

**MOREHOUSE COMMUNITY  
MEDICAL CENTERS, INC.  
AND AFFILIATE  
Bastrop, Louisiana**

**Financial and Compliance Report  
July 31, 2025**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Morehouse Community Medical Centers, Inc. and Affiliate  
Bastrop, Louisiana

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

#### ***Opinion***

We have audited the accompanying financial statements of Morehouse Community Medical Centers, Inc. and Affiliate (a nonprofit organization), which comprise the combined statement of financial position as of July 31, 2025, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of Morehouse Community Medical Centers, Inc. and Affiliate as of July 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Morehouse Community Medical Centers, Inc. and Affiliate 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 opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Morehouse Community Medical Centers, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the combined 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 Morehouse Community Medical Centers, Inc. and Affiliate'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Morehouse Community Medical Centers, Inc. and Affiliate'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 combined financial statements as a whole. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. In addition, the accompanying combining statement of financial position, combining statement of activities and schedule of compensation, benefits and other payments, are also presented for additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, combining statement of financial position, combining statement of activities, and schedule of compensation, benefits and other payments 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 January 7, 2026, on our consideration of Morehouse Community Medical Centers, Inc. and Affiliate'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 Morehouse Community Medical Centers, Inc. and Affiliate'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 Morehouse Community Medical Centers, Inc. and Affiliate's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
January 7, 2026

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Combined Statement of Financial Position**  
**As of July 31, 2025**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 6,914,057
Cash - restricted	175,904
Cash and cash equivalent - money market mutual fund investment	9,059,664
Patient accounts receivable, net	1,374,555
Grants receivable	593,670
Contracts receivable	4,600
Other receivables	78,650
Pharmacy inventory	199,553
Prepaid expenses	167,574
Total Current Assets	<u>18,568,227</u>
<b>Property, Plant and Equipment</b>	
Buildings	14,705,706
Furniture and equipment	1,073,263
Vehicles	957,477
Operating right-of-use asset	167,746
	<u>16,904,192</u>
Less accumulated depreciation	<u>(3,568,772)</u>
	13,335,420
Land	2,139,414
Construction in progress	100,525
Net Property, Plant and Equipment	<u>15,575,359</u>
<b>Other Assets</b>	
Investment LPCACO	122,540
Deposits	12,762
Notes receivable - new markets tax credit	7,416,400
Total Other Assets	<u>7,551,702</u>
Total Assets	<u><u>41,695,288</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	369,321
Accrued payroll and related liabilities	836,798
Accrued interest payable	21,925
Current portion of notes payable	158,096
Current portion of operating right-of-use lease liability	61,975
Total Current Liabilities	<u>1,448,115</u>
<b>Long Term Liabilities</b>	
Notes payable - net of current portion	14,307,051
Operating right-of-use lease liability - net of current portion	104,842
Total Long Term Liabilities	<u>14,411,893</u>
Total Liabilities	<u>15,860,008</u>
<b>Net Assets</b>	
Without donor restrictions	25,706,280
With donor restrictions	129,000
Total Net Assets	<u>25,835,280</u>
Total Liabilities and Net Assets	<u>\$ 41,695,288</u>

See accompanying notes to the financial statements

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Combined Statement of Activities**  
**For the Year Ended July 31, 2025**

<b>Revenue and Support</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue:			
Gross patient service revenue	\$ 25,065,525	\$ -	\$ 25,065,525
Less: contractual allowances and discounts	(5,473,417)	-	(5,473,417)
Net patient service revenue	19,592,108	-	19,592,108
Less: provision for uncollectible accounts	(96,464)	-	(96,464)
Net patient service revenue	19,495,644	-	19,495,644
Pharmacy 340B program income	1,406,265	-	1,406,265
<b>Total Revenue</b>	<b>20,901,909</b>	<b>-</b>	<b>20,901,909</b>
Support:			
Grant awards	4,280,753	129,000	4,409,753
Contributions	3,100,000	-	3,100,000
Contract revenue	5,750	-	5,750
Interest income	454,003	-	454,003
Unrealized gain/(loss) on investments	(5,499)	-	(5,499)
Rental income	16,693	-	16,693
Other income	426,966	-	426,966
<b>Total Support and Other Income</b>	<b>8,278,666</b>	<b>129,000</b>	<b>8,407,666</b>
Net assets released from restrictions			
Satisfaction of program restrictions	95,753	(95,753)	-
<b>Total Revenue, Support and Other Income</b>	<b>29,276,328</b>	<b>33,247</b>	<b>29,309,575</b>
<b>Expenses</b>			
Program services	20,098,763	-	20,098,763
General and administrative	3,840,810	-	3,840,810
<b>Total Expenses</b>	<b>23,939,573</b>	<b>-</b>	<b>23,939,573</b>
<b>Change in Net Assets (Revenues over Expenses)</b>	<b>5,336,755</b>	<b>33,247</b>	<b>5,370,002</b>
Net Assets - Beginning of Year	20,369,525	95,753	20,465,278
Net Assets - End of Year	<u>\$ 25,706,280</u>	<u>\$ 129,000</u>	<u>\$ 25,835,280</u>

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Combined Statement of Cash Flows**  
**For the Year Ended July 31, 2025**

<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ 5,370,002
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	715,355
Amortization	57,464
Changes in operating assets and liabilities:	
Change in allowance for doubtful accounts	(129,099)
(Increase) decrease in accounts receivable	(137,099)
(Increase) decrease in grants receivable	(569,090)
(Increase) decrease in contracts receivable	132,009
(Increase) decrease in other receivable	(65,758)
(Increase) decrease in prepaid expenses	143,592
(Increase) decrease in pharmacy inventory	(26,691)
(Increase) decrease in deposits	(1,500)
Increase (decrease) in accounts payable	(350,951)
Increase (decrease) in accrued payroll and related liabilities	(42,676)
	<u>5,095,558</u>
Net Cash Provided (Used) by Operating Activities	<u>5,095,558</u>
<b>Cash Flows From Investing Activities</b>	
Depreciation of LPCACO investment	5,499
Fixed asset acquisitions	(1,926,671)
	<u>(1,921,172)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,921,172)</u>
<b>Cash Flows From Financing Activities</b>	
Decrease in interest payable	(1,237)
Principal payments on long-term debt	(148,868)
	<u>(150,105)</u>
Net Cash Provided (Used) by Financing Activities	<u>(150,105)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,024,281
Cash and Cash Equivalents - Beginning of Year	<u>13,125,344</u>
Cash and Cash Equivalents - End of Year	<u>16,149,625</u>
<b>Cash Flows From Financing Activities:</b>	
Cash - unrestricted	6,914,057
Cash - restricted	175,904
Cash and cash equivalent - money market mutual fund	9,059,664
	<u>16,149,625</u>
<b>Supplemental Disclosure:</b>	
Interest paid	<u>\$ 351,777</u>

