PRIORITY HEALTH CARE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation
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Postlethwaite & Netterville

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Priority Health Care, Inc. ("the Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Postlethwaite & Netterville

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Priority Health Care, Inc. as of December 31, 2020, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to agency head; and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 17, 2021

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Assets:		
Cash	$	3,923,699
Grants receivable		377,221
Patient receivables		489,677
Other receivables		38,409
Pharmacy inventory		106,256
Other assets		239,098
Total current assets		5,174,360
Property and equipment, net		3,776,424
Total assets	$	8,950,784

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	$	244,818
Accrued salaries and related liabilities		155,319
Note payable - current portion		118,928
Line of credit - current portion		36,730
Total current liabilities		555,795
Note payable - long term portion		2,311,554
Line of credit - long term portion		248,356
Total long-term liabilities		2,559,910
Total liabilities		3,115,705
Net assets:		
Without donor restriction		5,835,079
Total net assets		5,835,079
Total liabilities and net assets	$	8,950,784

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

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in Net Assets Without Donor Restrictions	
Operating revenues:	
Patient revenue	$ 8,003,520
Grants and contracts	2,418,091
340B pharmacy revenue	527,580
Rent income	264,869
Interest	24,644
Other income	104,744
Total operating revenues	11,343,448
Operating expenses:	
Program services	7,806,816
Support services	2,812,758
Total operating expenses	10,619,574
Income from operations	723,874
Non-operating revenues:	
Forgiveness of Paycheck Protection Program loan	523,000
Change in net assets	1,246,874
Net assets, beginning of year	4,588,205
Net assets, end of year	$ 5,835,079

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

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Support Services	Total
Client services	$ 201,027	$ 26,830	$ 227,857
Contract services	111,912	295,742	407,654
Depreciation	31,703	126,812	158,515
Facilities & equipment	23,507	81,184	104,691
Insurance	167,348	174,006	341,354
Interest	-	163,530	163,530
Lab fees & vaccine	87,234	-	87,234
Marketing	40,397	63,835	104,232
Memberships, dues & subscriptions	9,194	29,695	38,889
Postage & printing	6,115	24,683	30,798
Prescriptions & medication	4,954,563	-	4,954,563
Professional fees	14,000	17,735	31,735
Rent	30,555	97,317	127,872
Salaries & wages	2,087,518	1,456,827	3,544,345
Supplies	6,349	18,751	25,100
Utilities	33,349	109,064	142,413
Travel & training	1,105	8,518	9,623
Miscellaneous	940	118,229	119,169
TOTAL EXPENSES	$ 7,806,816	$ 2,812,758	$ 10,619,574

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

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	1,246,874
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		158,515
Forgiveness of Paycheck Protection Program loan		(523,000)
(Increase) decrease in operating assets:		
Grant receivable		340,747
Patient receivables		143,162
Other receivables		14,583
Pharmacy inventory		(66,952)
Other assets		(216,732)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses		39,420
Accrued salaries and related liabilities		31,582
Net cash provided by operating activities		1,168,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(150,526)
Net cash used in investing activities		(150,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan		523,000
Payments on line of credit		(53,441)
Payments on note payable		(223,891)
Net cash provided by financing activities		245,668
Net change in cash		1,263,341
Cash, beginning of year		2,660,358
Cash, end of year	$	3,923,699
Supplemental Disclosure		
Cash paid for interest during the year	$	134,557

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

1. Summary of Significant Accounting Policies

Organization

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

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

Basis of Accounting

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

The financial statements of the Organization report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions at or during the year ended December 31, 2020.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives and valuation of fixed assets and the valuation of receivables.

1. Summary of Significant Accounting Policies (continued)

Cash

Cash includes amounts on deposit at local financial institutions.

Patient Accounts Receivable

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

Patient accounts receivable can be impacted by the effectiveness of the Organization's collection efforts. Additionally, significant changes in payor mix, economic conditions, or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. The Organization also continually reviews the net realizable value of accounts receivable by monitoring historical cash collections, as well as by analyzing current period revenue and aged accounts receivable by payor. The Organization determines its estimate of implicit price concessions based on its historical collection experience with each financial class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

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

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third party payor pays for that service will be one year or less.

