major Federal program as a whole.

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 Center'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 Center'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 Center'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on the major Federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the Center's response to the noncompliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

Report on Internal Control Over Compliance (Continued)

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001, to be a significant deficiency.

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.

Government Auditing Standards require the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

AAFCPAs, Inc.

Westborough, Massachusetts
June 29, 2026

DAVID RAINES COMMUNITY HEALTH CENTER, INC.

Schedule of Findings and Questioned Costs
December 31, 2025

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report?	____ Yes	X No
Internal control over financial reporting:		
• Material weakness(es) disclosed?	____ Yes	X No
• Significant deficiency(ies) disclosed?	____ Yes	X None Reported
Noncompliance material to financial statements disclosed?	____ Yes	X No

Federal Awards

Internal control over major Federal program:

• Material weakness(es) disclosed?	____ Yes	X No
• Significant deficiency(ies) disclosed?	X Yes	____ None Reported

Type of auditor's report issued on compliance for major Federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	____ No

Identification of major Federal program:

Name of Federal Program or Cluster	Assistance Listing (AL) Number
Health Center Program Cluster	93.224/93.527

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000.

Auditee qualified as low-risk auditee?	____ Yes	X No

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2025-001

Material Instance of Non-Compliance - Cash Management of Federal Funds

This finding relates to the cash management compliance requirement for the major program, Health Center Program Cluster, Assistance Listing Numbers 93.224 - Health Center Program and 93.527 - Grants for New and Expanded Services under the Health Center Program, administered by the Health Resources and Services Administration (HRSA), U.S. Department of Health and Human Services.

Criteria: Pursuant to 2 CFR §200.305, non-Federal entities must minimize the time elapsing between the transfer of Federal funds from the Federal awarding agency or pass-through entity and the disbursement of those funds for program purposes. Advance payments must be limited to the minimum amounts needed, and timed to be in accordance with the actual, immediate cash requirements of the recipient.

Condition: During our testing, we identified one instance in which the Center drew down $702,681 of HRSA Section 330 Base grant funds when only $351,341 of allowable expenditures had been incurred. As a result, the Center received Federal funds in advance of its immediate cash needs by approximately $351,340.

Cause: The condition resulted from a lack of proper oversight to ensure that drawdown requests were based on actual, incurred, and allowable expenditures at the time of request.

Effect: The Health Center was not in compliance with Federal regulations regarding cash management.

Questioned costs: None. Although the timing of the drawdown was not in compliance with the cash management requirements, the funds were ultimately expended for the allowable purposes within the grant period.

Was the finding a repeat of a finding in the immediately prior year? No

Recommendation: Management should establish and implement procedures to ensure Federal drawdowns are based on actual, allowable expenditures or immediate cash needs in accordance with 2 CFR §200.305. Draw requests should be reviewed and approved to verify that amounts requested do not exceed current allowable expenditures or immediate cash requirements.

Management Response: Management concurs with the finding. During the period under audit, the Health Center inadvertently did a duplicative Federal drawdown which was an administrative oversight. To address this deficiency and prevent future occurrences, management has implemented the following corrective actions: **Duplicative Prevention Controls:** Management has instituted a centralized drawdown tracking log to cross-reference and reconcile historical requests against immediate cash needs, eliminating the risk of administrative duplication. This has been fully implemented as of April 2026.

Significant Deficiency

Finding 2024-1 - Late Submission of Audit Report

Finding Summary: The audit report for the year ended December 31, 2024 was not submitted by the statutory due date required by the Louisiana Legislative Auditor.

Current Status: This finding has been resolved.

CORRECTIVE ACTION PLAN

June 29, 2026

Cognizant or Oversight Agency for Audit

David Raines Community Health Center, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2026.

Name and address of independent public accounting firm:
AAFCPAs, Inc.
50 Washington Street
Westborough, MA 01581

Audit period: January 1, 2025 – December 31, 2025

The findings from June 29, 2026, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

SIGNIFICANT DEFICIENCY

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2025-001 *Federal Program Identification:* Health Center Program Cluster: ALN 93.224/93.527 Health Center Program and Grants for New and Expanded Services under the Health Center Program

Recommendation: Management should establish and implement procedures to ensure Federal drawdowns are based on actual, allowable expenditures or immediate cash needs in accordance with 2 CFR §200.305. Draw requests should be reviewed and approved to verify that amounts requested do not exceed current allowable expenditures or immediate cash requirements.

Action Taken: Management concurs with the finding(s). During the period under audit, the organization inadvertently did a duplicative Federal drawdown which was an administrative oversight.
To address this deficiency and prevent future occurrences, management has implemented the following corrective actions:

- **Duplicate Prevention Controls:** Management has instituted a centralized drawdown tracking log to cross-reference and reconcile historical requests against immediate cash needs, eliminating the risk of administrative duplication.

Management expects to have the above completed by
Fully Implemented (as of April 2026)

If the Department of Health and Human Services has questions regarding this plan, please call Angela Chatman at 318-440-1918.

Sincerely yours,

Angela Chatman
Chief Financial Officer