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Combined Statement of Functional Expenses**  
**For the Year Ended July 31, 2025**

	<u>Program Services</u>	<u>Supporting Services General and Administrative</u>	<u>Total</u>
Salaries	\$ 9,233,275	\$ 2,247,348	\$ 11,480,623
Fringe benefits	1,147,616	362,405	1,510,021
Payroll taxes	718,016	226,742	944,758
Consultants and contractual services	1,296,768	271,112	1,567,880
Supplies	4,878,007	263,765	5,141,772
Dues and subscriptions	78,031	14,863	92,894
Maintenance and repairs	519,526	98,957	618,483
Telephone	92,222	17,566	109,788
Postage	10,766	2,051	12,817
Insurance	278,163	52,983	331,146
Travel and seminars	163,675	11,948	175,623
Occupancy	100,145	19,075	119,220
Rent	79,272	15,099	94,371
Legal and professional	209,441	39,894	249,335
Interest	294,454	56,086	350,540
Recruitment	21,059	4,011	25,070
Printing	2,055	391	2,446
Miscellaneous	115,791	22,055	137,846
Donations	10,497	-	10,497
Outreach	249,088	-	249,088
	<u>19,497,865</u>	<u>3,726,353</u>	<u>23,224,218</u>
Total expenses before depreciation			
Depreciation	<u>600,898</u>	<u>114,457</u>	<u>715,355</u>
Total expenses	<u>\$ 20,098,763</u>	<u>\$ 3,840,810</u>	<u>\$ 23,939,573</u>

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Morehouse Community Medical Centers, Inc. was organized without capital stock under Louisiana laws on November 15, 2002, as a non-profit corporation for the purpose of operating one or more community health centers for the public and/or providing medical care or medical education for the benefit of the public. The Organization is a federally qualified health center (FQHC) and is principally funded under a grant from the Office of Public Health Services, a component of the U.S. Department of Health and Human Services (DHHS). The Board of Directors of Morehouse Community Medical Centers, Inc. is comprised of ten members who serve without paid compensation.

During October 2020, Communihealth Development Corporation, a non-profit corporation, was organized for the purpose of recognizing the benefits of the New Markets Tax Credit transaction that occurred in January 2021.

These two entities whose financial statements are included in the combined financial statements are collectively referred to as the "Organization".

**Income Taxes**

Morehouse Community Medical Centers, Inc. and Affiliate are exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the combined financial statements. The Morehouse Community Medical Centers, Inc. and Communihealth Development Corporation's Form 990's, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three (3) years after they are filed.

**Budgetary Planning and Control**

Once Morehouse Community Medical Centers, Inc. and Affiliate determines the activities to undertake for the coming year(s), the budget is prepared to translate those goals, objectives, and plans into revenue and expense figures. The Chief Financial Officer develops the budget in collaboration with the executive staff with input obtained from others such as other senior management. The governing board reviews and approves the operating budget. Once approved, the budgets are submitted to the full board for review and approval. Budgets are reviewed and revised annually. A continuing actual to budget comparison is prepared monthly with year-to-date figures in adequate detail to provide basic comparative data to staff responsible for expenses or revenues.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Accounting Estimates**

The preparation of combined 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 and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

**Method of Accounting**

The accompanying combined financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Net assets and revenues, expense, gains and losses are classified based on the existence or absence of grantor/contributor imposed or time restrictions.

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Accounting Standard Codification (ASC) Topic, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets available subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Method of Accounting (Continued)**

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure or deliverables for specified Purpose:	
Living Well Foundation – Clinic Construction	\$ 129,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the year ended July 31, 2025:

Purpose restrictions satisfied:	
Louisiana Clinical Services – Various Clinics	\$ 95,756

**Accounts Receivable**

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

**Allowance for Credit Losses and Bad Debts**

Accounts receivable are reduced by an allowance for credit losses. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for credit losses and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for credit losses. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for credit losses and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for credit losses.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Investments**

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

**Risk Management**

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Organization is deemed under the Federal Torts Claims Act for claims arising from malpractice and commercial insurance (remained of what is there).

**Property and Equipment**

Property and equipment are stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$5,000. Property and equipment donated for Morehouse Community Medical Centers, Inc. and Affiliate operations are valued at their fair market value as of the date received. Repairs and maintenance are charged to operations when incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	15 - 40
Land improvements	10 - 30
Fixed equipment	5 - 20
Equipment, furniture and fixtures	3 - 20

**Grants and Contributions**

Grants and contributions are recognized as income when received. The Board reports grants as with donor restrictions support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the grantor or donor are reported as increases in without donor restrictions net assets if the restrictions expire in the same fiscal year in which the grants and contributions are recognized.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Compensated Absences**

The following description of the Organization’s compensated absences policy provides only general information. Employees should refer to the Paid Time Off (PTO) Policy for a more complete description the policy’s provisions.

If an employee terminates employment and has unused accrued PTO hours, they will be paid for those hours on their final paycheck. The amount of PTO accruals or credit (including accrual rollovers) is based on the number of months/years of continuous service as shown in the following schedule:

<b>Length of Service</b>	<b>Maximum PTO Benefit</b>	<b>Maximum PTO Accrual</b>
0-60 days	80	N/A
1 Year	88	N/A
2 Years	96	376
3 Years	104	406
4 Years	112	436
5 Years	120	466
6 Years	128	496
7 Years	136	526
8 Years	144	556
9 Years	152	578
10 Years	160	600

For the year ended July 31, 2025, Morehouse Community Medical Centers, Inc. had \$589,281 in accrued Paid Time Off (PTO).

**HOLIDAYS EARNED**

After 30 days, all full-time employees will be paid their base rate for holidays designated by the Governing Board. Holiday pay is based on the employee’s normal scheduled hours for the applicable shift. If an employee is not scheduled to work on a holiday recognized by the clinic, that employee shall receive a flat 8 hours of holiday pay.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Morehouse Community Medical Centers, Inc. has agreements with third-party payors that provide reimbursement to the Morehouse Community Medical Centers, Inc. at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the Morehouse Community Medical Centers, Inc.'s rates for services and amounts reimbursed by third-party payors.

Patient service revenue is reported at the amount the Organization expects to be paid for providing patient care. These amounts are due from patients and third-party payors (including health insurers and government programs) and include variable consideration for retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors soon after the services are performed.

