

EISNERAMPER

MARILLAC COMMUNITY HEALTH CENTERS

FINANCIAL STATEMENTS

JUNE 30, 2025



MARILLAC COMMUNITY HEALTH CENTERS

CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 3
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19
 <u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	20

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Marillac Community Health Centers
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Marillac Community Health Centers (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marillac Community Health Centers as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
March 30, 2026

EISNERAMPER
LLP



MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 13,729,539	\$ 15,174,653
Investments	354,795	340,054
Patient receivables	3,513,489	2,628,030
Grant receivable	666,921	970,905
Other receivable	604,203	280,765
Inventory	905,812	799,303
Prepaid expenses	74,270	65,832
Other current assets	11,000	11,000
Total current assets	<u>19,860,029</u>	<u>20,270,542</u>
<u>NON-CURRENT ASSETS</u>		
Property, equipment, and improvements, net	1,377,965	1,432,016
Right of use assets	2,747,548	1,404,831
	<u>4,125,513</u>	<u>2,836,847</u>
<u>TOTAL ASSETS</u>	<u>\$ 23,985,542</u>	<u>\$ 23,107,389</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Due to affiliate	\$ 1,974,387	\$ 4,661,617
Accounts payable and accrued expenses	2,680,584	2,237,481
Accrued salaries and payroll taxes	72,381	24,740
Unearned revenue	2,341	2,341
Operating lease liabilities, current portion	869,046	800,735
Total current liabilities	<u>5,598,739</u>	<u>7,726,914</u>
<u>LONG-TERM LIABILITIES</u>		
Operating lease liabilities, non-current portion	<u>1,879,039</u>	<u>610,704</u>
<u>TOTAL LIABILITIES</u>	<u>7,477,778</u>	<u>8,337,618</u>
<u>NET ASSETS</u>		
Without donor restriction	16,387,694	14,699,101
With donor restriction	120,070	70,670
<u>TOTAL NET ASSETS</u>	<u>16,507,764</u>	<u>14,769,771</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 23,985,542</u>	<u>\$ 23,107,389</u>

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

MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>REVENUES AND SUPPORT WITHOUT DONOR RESTRICTION</u>		
Patient service fees	\$ 47,908,788	\$ 41,716,526
Other revenues	8,877,379	5,979,376
Federal grants	6,674,864	9,199,172
Net assets released from restriction	-	144,560
	<u>63,461,031</u>	<u>57,039,634</u>
<u>OPERATING EXPENSES</u>		
Health care services	49,832,473	45,317,029
Management and general	11,939,965	9,495,174
	<u>61,772,438</u>	<u>54,812,203</u>
<u>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</u>		
	<u>1,688,593</u>	<u>2,227,431</u>
<u>REVENUES AND SUPPORT WITH DONOR RESTRICTION</u>		
Operating grants	49,400	150,000
Net assets released from restriction	-	(144,560)
<u>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</u>		
	<u>49,400</u>	<u>5,440</u>
<u>CHANGE IN NET ASSETS</u>		
	1,737,993	2,232,871
<u>NET ASSETS</u>		
Beginning of year	<u>14,769,771</u>	<u>12,536,900</u>
End of year	<u>\$ 16,507,764</u>	<u>\$ 14,769,771</u>

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

MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF FUNCTIONAL EXPENSES
JUNE 30, 2025 AND 2024

