PRIMARY HEALTH SERVICES CENTER, INC.
AND AFFILIATE
Monroe, Louisiana

Financial and Compliance Report
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Primary Health Services Center, Inc. and Affiliate
Monroe, Louisiana

Report on the Financial Statements

I have audited the accompanying combined financial statements of Primary Health Services Center, Inc. and Affiliate (a non-profit organization), which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these combined financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Primary Health Services Center, Inc. and Affiliate as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the Primary Health Services Center, Inc.'s 2019 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 2, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2021, on my consideration of Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 29, 2021

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Financial Position
As of December 31, 2020
With Summarized Comparative Totals for 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 2,463,371	$ 639,115
Cash - restricted	71,397	127,447
Patient accounts receivable, net	215,286	276,907
Grants receivable	1,403,418	1,519,896
Certificates of deposit	686,896	680,282
Prepaid expenses	99,102	76,548
Total Current Assets	4,939,470	3,320,195
Property, Plant and Equipment		
Building and improvements	14,445,215	14,242,468
Furniture and equipment	4,010,263	3,853,517
Automobiles	765,305	502,805
	19,220,783	18,598,790
Less accumulated depreciation	(5,984,815)	(5,360,201)
	13,235,968	13,238,589
Land	807,491	807,491
Net Property, Plant and Equipment	14,043,459	14,046,080
Other Assets		
LA Partnership for Choice & Access, LLC	10,000	10,000
Utility Deposits	14,171	14,171
PCDC receivable - new markets tax credit	74,394	74,394
Notes receivable - new markets tax credit	9,359,000	9,359,000
Total Other Assets	9,457,565	9,457,565
Total Assets	$ 28,440,494	$ 26,823,840

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Financial Position (Continued)
As of December 31, 2020
With Summarized Comparative Totals for 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 188,433	$ 154,476
Accrued vacation and payroll	159,765	291,974
Payroll taxes payable	111,204	49,639
Accrued interest payable	722	872
Current portion of notes payable	2,537,877	159,494
Total Current Liabilities	2,998,001	656,455
Long Term Liabilities		
Notes payable - net of current portion	14,739,802	15,846,170
Total Liabilities	17,737,803	16,502,625
Net Assets		
Without donor restrictions	9,299,273	8,801,319
With donor restrictions	1,403,418	1,519,896
Total Net Assets	10,702,691	10,321,215
Total Liabilities and Net Assets	$ 28,440,494	$ 26,823,840

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Activities
For the Year Ended December 31, 2020
With Summarized Comparative Totals for the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Revenue and Support				
Revenue:				
Gross patient service revenue	$ 14,601,166	$ -	$ 14,601,166	$ 14,620,270
Less: contractual allowances and discounts	(7,006,407)	-	(7,006,407)	(7,714,719)
	7,594,759	-	7,594,759	6,905,551
Less: provision for uncollectible accounts	(23,476)	-	(23,476)	(55,464)
Net patient service revenue	7,571,283	-	7,571,283	6,850,087
Support and other income:				
Federal grants	4,303,324	-	4,303,324	2,882,384
Other grant	49,900	-	49,900	-
Interest income	195,406	-	195,406	123,145
Other	34,025	-	34,025	43,459
Insurance recoveries	175,831	-	175,831	-
Net assets released from restriction	1,519,896	(1,519,896)	-	-
Temporarily restricted revenue - federal grant	-	1,403,418	1,403,418	1,519,896
Total support and other income	6,278,382	(116,478)	6,161,904	4,568,884
Total revenue, support and other income	13,849,665	(116,478)	13,733,187	11,418,971
Expenses				
Program expenses	10,722,928	-	10,722,928	9,807,834
Management and general	2,613,678	-	2,613,678	2,366,694
Loss on building impairment	15,105	-	15,105	-
Total Expenses	13,351,711	-	13,351,711	12,174,528
Increase (decrease) in Net Assets	497,954	(116,478)	381,476	(755,557)
Net Assets - Beginning of Year	8,801,319	1,519,896	10,321,215	11,076,772
Net Assets - End of Year	$ 9,299,273	$ 1,403,418	$ 10,702,691	$ 10,321,215