Patient service revenue is recognized as performance obligations are satisfied based on the nature of the services provided by the Organization. Revenue for performance obligations that are 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. Generally, performance obligations satisfied over time relate to patients receiving outpatient services. The Organization measures the performance obligations for patient services over a period of less than one day when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

Because all its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in ASC 606. Under this exemption, the Organization is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Since the unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to outpatient services at the end of the reporting period, the performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Net Patient Service Revenue (Continued)**

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and other implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and its historical settlement experience. The Organization determines its estimate of implicit price concessions for uninsured patients based on its historical collection experience with this class of patients.

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

- **Medicare:** Certain services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies (subject to certain limits) with final settlement determined after Medicare Administrative Contractors have audited annual cost reports submitted by the Organization. Services are paid based upon established fee schedules that are based on services provided.
- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.
- **Other:** Payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations provide for payment using prospectively determined rates.

The healthcare industry is subject to laws and regulations concerning government programs, including Medicare and Medicaid, which are complex and subject to varying interpretation. 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. While the Organization operates a Compliance Program, which reviews its compliance with these laws and regulations, there can be no assurance that regulatory authorities will not challenge the Organization'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 Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

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**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Net Patient Service Revenue (Continued)**

Settlements with third-party payors for retroactive 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 Organization'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.

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

**Major Funding Source**

The Organization receives funds from the Department of Health and Human Services (DHHS), under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements.

DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

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**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Functional Expenses**

Expenses were allocated in the accompanying combined financial statements to program and support services functional expense groups. The methods of allocation were based on the Organization's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Organization's estimates of the amount of each expense utilized for program or support service functions.

**Outreach Expense**

The Organization expenses the cost of outreach as the expenses are incurred. For the year ended July 31, 2025, the cost totaled \$249,088.

**Right-Of-Use Operating Lease**

Morehouse Community Medical Centers, Inc. and Affiliate implemented ASU 2016-02, Leases (Topic 842), effective August 1, 2022. The ASU's core principle is that "a lessee should recognize the assets and liabilities that arise from leases." The ASU considered that "all leases create an asset and a liability," and accordingly requires recording the assets and liabilities related to all leases with a term greater than 12 months.

Right-of-use assets are a result of leases in which Morehouse Community Medical Centers, Inc. and Affiliate has entered into a contract with a lessor that conveys control of the right-of-use the lessor's nonfinancial asset (the underlying asset) as specified by the contract for a period of time in an exchange or exchange-like transaction. Such assets are reported on the financial statements, net of amortization. Right-of-use assets are amortized at the lesser of the useful life of the lease term.

Effective June 29, 2018, Morehouse Community Medical Centers, Inc. entered into a building lease to house the Monroe site clinic. The lease is for five-and-one-half years and an option exists to renew the lease for an additional three years. The Organization incurred a lease cost of \$61,017 for the year ended July 31, 2025. This building lease is expected to be renewed for an additional three years which will expire on December 31, 2026.

Effective November 13, 2024, Morehouse Community Medical Centers, Inc. entered into a building lease to house additional Monroe clinic space. The lease is on a month-to-month basis, but is expected to continue for sixty months. The Organization incurred a lease cost of \$20,000 for the year ended July 31, 2025.

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**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Key estimates and judgments related to leases include how the Organization determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Organization uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease beginning June 29, 2018 term includes the noncancellable period of the lease as well as the expected lease renewal for an additional three years. Lease payments included in the measurement of the lease liability are composed of fixed payments for the initial five-and-one-half lease term as well as the renewal three-year lease term the Organization is reasonably certain to exercise.
- The lease beginning November 13, 2024 term includes an expected lease of five years. Lease payments included in the measurement of the lease liability are composed of fixed payments for the expected five year term the Organization is reasonably certain to exercise.

The Organization monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The Organization is obligated on the lease dated June 29, 2018 for the rental payments through 2026 which totals \$86,441 and is expected to renew the lease for an additional three years. The operating lease asset and liability includes the expectation the lease will be renewed after the initial five-and-one-half year term.

The Organization is expected to continue the lease dated November 13, 2024 for five years and the rental payments through 2029 total \$132,500. The operating lease asset and liability includes the expectation the lease will be continued for five years.

Year Ending July 31,		
2026	\$	61,017
2027		55,424
2028		30,000
2029		30,000
2030		<u>12,500</u>
Total Undiscounted Cash Flows		188,941
Less: Present Value		<u>(22,124)</u>
Total Operating Lease Liability	\$	<u>166,817</u>

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
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**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Other Rental of Facilities**

Morehouse Community Medical Centers, Inc. entered into a Memorandum of Agreement with Morehouse Parish School Board for the use of space at Morehouse Jr. High School and Morehouse Elementary School. This space is used for the School Based Health Clinic provided by Morehouse Community Medical Centers, Inc. with both parties providing specific services in a cooperative endeavor agreement. This agreement is for ten years ending October 1, 2029. Morehouse Community Medical Centers, Inc. receives the use of this space rent free from the School Board.

Morehouse Community Medical Centers, Inc. entered into a Memorandum of Agreement with Morehouse Parish School Board for the use of land at Bastrop High School. This land is used for the School Based Health Clinic provided by Morehouse Community Medical Centers, Inc. with both parties providing specific services in a cooperative endeavor agreement. This agreement is for ten years ending April 30, 2033 and receives the use of this land rent free from the School Board.

Morehouse Community Medical Centers, Inc. entered into a Memorandum of Understanding with the Union Parish School System for the use of land at Union Parish High School. This land is used for the School Based Health Clinic provided by Morehouse Community Medical Centers, Inc. with both parties providing specific services in a memorandum of understanding. This agreement is for ten years ending June 30, 2030 and receives the use of this land rent free from the School System.

Effective March 13, 2015, Morehouse Community Medical Centers, Inc. entered into a Memorandum of Agreement with Ouachita Parish School Board for the use of space at Riser Middle School and West Monroe High School. This space is used for the School Based Health Clinics provided by Morehouse Community Medical Centers, Inc. with both parties providing specific services in a cooperative endeavor agreement. This agreement is indefinite and may be terminated by providing a sixty day termination notice. Morehouse Community Medical Centers, Inc. receives the use of this space rent free from the School Board.

Effective April 11, 2022, Morehouse Community Medical Centers, Inc. entered into a sublease administration agreement to house the West Monroe site clinic. The agreement is for ten years, and an option exists to renew the agreement for an additional twenty years. The Organization incurred a sublease administration agreement cost of \$18,000 for the year ending July 31, 2025.

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**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Inventory**

Inventories are stated at lower of cost, determined by the FIFO method, or market.

**Performance Indicator**

The Organization utilizes revenues over expenses as its performance indicator.