	2025			2024		
	Health Care Services	Management and General	Totals	Health Care Services	Management and General	Totals
Conferences and Travel	\$ 154,228	\$ 109,788	\$ 264,016	\$ 179,127	\$ 141,052	\$ 320,179
Consumer Awareness	89,160	1,259,181	1,348,341	17,134	1,094,337	1,111,471
Contract Labor	193,429	81,223	274,652	228,610	220,053	448,663
Contract Services	4,492,652	-	4,492,652	2,677,998	-	2,677,998
Depreciation	178,574	89,945	268,519	229,068	81,742	310,810
Employee Benefits	3,207,294	749,686	3,956,980	3,014,167	674,695	3,688,862
Information Technology	219,844	1,176,247	1,396,091	290,189	936,915	1,227,104
Insurance	370,847	83,576	454,423	343,842	86,125	429,967
Medical/Pharmacy/Lab Supplies	12,018,792	-	12,018,792	10,520,736	-	10,520,736
Occupancy	2,941,795	20,291	2,962,086	2,178,858	-	2,178,858
Office Expenses	608,476	237,384	845,860	634,326	213,672	847,998
Other	1,090,257	956,588	2,046,845	830,270	369,973	1,200,243
Other Contract Expenses	906,930	-	906,930	1,817,966	-	1,817,966
Professional Services	814,055	2,183,737	2,997,792	820,481	1,891,751	2,712,232
Salaries and Wages	21,756,465	4,992,319	26,748,784	20,977,874	3,784,859	24,762,733
Security	789,675	-	789,675	556,383	-	556,383
TOTAL EXPENSES	\$ 49,832,473	\$ 11,939,965	\$ 61,772,438	\$ 45,317,029	\$ 9,495,174	\$ 54,812,203

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

MARILLAC COMMUNITY HEALTH CENTERS
STATEMENTS OF CASH FLOWS
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,737,993	\$ 2,232,871
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	268,519	310,810
Unrealized (gain) loss on investments	(4,738)	17
Changes in assets and liabilities:		
(Increase) decrease in operating assets:		
Patient receivables	(885,459)	(416,437)
Grant receivable	303,984	520,394
Other receivable	(323,438)	(157,790)
Inventory	(106,509)	(221,963)
Prepaid expenses	(8,438)	(5,919)
Other assets	(6,071)	(7,074)
Increase (decrease) in operating liabilities:		
Due to affiliate	(2,687,230)	2,807,756
Accounts payable and accrued expenses	443,103	(1,813,448)
Accrued salaries and payroll taxes	47,641	1,655
Net cash provided by (used in) operating activities	<u>(1,220,643)</u>	<u>3,250,872</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property, equipment, and improvements purchases	(214,468)	(284,187)
Purchases of investments	<u>(10,003)</u>	<u>(340,071)</u>
Net cash used in investing activities	<u>(224,471)</u>	<u>(624,258)</u>
<u>NET CHANGE IN CASH</u>	(1,445,114)	2,626,614
<u>CASH</u>		
Beginning of year	<u>15,174,653</u>	<u>12,548,039</u>
End of year	<u><u>\$ 13,729,539</u></u>	<u><u>\$ 15,174,653</u></u>

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

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Description of Business and Basis of Presentation

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

Organization and Income Taxes

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

The Organization applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits or liabilities that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. The Organization has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with more than a 50% likelihood of being sustained upon examination by the taxing authorities.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised. In-kind donations are recognized at their fair market value when received.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.
- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Restrictions temporary in nature are described in Note 10. The Organization had no restrictions that were perpetual in nature as of June 30, 2025 or 2024.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates

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

Grants, Contributions, and Revenue Recognition

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

The Organization also receives support in the form of grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statements of Financial Position. No amounts were reported as refundable advances at June 30, 2025 or 2024. As of June 30, 2025, the Organization has been awarded cost-reimbursable grants of approximately \$17 million which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Of this amount, the conditional grant commitments that are not recognized in the June 30, 2025 financial statements consisted of conditional cost-reimbursement grants awarded by government agencies of approximately \$6 million.

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

Contributions of Nonfinancial Assets

In-kind contributions are recorded as contributions based on their fair value as of the date of the contribution. There were no in-kind contributions reported in the statements of activities and changes in net assets for the year ended June 30, 2025 or 2024.