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statements of Cash Flows
For the Year Ended December 31, 2020
With Summarized Comparative Totals for 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ 381,476	$ (755,557)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	657,817	713,008
(Increase) decrease in accounts receivable, net	61,621	(53,493)
(Increase) decrease in grants receivable	116,478	(80,447)
(Increase) decrease in prepaid expenses	(22,554)	(40,122)
(Increase) decrease in other assets	-	(351)
Increase (decrease) in accounts payable	33,957	(263,402)
Increase (decrease) in accrued expenses	(70,794)	(73,149)
Net Cash Provided by Operating Activities	1,158,001	(553,513)
Cash Flows From Investing Activities		
Purchase of certificate of deposits	(6,604)	(3,622)
Fixed asset acquisitions	(639,877)	(132,811)
Building impairment	15,105	-
Net Cash Used by Investing Activities	(631,376)	(136,433)
Cash Flows From Financing Activities		
Proceeds from loans	1,402,322	126,108
Principal payments on bank loans	(160,741)	(126,781)
Net Cash Provided by Financing Activities	1,241,581	(673)
Net Increase in Cash and Cash Equivalents	1,768,206	(690,619)
Cash and Cash Equivalents - Beginning of Year	766,562	1,457,181
Cash and Cash Equivalents - End of Year	2,534,768	766,562
Cash and Cash Equivalents:		
Cash - unrestricted	2,463,371	639,115
Cash - restricted	71,397	127,447
	2,534,768	766,562
Supplemental Disclosure:		
Interest paid	$ 284,351	$ 328,788

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combined Statement of Functional Expenses
For the Year Ended December 31, 2020
With Summarized Comparative Totals for 2019

	Public Health Service	Management and General	Total 2020	Total 2019
Personnel	$ 8,088,862	$ 1,427,446	$ 9,516,308	$ 8,483,634
Fringe benefits/insurance	549,551	96,980	646,530	646,644
Medical contract	27,254	-	27,254	21,843
Non-medical contract	-	242,593	242,593	41,965
Supplies and services - medical	400,566	-	400,566	295,443
Repairs and maintenance	271,352	47,886	319,238	249,548
Telephone	44,361	7,828	52,189	54,611
Travel and education	-	44,554	44,554	133,283
Dues and permits	-	53,434	53,434	65,597
Office	139,292	208,939	348,231	329,943
Professional	44,047	30,158	74,205	93,030
Technical assistance	-	218,074	218,074	258,892
Occupancy	220,403	38,895	259,298	322,286
Advertising	20,613	-	20,613	42,665
Depreciation and amortization	559,144	98,673	657,817	713,008
Interest	241,571	42,630	284,201	320,493
Recruitment	22,729	-	22,729	26,274
Rental	63,607	11,225	74,832	80,481
Other	29,576	44,364	73,940	(5,112)
Total Functional Expenses	$ 10,722,928	$ 2,613,678	$ 13,336,606	$ 12,174,528

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements
December 31, 2020

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

Nature of Activities

Primary Health Services Center, Inc. (a nonprofit corporation) was incorporated in the State of Louisiana to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged. The Organization is a federally qualified health center (FQHC).

During August 2014, the Healthcare Vision, Inc. non-profit corporation was organized for the purpose of recognizing the benefits of the New Markets Tax Credit transaction that occurred in September 2014.

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

Income Taxes

Primary Health Services Center, Inc. and its Affiliate have been recognized as exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the combined financial statements. The Organization's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Cash and Cash Equivalents

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

Method of Accounting

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

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

NOTE 1 - <u>NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</u>

Method of Accounting (Continued)

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

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

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

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

Subject to expenditure for specified purpose:	
Program activities:	
Community Health Center Section 330 Grant	$1,403,418

Accounting Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $5,000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10 – 40
Equipment, furniture and fixtures	5 – 10
Computer software	5
Vehicles	5

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

Functional Expenses

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

Accounts Receivable

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

Allowance for Doubtful Accounts and Bad Debts

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

Net Patient Service Revenue

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

Primary Health Services Center, Inc. has agreements with third-party payors that provide reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Primary Health Services Center, Inc.'s rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

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

Net Patient Service Revenue (Continued)

Medicare A – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.
Medicare B - Fee for Service – Reimbursed per encounter up to the payors allowable amount.
Regular Medicaid and Medicaid Bayou Health – All-Inclusive Encounter Rate – Reimbursed on one rate regardless of the services provided.
All Other Medicaid – Fee-For-Service – Reimbursed per encounter up to the payors allowable amount.
Commercial – Fee-For-Service – Reimbursed per contract or per payor's allowable fee schedule.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as donor restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the grants and contributions are recognized. As of December 31, 2020, net assets with donor restrictions were $1,403,418, which represent amounts awarded, but not received from federal grants.