**Revenue Recognition**

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the full retrospective method. This guidance outlines a single, comprehensive model for accounting for revenue in exchange transactions from contracts with other entities. The Organizations revenue derived from exchange transactions are for services performed under the terms of various contracts. The Organization applied Topic 606 to its revenue derived from exchange transactions as follows:

*Transaction price* – The transaction price of contract revenue are based on the cost expended to provide such goods and services.

*Performance obligations* – The Organization has identified the following performance obligation in exchange transactions: services under the terms of various contracts. The Organization applies the principles of materiality in the determination of the performance obligations.

Payments under cost-reimbursable contracts and deliverable contracts recognize revenue when performance obligations under the terms of the contracts with other entities are satisfied.

The following table presents the Organization’s net revenue disaggregated based on revenues from contracts with other entities:

Cost reimbursement and deliverable performance obligation contracts	\$5,750
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The following table presents the Organization’s contract balances on revenues from contracts with customers as of July 31, 2025:

Receivables from contracts – LSU Health Sciences Center	\$4,600
---	---------

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**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Revenue Recognition (Continued)**

*340b Drug Program* – The 340b drug program is a federal program whereby drug manufacturers provide outpatient drugs to eligible healthcare organizations at significantly reduced costs. The Organization tracks separately the revenues and expenses related to the outpatient drugs provided under this program.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA conducts routine audits and monitoring of these programs at healthcare organizations. Laws and regulations governing the 340b program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to amounts related to the 340b Program could occur in the near term.

*Incentive Revenue* – The Organization participates in various incentive programs with third party insurers who provide bonus payments based on quality measurers and metrics established by the program. The Organization recognizes incentive payments as revenue when it is reasonably assured that the quality measurers and metrics have been achieved.

**NOTE 2 - PATIENT ACCOUNTS RECEIVABLE**

Patient accounts receivable are comprised of the following for the year ending July 31, 2025:

Medicare	\$ 369,994
Medicaid	696,102
Private	446,600
	1,512,696
Less allowance for credit losses	(138,141)
	\$ 1,374,555

The method to calculate allowance for credit losses did not significantly change from the prior year. The Organization’s write-off recoveries, which primarily consisted of self-pay charges, totaled \$96,464 for the fiscal year July 31, 2025. The Organization amended its charity care policy to adhere to the annually revised Federal Poverty Level Guidelines during the fiscal year.

**NOTE 3 - ECONOMIC DEPENDENCY**

The Organization receives a substantial portion of its total support and revenues from the federal government. During the fiscal year ended July 31, 2025, Morehouse Community Medical Centers, Inc. and Affiliate recorded \$3,886,124 in grant support from the Department of Health and Human Services. This represents 13.3% of total support and revenues for the year ended July 31, 2025.

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**NOTE 4 - COST REPORT RECEIVABLE**

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

**NOTE 5 – RESTRICTED CASH**

As of July 31, 2025, Communihealth Development Corporation held in separate bank accounts \$41,255 for the payment of interest on debt obligations and New Market Tax Credit related expense reimbursements and \$134,649 New Market Tax Credit related accounting and asset management expenses.

**NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization’s estimates of the relative proportion of various staff members’ time and effort between program and administrative functions.

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains several bank accounts at various banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution and one bank secures excess deposits over FDIC insurance with pledged securities totaling \$8,701,125. As of July 31, 2025, the Organization had cash deposits totaling \$7,135,034 of which deposits in excess of FDIC insured limits and pledged securities totaled \$172,315.

The majority of the Organization’s patients are located in northeast Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of July 31, 2025 was as follows:

Medicare	20 %
Medicaid	38
Other	42
	100 %

The mix of net patient revenues for the year ended July 31, 2025 was as follows:

Medicare	13 %
Medicaid	69
Other	18
	100 %

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***NOTE 8 – NEW MARKET TAX CREDIT***

During the year ended July 31, 2021, the Organization received \$16 million in New Market Tax Credit Program (NMTC) financing as a qualified low-income community investment within the meaning of Section 45D of the Internal Revenue Code. The NMTC Program attracts investment capital to low-income communities by allowing individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in a specialized financial institution called a “Community Development Entity” (CDE). The tax credit totals thirty-nine percent (39%) of the original investment amount and is claimed over a period of seven (7) years (compliance period). QCDEs, in turn, make investments into businesses or projects with terms that are more favorable than typically available with conventional financing.

In order for the CDE to provide NMTC financing, the borrower must be deemed a “qualified active low-income community business” (QALICB) and the financed project must be deemed a “qualified low-income community investment” (QLICI) in order for tax credit investors in a CDE to receive the tax credits described above. As part of this transaction, Communihealth Development Corporation was formed to serve as the QALICB for the NMTC transaction. Communihealth Development Corporation is a supporting organization of Morehouse Community Medical Centers, Inc. and two of Communihealth Development Corporation’s five board members are employees of Morehouse Community Medical Centers, Inc.

Utilization of the NMTC Program has the end result of providing the financing to complete construction and renovation of a new medical clinic located in Bastrop, Louisiana, which began in 2020, at favorable and below market rate terms.

The NMTC transaction was structured whereby Communihealth Development Corporation received six QLICI loans and the Bastrop clinic land and clinic construction in progress was sold and contributed to Communihealth Development Corporation for \$648,586 and \$427,377, respectively. The \$427,377 in contribution proceeds and expenditures were intercompany transactions that were eliminated for purposes of the combined financial statements. The NMTC transaction is as follows: The Community Health Center Capital Fund, Inc. and Primary Care Development Corporation provided loans to Morehouse Community Medical Centers, Inc. in the amounts of \$2,000,000 and \$3,000,000, respectively, who in turn used this loan along with the proceeds of the sale of the Bastrop clinic land and clinic construction in progress to make loans in the amount of \$3,825,000 to Enhanced Capital LA NMTC Investment Fund I, LLC and \$3,591,400 to Chase NMTC MCMC Investment Fund, LLC. Enhanced Capital Louisiana NMTC Investor II, LLC provided an equity contribution to an entity who transferred to Chase Investment Fund, LLC in the amount of \$1,375,000. Chase Community Equity, LLC provided an equity contribution to Chase Investment Fund, LLC in the amount of \$3,603,600. The total investment was then transferred to PCDC Health Opportunities Fund XXX, LLC (CDE) and Capital Fund NMTC CD #14, LLC (CDE) in the amounts of \$6,500,000 and \$5,500,000, respectively. PCDC Health Opportunities Fund XXX, LLC and Capital Fund NMTC CD #14, LLC then made three and four loans, respectfully (seven total loans) to Communihealth Development Corporation. totaling \$11,797,500. The remaining \$202,500 was used to pay upfront fees owed to the Primary Care Development Corporation and sub-allocation fees owed to the Community Health Center Fund, Inc.