Patient Service Fees and Revenue Recognition

Patient service fees represent the estimated net realizable amounts from patients, third party payors, and others for services rendered. Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from payors. Estimates of contractual allowances (explicit price concessions) under commercial health plans are based upon the payment terms specified in the related contractual agreements. Revenues from pharmacy sales are recorded at the time products are sold and are included in patient service fees. The Organization extends credit to patients, as well as to third-party intermediaries responsible for medical services provided to patients. The Organization provides discounts from gross charges to uninsured patients who do not qualify for Medicaid. The balance in patient accounts receivable is presented net of contractual adjustments (explicit price concessions) and an estimated provision for uncollectible accounts (implicit price concessions). Patient receivable was \$2,211,593 as of June 30, 2023.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

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

Patient Service Fees and Revenue Recognition (continued)

Patients are expected to pay for services rendered at the time of the clinic visits. If a patient does not pay at the time of service, a receivable is recorded. Patients are sent a billing statement within a month following the date of visit and every month thereafter. Receivables are recorded at estimated net realizable value. Accounts are written off when all reasonable internal and external collection efforts have been performed or when the accounts reach approximately 365 days old. The implicit price concessions included in accounts receivable were approximately \$4,186,000 and \$6,099,000 as of June 30, 2025 and 2024, respectively. The Organization has not changed its charity care or uninsured discount policies during fiscal years 2025 or 2024.

The implicit price concessions are based upon management of the Organization's review of aging of outstanding receivables, historical collection information, and existing economic conditions. Patient accounts receivable are due in full when billed. Interest is not charged on past due accounts. The Organization determines its estimate of implicit price concessions based on its historical collection experience and forecasts with each financial class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Performance obligations satisfied over time relate to patients receiving services in the Organization's outpatient clinics. The Organization measures the performance obligation from the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services and over a period of less than one day. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to patients in the Organization's pharmacy and the Organization is not required to provide additional goods or services related to that sale. Approximately 46% and 44% of the Organization's patient service fees is revenue whose performance obligations are met over time, and 54% and 56% is revenue whose performance obligations are satisfied at a point in time, during the years ended June 30, 2025 and 2024, respectively. The Organization does not have performance obligations that are unsatisfied or partially unsatisfied at June 30, 2025, 2024, or 2023.

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.

The Organization does not pursue collection of amounts related to patients who meet guidelines to qualify as charity care. The federal poverty level is established by the federal government and is based on income and family size. The Organization provides discounts from gross charges to uninsured patients who do not qualify for Medicaid or charity care. These discounts are similar to those provided to many local commercial plans. After the discounts are applied, the Organization is still unable to collect a significant portion of uninsured patients' accounts. The Organization records significant provisions for doubtful accounts (based upon historical collection experience with consideration of reasonable and supportable forecasts) related to uninsured patients in the period the services are provided. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the Organization has determined that recent historical experience provides the best basis for estimating credit losses. Because the Organization's estimates of patient accounts receivable, adjusted for explicit and implicit price concessions, are expected to be fully collectible, the financial statements do not include an allowance for credit losses.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

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

Patient Service Fees and Revenue Recognition (continued)

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

340B Program Revenue

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

Cash

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

Investments

Investment purchases are recorded at cost. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and changes in net assets and consists of interest income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Inventory

Inventory includes freight-in and materials and are stated at the lower of cost (on a first-in, first-out basis) or net realizable value. Inventory includes vaccines and medical supplies. Provision is made for slow-moving, obsolete or unusable inventory.

Property, Equipment, and Improvements

Property, equipment, and leasehold improvements are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Donated property is recorded at its fair market value at the date of donation.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments for the years ended June 30, 2025 or 2024.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

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

Property, Equipment, and Improvements (continued)

Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities and changes in net assets.