Fair Values of Financial Instruments

The Organization has a number of financial instruments, none of which is held for trading purposes. The Organization estimates that the fair values of all financial instruments as of December 31, 2020 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, accounts receivable, grants receivable, prepaid expenses, notes receivable, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable and notes receivable approximate their fair value, as interest is insignificant.

Risk Management

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

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

Major Funding Source

The Organization receives funds from DHHS, under section 330 of the Public Health Service Act (42 U.S.C. 254c). In accordance with DHHS policies, all funds disbursed should be in compliance with the specific terms of the grant agreements. DHHS may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of non-compliance by the Organization with the terms of the grants. In addition, if the Organization terminates its DHHS grant activities, all unexpended federal funds are to be returned to DHHS.

Investments

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

Performance Indicator

The Organization utilizes revenues over expenses as its performance indicator.

Advertising Expense

The Organization expenses the cost of advertising as the expenses are incurred. For the year ended December 31, 2020, the cost totaled $20,613.

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are comprised of the following for the year ended December 31, 2020:

Medicaid	$ 405,122
Medicare	186,982
Private	86,593
	678,697
Less allowance for doubtful accounts	(463,411)
	$ 215,286

The method to calculate allowance for doubtful accounts did not significantly change from the prior year. The Organization's write-offs, which primarily consisted of self-pay charges, totaled $23,476 for the year ended December 31, 2020. The Organization amended its charity care policy to adhere to the annually revised Federal Poverty Level Guidelines during the fiscal year.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2020

NOTE 3 – NEW MARKET TAX CREDIT

During the year ended December 31, 2014, the Organization received $14 million in New Market Tax Credit Program (NMTC) financing as a qualified low income community investment within the meaning of Section 45D of the Internal Revenue Code. The NMTC Program attracts investment capital to low-income communities by allowing individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in a specialized financial institution called a "Community Development Entity" (CDE). The tax credit totals thirty-nine percent (39%) of the original investment amount and is claimed over a period of seven (7) years (compliance period). QCDEs, in turn, make investments into businesses or projects with terms that are more favorable than typically available with conventional financing.

In order for the CDE to provide NMTC financing, the borrower must be deemed a "qualified active low-income community business" (QALICB) and the financed project must be deemed a "qualified low-income community investment" (QLICI) in order for tax credit investors in a CDE to receive the tax credits described above. As part of this transaction, Healthcare Vision, Inc. was formed to serve as the QALICB for the NMTC transaction. Healthcare Vision, Inc. is a supporting foundation of Primary Health Services, Inc. and two of Healthcare Vision Inc.'s three board members also serve on Primary Health Services, Inc.'s board of directors.

Utilization of the NMTC Program has the end result of providing the financing to complete construction and renovation of a new medical clinic, which began in 2012, at favorable and below market rate terms.

The NMTC transaction was structured whereby Heathcare Vision, Inc. received a QLICI loan and the Betin Street Campus was sold to Healthcare Vision, Inc. for $12,723,484. The NMTC transaction is as follows: The Primary Care Development Corporation provided a loan to Primary Health Services Center, Inc. in the amount of $2,000.000, who in turn used this loan along with the proceeds of the sale of the Betin Street campus to make a loan in the amount of $9,359,000 to COCRF Investor 27, LLC. Capital One then made an equity contribution to COCRF Investor 27, LLC in the amount of $4,641,000. The total investment of $14,000,000 was then transferred from COCFR Investor 27, LLC as an equity contribution to PCDC Health Opportunities Fund V, LLC (CDE) and COCRF Sub CDE XX, LLC (CDE) in the amounts of $9,500,000 and $4,500,000, respectively. PCDC Health Opportunities Fund V, LLC and COCRF Sub CDE XX, LLC then made two (2) loans each (four total loans) to Healthcare Vision, Inc. totaling $13,715,000. The remaining $285,000 was used to pay upfront fees owed to the Primary Care Development Corporation.

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

NOTE 3 – NEW MARKET TAX CREDIT (CONTINUED)

After the seven-year recapture period, the Capital One has the option to sell, within the three month "put period", to put its equity interest in COCRF Investor 27, LLC ($4,641,000) to Primary Health Services Center, Inc. or an affiliate for an amount equal to $1,000 plus taxes and transfer expenses. In the event that Capital One does not put its interest in COCRF Investor 27, LLC, Primary Health Services Center, Inc. has a call option to purchase Capital One's interest in COCRF Investor 27, LLC at fair market value as determined by an independent appraiser. In conjunction with this event, COCFR SUBCDE XX, LLC (CDE) will be liquidated and its assets distributed to COCRF Investor 27, LLC.