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**NOTE 8 – NEW MARKET TAX CREDIT (CONTINUED)**

The loans will be made at an interest rate of approximately 1.0% for Community Development Corporation and 6% for Morehouse Community Medical Centers, Inc. The loans provide for interest-only debt payments for an initial seven (7) year period (compliance period) and then interest and principal payments sufficient to fully repay the loan at maturity. Prepayment of the loans during the compliance period will not be permitted.

After the seven-year recapture period, the Chase Community Equity, LLC and Enhanced Capital Louisiana NMTC Investor II, LLC has the option to sell, within the three month “put period”, to put its equity interest in Chase NMTC MCMC Investment Fund, LLC and Enhanced Capital Louisiana NMTC Investment Fund I, LLC to Morehouse Community Medical Centers, Inc. or an affiliate for an amount equal to \$1,000 (each) plus taxes and transfer expenses. In the event that Chase Community Equity, LLC and/or Enhanced Capital Louisiana NMTC Investor II, LLC does not put its interest in Chase NMTC MCMC Investment Fund, LLC and/or Enhanced Capital Louisiana NMTC Investment Fund I, LLC, Morehouse Community Medical Centers, Inc. has a call option to purchase these interests at fair market value as determined by an independent appraiser.

Immediately after the exit transactions are completed, Community Development Corporation may be dissolved and the Bastrop campus may be transferred back to Morehouse Community Medical Centers, Inc. The Organization anticipates receiving a net benefit from the results of these transactions of approximately \$3,275,573 net of transaction costs.

After the Bastrop Clinic was completed, Community Development Corporation leased the Bastrop campus to Morehouse Community Medical Centers, Inc., for which the lease payments were used to pay the debt service on the new loans. The rental expense and rental income of \$150,000 are intercompany transactions that were eliminated for purposes of the combined financial statements. As of July 31, 2025, Community Development Corporation has a liability of \$16,112 to Morehouse Community Medical Centers, Inc. for the payment of interest and fees.

**NOTE 9 – NOTE RECEIVABLE**

Morehouse Community Medical Center, Inc.’s note receivable of \$3,825,000 from Enhanced Capital LA NMTC Investment Fund I, LLC accrues interest at 1.13763% which is payable quarterly through April 15, 2028. Beginning July 15, 2028, principal and interest will be payable quarterly sufficient to fully amortize the note, including a \$1,426,165 principal payment due on July 15, 2028, with the final payment due January 15, 2051. Interest income totaled \$39,483 during the fiscal year ending July 31, 2025.

Morehouse Community Medical Center, Inc.’s note receivable of \$3,591,400 from Chase NMTC MCMC Investment Fund, LLC accrues interest at 1.0530% which is payable quarterly through April 10, 2028. Principal and remaining interest will be payable in a balloon payment due on July 10, 2028. Interest income totaled \$28,362 during the fiscal year ending July 31, 2025.

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**NOTE 10 - NOTES PAYABLE**

Notes payable for the year ended July 31, 2025 consisted of the following:

<p><u>Morehouse Community Medical Centers, Inc. Promissory Note Payable from Community Health Center Capital Fund, Inc.:</u> New Market Tax Credit loan dated January 15, 2021, in the amount of \$2,000,000, interest payable monthly in 30 installments starting on February 15, 2022 until conversion to amortizing loan with principal and interest payments commencing on July 15, 2022 with a balloon principal payment on July 15, 2028, bearing an fixed interest of 6.00%; collateralized by accounts, receivables, property, inventory, equipment and leveraged loan documents and security agreement.</p>	<p>\$ 1,277,184</p>
<p><u>Morehouse Community Medical Centers, Inc. Promissory Note Payable from Primary Care Development Corporation:</u> New Market Tax Credit loan dated January 15, 2021, in the amount of \$3,000,000, interest payable monthly in 89 installments starting on February 1, 2021 until conversion to amortizing loan with principal and interest payments commencing on August 1, 2022 with a balloon principal payment due on July 15, 2028, bearing an fixed interest of 6.00%; collateralized by accounts, property, premises, leveraged loan documents, cross collateralized and security agreement.</p>	<p>1,802,434</p>
<p><u>Communihealth Development Corporation Promissory Note Payable (A) from PCDC Health Opportunities Fund XXX, LLC:</u> New Market Tax Credit loan dated January 15, 2021, in the amount of \$3,000,000, interest payable quarterly in 90 installments starting on April 1, 2021 until balloon principal payment due on July 1, 2028, bearing an fixed interest of 1.00%; collateralized by property, assignment of leases and rents, security agreement, accounts, equipment, fixtures, inventory, contracts and fixture filing encumbrance.</p>	<p>3,000,000</p>
<p><u>Communihealth Development Corporation Promissory Note Payable (B) from PCDC Health Opportunities Fund XXX, LLC:</u> New Market Tax Credit loan dated January 1, 2021, in the amount of \$848,350, interest payable quarterly in 120 installments starting on April 1, 2021 until conversion to amortizing loan with principal and interest payments commencing on April 1, 2028 through January 1, 2051, bearing an fixed interest of 1.00%; collateralized by property, assignment of leases and rents, security agreement, accounts, equipment, fixtures, inventory, contracts and fixture filing encumbrance.</p>	<p>848,350</p>
<p><u>Communihealth Development Corporation Promissory Note Payable (C) from PCDC Health Opportunities Fund XXX, LLC:</u> New Market Tax Credit loan dated January 15, 2021, in the amount of \$1,514,150, interest payable quarterly in 120 installments starting on April 1, 2021 until conversion to amortizing loan with principal and interest payments commencing on April 1, 2028 through January 1, 2051, bearing an fixed interest of 1.00%; collateralized by property, assignment of leases and rents, security agreement, accounts, equipment, fixtures, inventory, contracts and fixture filing encumbrance.</p>	<p>1,514,150</p>

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**NOTE 10 - NOTES PAYABLE (CONTINUED)**

Communihealth Development Corporation Promissory Note Payable (A) from Capital Fund NMTC CD #14 LLC: New Market Tax Credit loan dated January 15, 2021, in the amount of \$1,435,000, interest payable quarterly in 29 installments starting on April 1, 2021 until balloon principal payment due on July 1, 2028, bearing an fixed interest of 1.00%; collateralized by property, assignment of leases and rents, security agreement, accounts, equipment, fixtures, inventory, contracts and fixture filing encumbrance.