Leases

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

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

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

Unearned Revenue

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

Functional Expenses

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

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

2. Liquidity and Availability

As of June 30, 2025, the Organization has a working capital of \$14,261,290. Financial assets available for general expenditure within one year as of June 30, consist of the following:

	<u>2025</u>	<u>2024</u>
Cash	\$ 13,729,539	\$ 15,174,653
Investments	354,795	340,054
Patient receivables	3,513,489	2,628,030
Grant and other receivables	1,271,124	1,251,670
Total financial assets	18,868,947	19,394,407
Less: net assets with donor restriction	(120,070)	(70,670)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 18,748,877</u>	<u>\$ 19,323,737</u>

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

As part of the Organization's liquidity management plan, management of the Organization is focused on increasing the days cash on hand through business operations. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

3. Property, Equipment and Improvements

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

	<u>2025</u>	<u>2024</u>	<u>Useful lives</u>
Leasehold improvements	\$ 575,340	\$ 575,340	15 years
Furniture and equipment	2,312,033	2,262,925	5 - 15 years
Vehicles	69,343	69,343	8 years
Construction in progress	178,627	13,263	
	3,135,343	2,920,871	
Less accumulated depreciation	(1,757,378)	(1,488,855)	
Total	<u>\$ 1,377,965</u>	<u>\$ 1,432,016</u>	

At June 30, 2025 and 2024, construction in progress consists primarily of costs incurred related to the renovation of new facilities. At June 30, 2025, the Organization had entered into construction contracts totaling approximately \$750,000, of which approximately \$635,000 remained unpaid. Additional construction contracts related to facilities renovations were executed subsequent to year end, as discussed in Note 12.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

4. Patient Service Fees

The Organization receives payments for patient services from the federal government under the Medicare program, state governments under their respective Medicaid or similar programs, commercial plans, private insurers, and directly from patients. Revenues from third-party payers and the uninsured for the years ended June 30, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 15,461,889	\$ 11,679,584
Medicaid	27,795,794	29,320,526
Commercial and other insurers	10,831,267	7,612,748
Self-pay	<u>5,874,542</u>	<u>4,628,969</u>
Gross patient revenues	59,963,492	53,241,827
Explicit and implicit price concessions	<u>(12,054,704)</u>	<u>(11,525,301)</u>
Patient service fees	<u>\$ 47,908,788</u>	<u>\$ 41,716,526</u>

5. Transactions with Affiliates

The Organization entered into an affiliation agreement with Ascension DePaul Services (ADS) effective March 1, 2012. Under the terms, ADS provides leased employees, building space, equipment leases, supplies, and other services to MCHC in order for MCHC to provide primary care and preventative services and facilitate access to comprehensive health and social services for medically underserved persons in the greater New Orleans area. The affiliation agreement shall continue indefinitely unless it is amended or terminated. Termination can occur with or without cause by either party.

As consideration for ADS's provision of these goods and services, ADS bills MCHC on a monthly basis for the fees incurred. Leased employees are charged at a ratable amount of their wages for the period based on the allocation of their time with an additional allocation for benefits. Paid time off for leased employees is charged as an expense to MCHC with the ultimate liability recorded on ADS's books. Building space is charged at \$14 per square foot for space assigned to MCHC as stipulated in the affiliation agreement. Equipment is charged at the monthly rate of depreciation for items with a remaining net book value plus 10%. Purchased services for billing are charged at 6.5% of net revenue collections remitted to ADS during the years ended June 30, 2025 and 2024. During fiscal years 2025 and 2024, pharmacy administrative services were paid to ADS at a rate of \$18.00 per prescription. All other services are based on internal allocation assessments.

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

During the years ended June 30, 2025 and 2024, total billings from the agreement to MCHC were \$39,935,738 and \$37,486,453, respectively. ADS remitted \$0 to MCHC for the years ended June 30, 2025 and 2024. At June 30, 2025 and 2024, the net amount owed by MCHC to ADS is \$1,974,387 and \$4,661,617, respectively, as presented in the Statements of Financial Position.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

6. Contingencies

The Organization is, from time to time, involved in certain claims and legal actions arising in the normal course of business. The Organization is not aware of any pending lawsuits but the Organization believes that any potential claims resulting from litigation and not covered by insurance would not materially affect the financial statements.