Grants Receivable

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

Pharmacy Inventory

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

Property, Plant, and Equipment

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

1. Summary of Significant Accounting Policies (continued)

Property, Plant, and Equipment (continued)

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

Revenue Recognition

Patient Revenue

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

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Performance obligations satisfied over time relate to patients receiving services in the Organization's outpatient clinics. The Organization measures the performance obligation from the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services and over a period of less than one day. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to patients in the Organization's pharmacy and the Organization is not required to provide additional goods or services related to that sale. Of the Organization's $8,003,520 in patient revenue, approximately 12% is revenue whose performance obligations are met over time, and 88% is revenue whose performance obligations are satisfied at a point in time. The Organization does not have any performance obligations that are unsatisfied or partially unsatisfied at December 31, 2020.

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

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Patient Revenue (continued)

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

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

Grants and Contributions

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

The Organization receives support in the form of grants from federal, state, and local governmental agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. No amounts were received in advance under the Organization's grants in 2020 or remaining from prior years.

The Organization has been awarded grants of approximately $3,200,000 which were conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. As of December 31, 2020, approximately $2,000,000 has not been recognized as revenue as the Organization has not yet incurred the qualifying expenditures to seek reimbursement.

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

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

340B Program Revenue

The Organization participates in the 340B Drug Pricing Program (340B Program) administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). The Organization contracts with local retail pharmacies under the program, which results in additional revenues and discounts on outpatient prescriptions for the Organization's patients. Revenue and expenditures related to this program are recorded once the prescription drugs are provided to the patient. Laws and regulations surrounding the 340B drug program are complex and are subject to interpretation and change.

Functional Allocation of Expenses

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

Advertising

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

Income Taxes

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

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statement. As of December 31, 2020, the Organization has determined that it does not have any uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax returns generally remain subject to examination by the taxing authorities for three years.

Income from Operations

Income from operations includes, but is not limited to, patient service revenue, pharmacy revenue, grants and contract income related to patient and pharmacy services, and rental income.

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement Adopted

On January 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers,* and all related amendments, which provides guidance for revenue recognition. The ASU was developed to update revenue recognition standards to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The adoption of ASU 2014-09 was accomplished using a modified retrospective method of application. The Organization recognizes patient revenues in the period in which it satisfies the performance obligations under contracts by transferring services to patients. Patient revenues are recognized in the amounts to which the Organization expects to collect from patients and third-party payors, which are the transaction prices allocated to the distinct services. The adoption of the new standard related to revenue recognition did not have an impact on the Organization's recognition of revenues for any periods prior to adoption. The most significant impact of adopting the new standard is to the presentation of the statement of financial position, the statement of activities and changes in net assets and the notes to the financial statements, where the Organization's patient receivables and patient revenues are presented net of estimated implicit and explicit price revenue deductions (provision for doubtful accounts and contractual allowances, respectively).

Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This standard will be applicable for the Organization's fiscal year ending December 31, 2022. The Organization is currently assessing the impact of this pronouncement on its financial statements.

2. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets as of December 31, 2020. These amounts are available to meet general expenditures within one year of the statement of financial position date. The Organization also has a line of credit available to meet short-term needs, as described in Note 6. As of December 31, 2020, $214,914 remained available on the line of credit. There were no net assets with donor restrictions at December 31, 2020.

Cash	$ 3,923,699
Grants receivable	377,221
Patient receivables	489,677
Other receivables	38,409
Total financial assets available to meet cash needs for general expenditures within one year	$ 4,829,006

3. Grants Receivable

As of December 31, 2020, grants receivable consisted of the following:

Description	Amount
City of New Orleans (Ryan White)	$ 23,670
Louisiana Office of Public Health	82,580
Health Resources and Service Administration	126,444
Unity of Greater New Orleans	136,527
Crescent Care	8,000
Total	$ 377,221

4. Patient Receivables and Revenue

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

	Receivables
Commercial	16%
Medicaid	16%
Medicare	2%
Private Pay	10%
Ryan White funding	56%

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

Patient revenue from third-party payers and the uninsured for the year ended December 31, 2020 are summarized as follows:

Medicare	$	1,650,273
Medicaid		3,740,449
Commercial		2,586,926
Ryan White, federal grant funding		466,307
Patient revenues before provision for doubtful accounts (implicit price concessions)		8,443,955
Less: provision for doubtful accounts		(440,435)
Patient revenue, net	$	8,003,520

For the year ended December 31, 2020, the Organization recorded approximately $2,983,000 of explicit price concessions (contractual adjustments) as a direct reduction of patient revenues noted above.