Immediately after the exit transactions are completed, Healthcare Vision, Inc. may be dissolved and the Betin Street campus may be transferred back to Primary Health Services Center, Inc. The Organization anticipates receiving a net benefit from the results of these transactions of approximately $4,500,000, net of transaction costs.

After the NMTC transaction was completed, Healthcare Vision, Inc. leased the Betin Street campus to Primary Health Services Center, Inc., for which the lease payments were used to pay the debt service on the new loans. The rental expense and rental income will be intercompany transactions that will be eliminated for purposes of the combined financial statements.

NOTE 4 – NOTE RECEIVABLE

Primary Health Services Center, Inc.'s note receivable of $9,359,000 from COCRF Investor 27, LLC accrues interest at 1.0% which is payable quarterly through June 10, 2021. Beginning September 29, 2021, principal and interest will be payable quarterly sufficient to fully amortize the note with the final payment due September 28, 2044.

NOTE 5 – RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan covering qualified employees. The Organization made matching contributions of $172,168 for 2020. Organization will match up to 4% of employee contributions to the plan.

NOTE 6 – RESTRICTED CASH

As of December 31, 2020, amounts held and are pledged and held in a separate bank account by Primary Health Services Center, Inc. for the payment of debt obligations totaled $7,286.

As of December 31, 2020, Healthcare Vision, Inc. reserved and held in a separate bank account $64,111 for audit, tax, asset management and incidental expenses.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Notes to Combined Financial Statements (Continued)
December 31, 2020

NOTE 7 - NOTES PAYABLE

Notes payable for the year ended December 31, 2020 consisted of the following:

Healthcare Vision, Inc. Promissory Note Payable (A) from PCDC Health Opportunities Fund V, LLC: New Market Tax Credit loan dated September 29, 2014, in the amount of $6,350,750, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	$ 6,350,750
Healthcare Vision, Inc. Promissory Note Payable (B) from PCDC Health Opportunities Fund V, LLC: New Market Tax Credit loan dated September 29, 2014, in the amount of $2,864,250, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	2,864,250
Healthcare Vision, Inc. Promissory Note Payable (A) from COCRF SUBCDE XX, LLC: New Market Tax Credit loan dated September 29, 2014, in the amount of $3,008,250, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	3,008,250
Healthcare Vision, Inc. Promissory Note Payable (B) from COCRF SUBCDE XX, LLC: New Market Tax Credit loan dated September 29, 2014, in the amount of $1,491,750, interest payable quarterly in 28 installments starting on December 10, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 10, 2021, and continuing until the maturity date of September 28, 2044, bearing an fixed interest of 1.028762%; collateralized by real estate, assignment of leases and rents, security agreement and fixture filing encumbrance.	1,491,750
Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank: Real estate mortgage dated December 6, 2017, in the amount of $559,677, payable in 59 monthly installments of $5,965.50 beginning on January 21, 2018 and a balloon payment of $391,469 payable on August 31, 2021, fixed interest rate of 4.99%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	421,228

NOTE 7 - NOTES PAYABLE (CONTINUED)

Primary Health Services Center, Inc. Promissory Note Payable from Primary Care Development Corporation: New Market Tax Credit loan dated September 29, 2014, in the amount of $2,000,000, interest payable quarterly installments commencing on December 1, 2014 until conversion to amortizing loan with principal and interest payments commencing on December 1, 2016, and continuing until the maturity date of September 29, 2021 at which time the remaining outstanding loan balance of $1,785,431 will be due, bearing an fixed interest of 5.50%; collateralized by leasehold mortgage and pari-passu share in leveraged loan documents including pledge of investment fund membership interest in entities making the permanent financing loans to Healthcare Vision, Inc. Covenants include Debt Service Coverage Ratio of a minimum of 1.25:1, three prior year rolling average positive cash flow from operations, net assets not to fall below $4MM, standard debt limitations, cross-default provisions.	1,824,878
Primary Health Services Center, Inc. Loan from Small Business Administration: Paycheck Protection Program note payable dated April 23, 2020 in the amount of $1,402,322; matures on April 23, 2022 bearing fixed interest of 1.00%. Interest only payments are due until maturity. The note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before March 2, 2021. The Organization intends to use the entire loam amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.	1,402,322
Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank: Real estate mortgage dated December 20, 2019, in the amount of $126,107.78, payable in 36 monthly installments of $3,798 beginning on January 20, 2020, fixed interest rate of 5.250%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	86,295
Primary Health Services Center, Inc. Promissory Note Payable from Origin Bank: Real estate mortgage dated August 31, 2016, in the amount of $328,436.20, payable in 59 monthly installments of $2,498 beginning on September 30, 2016 and balloon of $244,496, fixed interest rate of 4.35%, collateralized by real estate located in Lincoln Parish, Louisiana and funds on deposit with Origin Bank.	249,719
	17,699,442
Less: current portion	(2,537,877)
Less: deferred financing costs, net	(421,763)
Long-term debt	$ 14,739,802