The Organization participated in a number of state and federally-assisted grant programs in fiscal years 2025 and 2024. 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, violation of false claims acts, product liability, or other related legal theories, many of which involve large claims and significant defense costs. Like many other entities engaged in the healthcare industry in the United States, the Organization has the potential for liability claims, disputes and legal actions for professional liability and other related issues. It is expected that the Organization will continue to be subject to such suits as a result of the nature of its business. Further, as with all healthcare providers, the Organization is periodically subject to the increased scrutiny of regulators for issues related to compliance with healthcare fraud and abuse laws and with respect to the quality of care provided to its patients. Like other healthcare providers, in the ordinary course of business, the Organization is also subject to claims made by employees and other disputes and litigation arising from the conduct of its business.

7. Concentrations of Risk

Health care counseling services and educational assistance are provided to clients who reside primarily in the New Orleans area. In addition, a substantial portion of net clinic service fees and reimbursements are provided for by federal agencies. The Organization has a substantial amount of self-pay patients. The ability of these patients to pay for services is uncertain and additional allowance/provisions may be necessary in the future should management's estimates not reflect actual results.

The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of June 30, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Medicare and Medicaid	56%	59%
Commercial and other insurers	32%	35%
Self-pay	12%	6%
	<u>100%</u>	<u>100%</u>

Federal grants are approximately 11% and 16% of the total revenues and support without donor restriction for the years ended June 30, 2025 and 2024, respectively. The ability of the Organization to continue functioning at its current level of operations is dependent upon its ability to generate similar future support.

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time the amounts on deposit may exceed the federally insured limits.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

8. Agreements with Other Entities

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

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

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

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

In November 2021, The Organization entered into an agreement with AbsoluteCARE Manager, LLC to manage the Organization’s Absolute Care pharmacy program. The initial term of this agreement is four years, with automatic renewal options for additional 2 year terms. Revenue from these services is included in the Organization’s patient service fees. The Organization pays a monthly fee for services which is included in operating expenses the Organization’s Statement of Activities. billings for these services are included in the Organization’s Statement of Activities.

9. Leases

The Organization has operating lease agreements for the rental of office space and office equipment at varying terms.

Other information related to leases is as follows as of and for the year ended June 30, 2025:

	<u>2025</u>	<u>2024</u>
Operating cash flows from operating leases	\$ 760,197	\$ 1,046,226
ROU assets obtained in exchange for lease obligations	\$ 2,137,382	\$ 793,612
Weighted average remaining lease term	3.46 Years	3.45 Years
Weighted average discount rate	3.76%	3.40%
Operating lease cost	\$ 828,791	\$ 990,928
Short-term lease cost	<u>1,905,720</u>	<u>958,892</u>
Total operating lease cost	<u>\$ 2,734,511</u>	<u>\$ 1,949,820</u>

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

9. Leases (continued)

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

<u>Years Ending June 30:</u>	
2026	\$ 957,116
2027	865,962
2028	865,962
2029	89,479
2030	45,312
Thereafter	<u>113,280</u>
Total lease payments	2,937,111
Less: interest	<u>(189,026)</u>
	<u>\$ 2,748,085</u>

10. Net Assets With Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Coronavirus pandemic, COVID-19 (purpose)	\$ 12,480	\$ 12,480
Council of Large Public Housing Authorities (purpose)	54,974	54,974
Asension Partner in Ministry (purpose)	45,227	-
Other (purpose)	<u>7,389</u>	<u>3,216</u>
	<u>\$ 120,070</u>	<u>\$ 70,670</u>

11. Fair Value Measurements

The Organization applies fair value accounting which establishes a framework for measuring fair value. That framework provides 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 priced in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described below:

Level 1 – valuation is based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market.

Level 2 – valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements (continued)

Level 3 – valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's measurements of fair value are made on a recurring basis, and its valuation techniques for assets recorded at fair value are as follows:

Short-term treasury fund: The fair value of these instruments are valued at quoted market prices of the same investment in an open market.

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2025:

	<u>Level 1</u>	<u>Total</u>
Short-term treasury fund	<u>\$ 354,795</u>	<u>\$ 354,795</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2024:

	<u>Level 1</u>	<u>Total</u>
Short-term treasury fund	<u>\$ 340,054</u>	<u>\$ 340,054</u>

12. Subsequent Events

In November 2025, the Organization entered into two construction contracts totaling approximately \$465,000 for facility renovations.