1,435,000

Communihealth Development Corporation Promissory Note Payable (B) from Capital Fund NMTC CD #14 LLC: New Market Tax Credit loan dated January 15, 2021, in the amount of \$565,000, interest payable quarterly in 29 installments starting on April 1, 2021 until balloon principal payment due on July 1, 2028, bearing an fixed interest of 1.00%; collateralized by property, assignment of leases and rents, security agreement, accounts, equipment, fixtures, inventory, contracts and fixture filing encumbrance.

565,000

Communihealth Development Corporation Promissory Note Payable (C) from Capital Fund NMTC CD #14 LLC: New Market Tax Credit loan dated January 15, 2021, in the amount of \$1,691,950, interest payable quarterly in 120 installments starting on April 1, 2021 until conversion to amortizing loan with principal and interest payments commencing on April 1, 2028 through January 1, 2051, bearing an fixed interest of 1.00%; collateralized by property, assignment of leases and rents, security agreement, accounts, equipment, fixtures, inventory, contracts and fixture filing encumbrance.

1,691,950

Communihealth Development Corporation Promissory Note Payable (D) from Capital Fund NMTC CD #14 LLC: New Market Tax Credit loan dated January 15, 2021, in the amount of \$2,743,050, interest payable quarterly in 120 installments starting on April 1, 2021 until conversion to amortizing loan with principal and interest payments commencing on April 1, 2028 through January 1, 2051, bearing an fixed interest of 1.00%; collateralized by property, assignment of leases and rents, security agreement, accounts, equipment, fixtures, inventory, contracts and fixture filing encumbrance.

2,743,050

14,877,118

Less: current portion (158,096)

Less: deferred financing costs, net (411,971)

Long-term debt \$ 14,307,051

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**NOTE 10 - NOTES PAYABLE (CONTINUED)**

Maturities of debt are as follows:

July 31,	Amount
2026	\$ 158,098
2027	167,850
2028	5,310,845
2029	454,515
2030	468,844
Thereafter	8,316,966
Total	\$ 14,877,118

**NOTE 11 - COMPLIANCE WITH LOAN COVENANTS**

The multiple loan agreements contain various requirements related to reserves, financial ratios, financial reporting due dates, etc. The Organization met the required loan covenants.

**NOTE 12 - DEFERRED FINANCING COSTS**

Deferred financing costs are capitalized and amortized over the life of the related debt using the straight-line method. Total capitalized costs were \$554,402 and \$116,159 and the related accumulated amortization was \$188,895 and \$69,695, as of July 31, 2025, for Morehouse Community Medical Centers, Inc. and Communihealth Development Corporation, respectively. Deferred financing costs are reported as a direct deduction from the face amount of the related notes payable in the combined statements of financial position. Amortization expense totaled \$57,465 for the fiscal year ended July 31, 2025.

The following is the estimated aggregate amortization expense for each of the five years succeeding July 31, 2025:

Year	Morehouse Community Medical Centers, Inc.	Communihealth Development Corporation	Total Amount
2026	\$ 15,488	\$ 41,977	\$ 57,465
2027	15,488	41,977	57,465
2028	15,488	41,977	57,465
2029	-0-	10,648	10,648
2030	-0-	10,648	10,648

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
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***NOTE 13 – FAIR VALUE OF INSTRUMENTS***

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair value of all financial instruments as of July 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, accounts receivable, grants receivable, contracts receivable, other receivables, prepaid expenses, accounts payable, interest payable and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes receivable and notes payable approximate their fair value, as interest is insignificant.

***NOTE 14 – INVESTMENTS***

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

The Organization's investments are measured on a recurring basis and consist of a government money market mutual fund investment and a limited liability member of Louisiana Primary Care – Accountable Care Organization, LLC, a Louisiana limited liability company. The Organization has a 3.44% interest in Louisiana Primary Care – Accountable Care Organization, LLC whose purpose is to tie provider reimbursements to quality metrics and reductions in the cost of care. The carrying value of the member share is equal to its capital balance or historical cost increased or decreased for the Organization's share of the limited liability company's profit or loss. The Organization's capital balance in Louisiana Primary Care – Accountable Care Organization, LLC as of July 31, 2025 was \$122,540. There were no indicators of impairment on this investment during the fiscal year ended July 31, 2025.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 14 – INVESTMENTS (CONTINUED)**

As of July 31, 2025, the Organization’s investments measured on a recurring basis consisted of a government money market mutual fund investment with fair market value (Level 1) and a limited liability company membership with fair market value (Level 3) with cost bases as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Government money market mutual fund investment (Level 1 Observable Inputs)	\$ 9,059,664	\$ 9,059,664	\$ -0-
Limited Liability Company Member – 3.44% Interest (Level 3 Unobservable Inputs)	\$ 122,540	Not Determined	Not Determined

The Organization’s investments are primarily concentrated in government money market mutual fund investments.

Changes in the Louisiana Primary Care – Accountable Care Organization, LLC membership for the year ended June 31, 2025 are as follows:

<b>Balance as of July 31, 2024</b>	\$ 128,039
Amounts invested in the membership	-
Share of profit/(loss) of membership	(5,499)
Distributions made from membership	-
<b>Balance as of July 31, 2025</b>	\$ 122,540

**NOTE 15 – RETIREMENT PLAN**

The Organization has established a 403B defined contribution retirement plan. All employees are eligible to participate after thirty days of service. The Organization will contribute to each qualifying participant a dollar-per-dollar match up to 5% of the qualifying participant’s monthly wages (including base wages, overtime, incentives and bonuses) which is subjected to a vesting period. The Organization’s contributions to the plan for the year ended July 31, 2025 totaled \$433,222.

**NOTE 16 – CONTINGENCIES**

The Organization is subject to a pending claim and litigation which arose primarily in the ordinary course of business. Since presently it is not possible to determine the ultimate outcome of these matters, no liability has been recorded in the financial statements. It is possible a potential settlement could exceed \$100,000, but the final settlement has not yet been determined and could change in the near term.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

***NOTE 17 – CHARITY CARE***

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. The Organization receives a Department of Health and Human Services grant to subsidize the charity care medical services provided to qualifying patients.

***NOTE 18 – LIQUIDITY AND AVAILABILITY OF RESOURCES***

The Organization has \$18,025,196 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of substantially cash of \$6,914,057, government money market mutual fund investment of \$9,059,664, patient accounts receivable of \$1,374,555, grant receivables of \$593,670, contract receivables of \$4,600, and other receivables of \$78,650. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Organization has a goal to maintain financial assets which consist of cash on hand to meet six (6) months of normal operating expenses, which are, on average, approximately \$11,000,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization deposits cash in excess of daily requirements in certificate of deposit investments.