5. Property, Plant and Equipment

Property and equipment at December 31, 2020 consisted of the following:

Building	$	3,571,286
Leasehold improvements		301,980
Equipment, furniture, and fixtures		255,546
Land		54,220
		4,183,032
Less: accumulated depreciation		(406,608)
Property and equipment, net	$	3,776,424

6. Note Payable and Line of Credit

Note payable consists of the following at December 31, 2020:

Note payable to a financial institution, dated October 15, 2018 payable in monthly installments of principal and interest of $19,551 with a variable rate of interest based on LIBOR. The rate at December 31, 2020 was 4.85%. The note matures with a final balloon payment in January 2029, and is secured by property owned by the Organization and certain deposits.	$	2,430,482
Less: current maturities		(118,928)
Long-term portion	$	2,311,554

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

Year Ending		Amount
2021	$	118,928
2022		124,995
2023		131,282
2024		137,604
2025		144,806
Thereafter		1,772,867
	$	2,430,482

In October 2018, the Organization obtained a $500,000 line of credit with a financial institution, secured by all inventory, equipment, receivables, deposit accounts, and other assets. The line of credit expires October 15, 2026. Interest is due monthly at a rate of 4.85%, and payments of both principal and interest began in November 2019. At December 31, 2020 the line of credit had an outstanding balance of $285,086 and an unused amount of $214,914.

6. Note Payable and Line of Credit (continued)

Maturities of the Organization's line of credit payable, based on the outstanding balance as of December 31, 2020, are as follows for the years ending December 31:

Year Ending	Amount
2021	$ 36,730
2022	40,567
2023	42,608
2024	44,726
2025	47,000
Thereafter	73,455
	$ 285,086

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

7. Commitments and Contingencies

The Organization participated in a number of state and federally-assisted programs in 2020. The programs are subject to compliance audits. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The Organization believes that the amount of disallowances, if any, which may arise from future audits, will not be material to the financial statements.

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

In September 2019, the Organization signed an agreement with a vendor for a three-year license of software related to its patient revenue system. The Organization began using the software in December 2019, and the annual license fees owed to the vendor total approximately $90,948, plus a usage cost-per transaction based on volume. Payments under this agreement related to monthly costs totaled approximately $161,000 during 2020.

8. Business and Credit Concentrations

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

9. Operating Leases

The Organization leases operating facilities under operating leases. Total rental expenses under operating leases totaled $127,872 during the year ended December 31, 2020. The following is a schedule by year of future minimum lease payments required under operating leases which have an initial or remaining non-cancelable lease term in excess of one year:

Year ending December 31st		Amount
2021	$	60,000
2022		60,000
2023		60,000
2024		22,000
	$	202,000

10. Occupancy

The Organization owns its facility in Marrero, Louisiana and leases space to other entities under leases expiring at various dates through December 2024. Rent income associated with these leases totaled $264,869 for the year ended December 31, 2020. The cost of the leased facility and improvements is approximately $3,873,000, and the carrying value at December 31, 2020 is approximately $3,582,000. Approximately two thirds of the facility is held for leasing to others. The following is a schedule by year of future rent income under the non-cancelable lease agreements:

Year ending December 31st		Amount
2021	$	171,650
2022		80,490
2023		21,600
2024		21,600
	$	295,340

11. Retirement Plan

In 2019, the Organization began a 401(k) retirement plan for its employees. The plan is open to employees who are over the age of twenty-one and who have met eligibility requirements. Contributions by the Organization include matching contributions of up to 4% of the employees' compensation. Total employer contributions to the plan were $57,214 for the year ended December 31, 2020.