In February 2026, the Organization purchased an additional facility for an aggregate purchase price of approximately \$2,900,000, which was funded through available cash reserves.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 30, 2026, and determined that there were no additional subsequent events requiring disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

MARILLAC COMMUNITY HEALTH CENTERS

NOTES TO FINANCIAL STATEMENTS

13. Social Accountability (Unaudited)

On an annual basis, the Organization reports its fulfillment of its religious, charitable, educational, scientific, and other philanthropic purposes. The following summarizes the Organization's social accountability report. The Organization provides access to essential health and social services in a federally-designated Health Professions Shortage Area, as well as other under-served neighborhoods of Orleans Parish. Total service provided was 161,257 and 155,125 encounters for the years ended June 30, 2025 and 2024, respectively. To increase financial access to these services, the Organization offers its services on a sliding fee scale basis, adjusting for income and family size. During the years ended June 30, 2025 and 2024, these fee reductions amounted to \$3,954,522 and \$3,283,951, respectively. The Organization accepts Medicaid as payment for its patient services, which resulted in fee reductions from the State of \$5,619,504 and \$4,521,606 for the years ended June 30, 2025 and 2024, respectively.

SUPPLEMENTARY INFORMATION

MARILLAC COMMUNITY HEALTH CENTERS

**SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED JUNE 30, 2025**

Agency Head: Michael Griffin, President and Chief Executive Officer

Not applicable. Public funds were not used for agency head compensation, benefits, and other payments during the fiscal year ended June 30, 2025.

See accompanying independent auditors' report.

EISNERAMPER

MARILLAC COMMUNITY HEALTH CENTERS

SINGLE AUDIT REPORT

JUNE 30, 2025



MARILLAC COMMUNITY HEALTH CENTERS

CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	10

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 of
Marillac Community Health Centers

We have audited, 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 (*Government Auditing Standards*), the financial statements of Marillac Community Health Centers (the Organization), which comprise the statement of financial position as of June 30, 2025, 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 March 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
March 30, 2026

EISNERAMPER
LLP



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

To the Board of Directors of
Marillac Community Health Centers

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Marillac Community Health Centers (the "Organization") 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 the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matter

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

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

Report on Internal Control Over Compliance

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



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

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

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

Purpose of this Report

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

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

We have audited the financial statements of the Organization as of and for the year ended June 30, 2025, and have issued our report thereon dated March 30, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The logo for EisnerAmper LLP, featuring the company name in a stylized, cursive script font.

EISNERAMPER LLP
Metairie, Louisiana
March 30, 2026



MARILLAC COMMUNITY HEALTH CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name</u>	<u>Federal Assistance Listing Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA):			
Direct:			
Health Center Program Cluster			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS24198	\$ 4,295,999
Grants for New and Expanded Services Under the Health Center Program	93.527	H8HCS45031 H2ECS50166 H8LCS51240	41,415 421,591 11,055
Total Health Center Program Cluster			<u>4,770,060</u>
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332	NAVCA210395	830
Public Health Training Centers Program	93.516	T29HP46693	619,065
Healthy Start Initiative	93.926	U1VMC46318	777,171
Advanced Education Nursing Grant Program	93.247	T59HP49640	<u>507,738</u>
Total Federal Award Expenditures			<u>\$ 6,674,864</u>

MCHC did not pass through any amounts to sub-recipients.

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

MARILLAC COMMUNITY HEALTH CENTERS

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Marillac Community Health Centers (MCHC) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MCHC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the MCHC. The MCHC reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2025.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to MCHC's financial statements for the year ended June 30, 2025. 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 \$6,674,864 are included in the Statement of Activities and Changes in Net Assets in the category "Federal grants" within Revenues and Support Without Donor Restriction.