***NOTE 19 – SUBSEQUENT EVENTS***

The Organization evaluated its July 31, 2025 financial statements for subsequent events through the date of the audit report, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

***NOTE 20 - 340B PHARMACY PROGRAM AUDIT***

The Health Resources & Services Administration (HRSA) performed an audit of the Organization's 340B Pharmacy Program for the period beginning July 1, 2024 and ending December 31, 2024. HRSA noted items requiring either a Correction Action Plan or written notice of disagreement. The Organization issued a written notice of disagreement and HRSA's response has not been received as of the date of this audit report. Currently, no liability is recorded on the financial statements, but it is possible an estimated potential settlement could occur in the near term.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Notes to Financial Statements**  
**July 31, 2025**

**NOTE 21 - PROPERTY AND EQUIPMENT**

The balances and changes in property, plant, and equipment as of and for the year ended July 31, 2025 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Asset type:				
Non-depreciable assets:				
Land	\$ 535,189	\$ 1,604,225	\$ -	\$ 2,139,414
Construction in progress	-	100,525	-	100,525
Total non-depreciable assets	535,189	1,704,750	-	2,239,939
Depreciable assets:				
Buildings	14,600,668	105,038	-	14,705,706
Furniture and equipment	1,041,507	31,756	-	1,073,263
Vehicles	875,216	82,261	-	957,477
Total depreciable assets	16,517,391	219,055	-	16,736,446
Accumulated depreciation				
Buildings	1,347,998	482,314	-	1,830,312
Leasehold improvements	205,346	72,660	-	278,006
Furniture and equipment	673,577	84,292	-	757,869
Vehicles	626,494	76,091	-	702,585
Total	2,853,415	715,357	-	3,568,772
Total depreciable assets	13,663,976	(496,302)	-	13,167,674
Total property and equipment, net	\$ 14,199,165	\$(1,208,448)	\$ -	\$15,407,613

**NOTE 22 – ENHANCED CARE PROGRAM - CHANGE IN ACCOUNTING ESTIMATE**

During the fiscal year ending July 31, 2025, the Organization ceased the Enhanced Care Program association with a vendor which settled the previously recorded accrued consulting fees at a lesser amount. These accrued consulting administration fees were accrued as an estimate in the amount of \$201,554 for the fiscal year ending July 31, 2024. The change in this estimate in the amount of \$213,858 is reflected in a reduction in consultants and contractual services expense during the fiscal year ending July 31, 2025.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**

**Schedule of Expenditures of Federal Awards  
Year Ended July 31, 2025**

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
U. S. Department of Health and Human Services Cluster					
Direct Programs:					
Community Health Center Section 330	* 93.224	H80CS08764	8/1/24 - 7/31/25	\$ 2,664,126	\$ 2,664,126
FY 2025 Behavioral Health Service Expansion	* 93.224	H8NCS54148	8/1/24 - 7/31/25	500,717	500,717
Grants for New and Expanded Services under Health Center Program	* 93.527	H8LCS51517	8/1/24 - 7/31/25	5,537	5,537
Health Center Program Service Expansion School Based Service Sites	* 93.224	H8KCS49754	8/1/24 - 7/31/25	<u>215,443</u>	<u>215,443</u>
Total U.S. Department of Health and Human Services Cluster				<u>3,385,823</u>	<u>3,385,823</u>
U.S. Department of Health and Human Services Pass-through Louisiana Department of Health					
Health Center Program Service Expansion School Based Service Sites	93.243		8/1/24 - 7/31/25	500,301	500,301
Total U.S. Department of Health and Human Services				<u>500,301</u>	<u>500,301</u>
Total federal assistance				<u>\$ 3,886,124</u>	<u>\$ 3,886,124</u>

\* Major Program

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Morehouse Community Medical Centers, Inc. and Affiliate, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 of U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, *Cost Principles of Non-Profit Organizations*. The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements. Morehouse Community Medical Centers, Inc. and Affiliate has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Combining Statement of Financial Position**  
**As of July 31, 2025**

Assets	Morehouse Community Medical Centers, Inc.	Communihealth Development Corporation	Eliminations	Combined Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 6,876,848	\$ 37,209	\$ -	\$ 6,914,057
Cash - restricted	-	175,904	-	175,904
Cash and cash equivalent - money market mutual fund investment	9,059,664	-	-	9,059,664
Patient accounts receivable, net	1,374,555	-	-	1,374,555
Grants receivable	593,670	-	-	593,670
Contracts receivable	4,600	-	-	4,600
Other receivables	78,650	-	-	78,650
Pharmacy inventory	199,553	-	-	199,553
Prepaid expenses	167,574	-	-	167,574
Due from Communihealth Development Corporation	16,112	-	(16,112)	-
Total Current Assets	<u>18,371,226</u>	<u>213,113</u>	<u>(16,112)</u>	<u>18,568,227</u>
<b>Property, Plant and Equipment</b>				
Buildings	4,055,912	10,649,794	-	14,705,706
Furniture and equipment	996,004	77,259	-	1,073,263
Vehicles	957,477	-	-	957,477
Operating right-of-use leased asset	167,746	-	-	167,746
	<u>6,177,139</u>	<u>10,727,053</u>	<u>-</u>	<u>16,904,192</u>
Less accumulated depreciation	(2,586,120)	(982,652)	-	(3,568,772)
	<u>3,591,019</u>	<u>9,744,401</u>	<u>-</u>	<u>13,335,420</u>
Land	1,930,780	208,634	-	2,139,414
Construction in progress	100,525	-	-	100,525
Net Property, Plant and Equipment	<u>5,622,324</u>	<u>9,953,035</u>	<u>-</u>	<u>15,575,359</u>
<b>Other Assets</b>				
Investment LPCACO	122,540	-	-	122,540
Deposits	8,562	4,200	-	12,762
Notes receivable - new markets tax credit	7,416,400	-	-	7,416,400
Total Other Assets	<u>7,547,502</u>	<u>4,200</u>	<u>-</u>	<u>7,551,702</u>
Total Assets	<u>31,541,052</u>	<u>10,170,348</u>	<u>(16,112)</u>	<u>41,695,288</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	369,321	-	-	369,321
Accrued payroll and related liabilities	836,798	-	-	836,798
Accrued interest payable	12,228	9,697	-	21,925
Due to Morehouse Community Medical Centers, Inc.	-	16,112	(16,112)	-
Current portion of notes payable	158,096	-	-	158,096
Current portion of operating right-of-use lease liability	61,975	-	-	61,975
Total Current Liabilities	<u>1,438,418</u>	<u>25,809</u>	<u>(16,112)</u>	<u>1,448,115</u>
<b>Long Term Liabilities</b>				
Notes payable - net of current portion	2,875,058	11,431,993	-	14,307,051
Operating right-of-use lease liability - net of current portion	104,842	-	-	104,842
Total Long Term Liabilities	<u>2,979,900</u>	<u>11,431,993</u>	<u>-</u>	<u>14,411,893</u>
Total Liabilities	<u>4,418,318</u>	<u>11,457,802</u>	<u>(16,112)</u>	<u>15,860,008</u>
<b>Net Assets</b>				
Without donor restrictions	26,993,734	(1,287,454)	-	25,706,280
With donor restrictions	129,000	-	-	129,000
Total Net Assets	<u>27,122,734</u>	<u>(1,287,454)</u>	<u>-</u>	<u>25,835,280</u>
Total Liabilities and Net Assets	<u>\$ 31,541,052</u>	<u>\$ 10,170,348</u>	<u>\$ (16,112)</u>	<u>\$ 41,695,288</u>