12. COVID-19 and Paycheck Protection Program

A novel strain of coronavirus has spread around the world, resulting in business and social disruption. In March 2020, the novel coronavirus (COVID-19) global pandemic began affecting the Organization's employees, patients, communities, and business operations, as well as the United States economy and financial markets. The Centers for Medicare and Medicaid Services and the Louisiana Department of Health requested the postponement of non-essential procedures and medical services from approximately March 19, 2020 until April 27, 2020. While this disruption was temporary, much of its lasting impact remains unknown and difficult to predict. There is a likelihood that this pandemic and subsequent federal legislation will affect the Organization's financial performance in fiscal year 2021 and beyond. The related financial impact and duration cannot be reasonably estimated at this time.

As part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), the Organization received $22,632 in Provider Relief Funds. These funds are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using these funds to reimburse expenses or losses that other sources are obligated to reimburse. The Organization does not expect to repay funds received; thus, the amount received is recognized in grants and contracts revenue in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2020.

During the year ended December 31, 2020, the Organization applied for an was approved for a $523,000 loan under the Paycheck Protection Program administered by the Small Business Administration as part of the relief efforts related to COVID-19. In November 2020, the Organization was notified that the loan was forgiven and recognized a gain on the forgiveness of the Paycheck Protection Program loan in the amount of the loan which is presented in the statement of activities and changes in net assets as forgiveness of Paycheck Protection Program loan. As described in Note 13, the Organization received an additional loan under this program subsequent to year end.

13. Subsequent Events

In February 2021, the Organization applied for and was approved for a second $568,427 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 17, 2021, and determined that no additional disclosures are necessary other than the item noted above. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head: Tamara Boutte, Chief Executive Officer

Purpose	Amount
Salary	$ 216,449
Benefits - insurance	16,877
Benefits - retirement	7,607
Benefits - other	11,868
	$ 252,801

See accompanying independent auditors' report.

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Postlethwaite & Netterville

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A Professional Accounting Corporation

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Priority Health Care, Inc. ("the Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
June 17, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited Priority Health Care, Inc.'s (the Organization's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2020. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance the Organization's major federal program based on our audit of the types of compliance requirements referred to above. 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 of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identity all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Postlethwaite & Netterville

Metairie, Louisiana
June 17, 2021

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

GRANTOR	CFDA NUMBER	ENTITY NUMBER	ACTIVITY
U.S. Department of Health & Human Services			
Direct:			
Health Resources and Service Administration			
Health Center Program Cluster			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS28963	$ 142,739
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (COVID-19)	93.224	H8ECS38109; H8DCS35756; H8CCS34945	502,885
Grants for New and Expanded Services under the Health Center Program	93.527	H80CS28963	967,531
Total Health Center Program Cluster			1,613,155
Provider Relief Fund (COVID-19)	93.498	N/A	22,632
Pass-through program from:			
City of New Orleans			
HIV Emergency Relief Project Grants	93.914	N/A	581,976
Louisiana Department of Health and Hospitals			
HIV Prevention Activities Health Department Based	93.940	N/A	211,974
U.S. Department of Housing & Urban Development			
Pass-through program from:			
Unity of Greater New Orleans			
Emergency Solutions Grant Program	14.231	LA-H2001W079;	149,148
Total Expenditures of Federal Awards			$ 2,578,885

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

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

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Priority Health Care, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. The Organization is defined in Note 1 to the financial statements for the year ended December 31, 2020. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies, as applicable.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Organization's financial statements for the year ended December 31, 2020. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Financial Statements

Federal revenues of $2,418,091 are included in the Statement of Activities and Changes in Net Assets in the category "Grants and Contracts." Additional federal revenues of $160,794 are included in the Statement of Activities and Changes In Net Assets in the category of "Patient Revenue."

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted as of a date subsequent to December 31, 2020.

5. De Minimis Cost Rate

During the year ended December 31, 2020, the Organization did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

PRIORITY HEALTH CARE, INC.
MARRERO, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

(1) Summary of Independent Auditors' Results

Financial Statements

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

Federal Awards

Internal controls over major program:	
c. Material weakness(es) identified?	No
d. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None noted
Type of auditors' report issued on compliance for major program:	Unmodified opinion
Any audit findings which are required to be reported under the Uniform Guidance?	No
Identification of major program: United States Department of Health and Human Services: Health Center Program Cluster	93.224 & 93.527
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee under Section 530 of The Uniform Guidance:	Yes

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

Not Applicable.

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

Not Applicable.