4. Relationship to Federal Financial Reports

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

5. De Minimis Cost Rate

During the year ended June 30, 2025, MCHC did not elect to use the 10% or 15% de minimis cost rates as covered in §200.414 of the Uniform Guidance.

MARILLAC COMMUNITY HEALTH CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

(1) Summary of Independent Auditors' Results

Financial Statements

The type of report issued on the financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Type of auditor's report issued on compliance for major programs: Unmodified opinion

Any audit findings which are required to be reported under the Uniform Guidance? Yes

Identification of major programs:

Health Center Program Cluster: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224, 93.527
Healthy Start Initiative	93.926

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: No

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

None noted.

MARILLAC COMMUNITY HEALTH CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

(3) Findings and Questioned Costs Relating to Federal Awards

2025-001 Special Tests and Provisions – Sliding Fee Scale Discount Program

93.224 / 93.527 - Health Center Program Cluster

Criteria: Per HRSA Compliance Manual, Chapter 9: Sliding Fee Discount Program, Federally Qualified Health Centers (FQHCs) and similar entities are required to maintain and apply a Board-approved sliding fee scale based on income and family size. The scale must be applied uniformly to all eligible patients to ensure compliance with 42 U.S.C. § 254b and HRSA program requirements.

Condition: During our testing of the sliding fee discounts under the Special Tests and Provisions compliance requirement, the audit team noted that the entity did not consistently apply its Board-approved sliding fee scale for medical and dental services. Specifically, in a nonstatistical sample of forty patient encounters tested, four instances were identified where the sliding fee discount applied was inconsistent with the entity's approved sliding fee scale or was not supported by the documented patient income and family size information. The sampling methodology used is not, and is not intended to be, statistically valid.

Cause: The condition appears to have resulted from inconsistent documentation obtained during the patient intake process and insufficient review controls to verify the accuracy of sliding fee discount determinations prior to application.

Effect: Sliding fee discounts were not properly applied to patient accounts in accordance with the Board-approved sliding fee scale.

Questioned Costs: None noted.

Recommendation: The entity should strengthen internal controls over the sliding fee discount program to ensure discounts are applied accurately and consistently. Recommended actions include enhancing patient intake documentation requirements, implementing additional supervisory review of sliding fee determinations, providing refresher training to staff responsible for determining eligibility and intake processes, and performing more frequent monitoring to verify compliance with HRSA program requirements.

View of Responsible Official: The organization has implemented additional levels of review and pre-screening of slide patient data to ensure accuracy and that the data is complete. Routine reviews done by front deck supervisors will be further documented in order to provide additional training to staff as needed. Results of monthly audits performed by service line leaders will be reported to senior leadership. An internal audit will be done by the compliance team and presented to leadership on a quarterly basis. All appropriate admitting staff will go through training to reinforce our slide process and review procedures for all FQHC services.

MARILLAC COMMUNITY HEALTH CENTERS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025

Findings – Financial Statements

- None noted.

Findings and Questioned Costs – Major Federal Awards Programs

- None noted.

MARILLAC COMMUNITY HEALTH CENTERS DBA



March 30, 2026

EisnerAmper LLP
1 Galleria Blvd, Suite 2100
Metairie, LA 70001

RE: Corrective Action Plan

This letter outlines Marillac Community Health Centers (the Organization's) corrective action plan with regard to audit finding 2025-001:

Audit Finding 2025-001 – Special Tests and Provisions – Sliding Fee Scale Discount Program

Federal Program: 93.224 / 93.527 - Health Center Program Cluster

Criteria: Per HRSA Compliance Manual, Chapter 9: Sliding Fee Discount Program, Federally Qualified Health Centers (FQHCs) and similar entities are required to maintain and apply a Board-approved sliding fee scale based on income and family size. The scale must be applied uniformly to all eligible patients to ensure compliance with 42 U.S.C. § 254b and HRSA program requirements.