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Combining Statement of Activities**  
**For the Year Ended July 31, 2025**

	<b>Morehouse Community Medical Centers, Inc.</b>	<b>Communihealth Development Corporation</b>	<b>Eliminations</b>	<b>Combined Total</b>
<b>Revenue and Support</b>				
Revenue:				
Gross patient service revenue	\$ 25,065,525	\$ -	\$ -	\$ 25,065,525
Less: contractual allowances and discounts	(5,473,417)	-	-	(5,473,417)
Net patient service revenue	19,592,108	-	-	19,592,108
Less: provision for uncollectible accounts	(96,464)	-	-	(96,464)
Net patient service revenue	19,495,644	-	-	19,495,644
Pharmacy 340 B program income	1,406,265	-	-	1,406,265
<b>Total Revenue</b>	<b>20,901,909</b>	<b>-</b>	<b>-</b>	<b>20,901,909</b>
Support:				
Grant awards	4,409,753	-	-	4,409,753
Contributions	3,100,000	-	-	3,100,000
Contract revenue	5,750	-	-	5,750
Interest income	452,534	1,469	-	454,003
Unrealized gain/(loss) on investments	(5,499)	-	-	(5,499)
Rental income	16,693	150,000	(150,000)	16,693
Other income	426,966	-	-	426,966
<b>Total Support and Other Income</b>	<b>8,406,197</b>	<b>151,469</b>	<b>(150,000)</b>	<b>8,407,666</b>
<b>Total Revenue, Support and Other Income</b>	<b>29,308,106</b>	<b>151,469</b>	<b>(150,000)</b>	<b>29,309,575</b>
<b>Expenses</b>				
Program services	19,681,287	543,477	(126,000)	20,098,763
General and administrative	3,832,546	32,263	(24,000)	3,840,810
<b>Total Expenses</b>	<b>23,513,833</b>	<b>575,740</b>	<b>(150,000)</b>	<b>23,939,573</b>
Change in Net Assets (Revenues over Expenses)	5,794,273	(424,271)	-	5,370,002
Net Assets - Beginning of Year	21,328,461	(863,183)	-	20,465,278
Net Assets - End of Year	<u>\$ 27,122,734</u>	<u>\$ (1,287,454)</u>	<u>\$ -</u>	<u>\$ 25,835,280</u>

**Morehouse Community Medical Centers, Inc. and Affiliate**  
**Schedule of Compensation, Benefits and Other Payments to Executive Director**  
**July 31, 2025**

NO COMPENSATION PAID FROM PUBLIC FUNDS

**Agency Head Name: Katie Parnell, Executive Director**

<b>Purpose</b>	<b>Amount</b>
Salary	-
Benefits-health insurance	-
Benefits-retirement	-
Benefits-Life, ADD, LTD	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements – Auto Mileage Reimb	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

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*Certified Public Accountants*

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

Board of Directors  
Morehouse Community Medical Centers, Inc. and Affiliate  
Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Morehouse Community Medical Centers, Inc. and Affiliate (a nonprofit organization), which comprise the combined statement of financial position as of July 31, 2025, and the related combined statements of activities, 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 January 7, 2026.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Morehouse Community Medical Centers, Inc. and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morehouse Community Medical Centers, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Morehouse Community Medical Centers, Inc. and Affiliate's internal control.

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

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

Board of Directors  
Morehouse Community Medical Centers, Inc. and Affiliate  
Bastrop, Louisiana

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morehouse Community Medical Centers, Inc. and Affiliate's combined financial statements are free of 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 determination of combined 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
January 7, 2026

# STEVEN M. DEROUEN & ASSOCIATES, LLC

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors  
Morehouse Community Medical Centers, Inc. and Affiliate  
Bastrop, Louisiana

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Morehouse Community Medical Centers, Inc. and Affiliate'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 each of Morehouse Community Medical Centers, Inc. and Affiliate's major federal programs for the year ended July 31, 2025. Morehouse Community Medical Centers, Inc. and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Morehouse Community Medical Centers, Inc. and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Morehouse Community Medical Centers, Inc. and Affiliate 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 each major federal program. Our audit does not provide a legal determination of Morehouse Community Medical Centers, Inc. and Affiliate's compliance with the compliance requirements referred to above.

Board of Directors  
Morehouse Community Medical Centers, Inc. and Affiliate  
Bastrop, Louisiana

### ***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 Morehouse Community Medical Centers, Inc. and Affiliate's federal programs.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Morehouse Community Medical Centers, Inc. and Affiliate'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 Morehouse Community Medical Centers, Inc. and Affiliate'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 Morehouse Community Medical Centers, Inc. and Affiliate'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.

Board of Directors  
Morehouse Community Medical Centers, Inc. and Affiliate  
Bastrop, Louisiana

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

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

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

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
January 7, 2026

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, LA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended July 31, 2025**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements

Type of auditor’s report issued			Unmodified
Internal control over financial reporting:			
Material weaknesses identified?	___ Yes	_x_ No	
Significant deficiency identified not considered to be material weaknesses?	___ Yes	_x_ None reported	
Noncompliance material to financial statements noted?	___ Yes	_x_ No	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	___ Yes	_x_ No	
Significant deficiency identified not considered to be material weaknesses?	___ Yes	_x_ None reported	
Type of auditor’s report issued on compliance for major programs:			Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ Yes	_x_ No	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	U.S. Department of Health and Human
93.527	Services, Community Health Centers Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**A separate management letter was not issued.**

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended July 31, 2025**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The results of my tests disclosed no instances of non-compliance with the requirements applicable to each major federal program that are required to be reported in accordance with the Uniform Guidance.

**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC. AND AFFILIATE**  
**Bastrop, Louisiana**  
**Summary Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended July 31, 2025**

**PRIOR YEAR FINDINGS**

None