Condition: During our testing of the sliding fee discounts under the Special Tests and Provisions compliance requirement, the audit team noted that the entity did not consistently apply its Board-approved sliding fee scale for medical and dental services. Specifically, in a nonstatistical sample of forty patient encounters tested, four instances were identified where the sliding fee discount applied was inconsistent with the entity's approved sliding fee scale or was not supported by the documented patient income and family size information. The sampling methodology used is not, and is not intended to be, statistically valid.

Name of contact person responsible for corrective action: Anthony Gardner

Corrective action planned: The organization has implemented additional levels of review and pre-screening of slide patient data to ensure accuracy and that the data is complete. Routine reviews done by front deck supervisors will be further documented in order to provide additional training to staff as needed. Results of monthly audits performed by service line leaders will be reported to senior leadership. An internal audit will be done by the compliance team and presented to leadership on a quarterly basis. All appropriate admitting staff will go through training to reinforce our slide process and review procedures for all FQHC services.

Anticipated completion date: June 30, 2026

**P. O. BOX 13038
NEW ORLEANS, LA 70185-3038**

MARILLAC COMMUNITY HEALTH CENTERS DBA

Sincerely,

A handwritten signature in black ink that reads "Anthony Gardner". The signature is written in a cursive style with a large initial 'A'.

Anthony Gardner
Chief Administrative Officer
Anthony.gardner@dcsno.org
504-207-3063 ext. 2240

**P. O. BOX 13038
NEW ORLEANS, LA 70185-3038**

EISNERAMPER

MARILLAC COMMUNITY HEALTH CENTERS

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

FOR THE YEAR ENDED JUNE 30, 2025



MARILLAC COMMUNITY HEALTH CENTERS

CONTENTS

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Schedule A: Agreed-Upon Procedures Performed and Associated Findings	2 - 10
Schedule B: Management's Response and Corrective Action Plan	11

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) of Marillac Community Health Centers (the "Entity") for the fiscal period July 1, 2024 through June 30, 2025. The Entity's management is responsible for those C/C areas identified in the SAUPs.

Marillac Community Health Centers, Inc has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period July 1, 2024 through June 30, 2025. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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

We were engaged by Marillac Community Health Centers to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of Marillac Community Health Centers for the fiscal period July 1, 2024 through June 30, 2025. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Marillac Community Health Centers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



EISNERAMPER LLP
Metairie, Louisiana
March 30, 2026

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

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

1) Written Policies and Procedures

A. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):

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

No exception noted.

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

No exception noted.

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

No exception noted.

iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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

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

No exception noted.

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

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

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

No exception noted.

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

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

No exception noted.

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

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

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

The Entity is a non-profit with no public debt. Thus, this procedure is not applicable and was not performed.

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

The Entity has written policies and procedures for information technology disaster recovery/business continuity. However, the policies and procedures do not contain attribute (5) timely application of all available system and software patches/updates. The other attributes were included in the policies and procedures.

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

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

2) Board or Finance Committee

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

3) Bank Reconciliations

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

4) Collections (excluding electronic funds transfers)

Collections procedures are not applicable to the Entity as it did not receive public funds as cash deposits on-site during the fiscal period July 1, 2024 through June 30, 2025.

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

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

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

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

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

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

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by "Written Policies and Procedures", procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

8) Contracts

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

9) Payroll and Personnel

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

10) Ethics

Ethics procedures are not applicable to the Entity, as it is a nonprofit entity. The Louisiana Code of Governmental Ethics does not apply to the Entity.

- A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

11) Debt Service

Debt Service procedures are not applicable to the Entity, as it is a nonprofit entity with no public debt.

- A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

12) Fraud Notice

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

13) Information Technology Disaster Recovery/Business Continuity

Procedures were not performed in the current year (Year 2) in accordance with LLA guidelines.

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

- A. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
- B. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- C. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

**MARILLAC COMMUNITY HEALTH CENTERS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule A

- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

14) Prevention of Sexual Harassment

Prevention of Sexual Harassment procedures are not applicable to the Entity, as it is a nonprofit entity.

- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

**MARILLAC COMMUNITY HEALTH CENTERS
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025**

Schedule B

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

Written Policies and Procedures

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