NOTE 7 - NOTES PAYABLE (CONTINUED)

Maturities of debt are as follows:

December 31,	Amount
2021	$ 2,537,877
2022	1,446,565
2023	-0-
2024	-0-
2025	-0-
Thereafter	13,715,000
Total	$ 17,699,442

NOTE 8 – COMPLIANCE WITH LOAN COVENANTS

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

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the Organization maintains deposit balances that exceed federally insured limits. Amounts in excess of insured limits as of December 31, 2020 totaled $1,881,781. The Organization deposits its cash with high quality financial institutions and management believes the Organization is not exposed to significant credit risk on these amounts.

The majority of the Organization's patients are located in Northeast Louisiana. The Organization grants credit without collateral to its patients. The mix of receivables from patients and third-party payors as of December 31, 2020 was as follows:

Medicaid	60 %
Medicare	28
Other	12
	100 %

The mix of net patient revenues for the year ended December 31, 2020 was as follows:

Medicaid	82 %
Medicare	4
Other	14
	100 %

NOTE 10 – INVESTMENTS

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

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
>
> Level 2 inputs are inputs (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly or indirectly.
>
> Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

As of December 31, 2020, the Organization's investments measured on a recurring basis consisted of certificate of deposits with fair market value (quoted prices in active market – Level 1) and a member's interest in a limited liability company with fair market value (Level 3) and costs bases as follows:

	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Certificate of deposits (Level 2 Observable Inputs)	$ 686,896	$ 686,896	$ -0-

NOTE 11 – COST REPORT RECEIVABLE

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

NOTE 12 – LITIGATION

The Organization is involved in litigation arising in the course of business. After consultation with legal counsel, no reliable evaluation of an unfavorable outcome or the estimated range of loss can be provided at this time.

NOTE 13 – __DEFERRED FINANCING COSTS__

Deferred financing costs are capitalized and amortized over the life of the related debt using the straight-line method. Total capitalized costs were $32,283 and $579,016 and the related accumulated amortization was $28,698 and $160,838, as of December 31, 2020, for Primary Health Services Center, Inc. and Healthcare Vision, Inc., respectively. Deferred financing costs are reported as a direct deduction from the face amount of the related notes payable in the combined statements of financial position.

The following is the estimated aggregate amortization expense for each of the five years succeeding December 31, 2020:

Year	Healthcare Visions, Inc.	Primary Health Services, Inc.	Total Amount
2021	$ 25,734	$ 4,247	$ 29,981
2022	25,734	4,247	29,981
2023	25,734	4,247	29,981
2024	25,734	4,247	29,981
2025	25,734	4,247	29,981

NOTE 14 – __ECONOMIC DEPENDENCY__

The Organization receives a substantial portion of its total support and revenues from the federal government. During 2020, Primary Health Services Center, Inc. recorded $5,706,742 in grant support from the Department of Health and Human Services. This represents 41% of total support and revenues for the year ended December 31, 2020.

NOTE 15 – __PRIOR-YEAR SUMMARIZED INFORMATION__

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE 16 - __LEASES__

Effective September 29, 2014, Primary Health Services Center, Inc. began leasing its facilities from Healthcare Vision, Inc. as part of the New Markets Tax Credit transaction. The lease commenced on September 29, 2014 and is for a term of seven (7) years. At the end of the lease, Primary Health Services Center, Inc. will have the option to extend the lease in five (5) year increments or purchase the leased facilities for the greater of the debt owed or the premise's fair market value, which shall be determined by an independent appraiser.

NOTE 16 - LEASES (CONTINUED)

The cost and accumulated depreciation of the property under these lease agreements was $12,352,992 and $1,930,155, respectively. In 2020, quarterly lease payments made by Primary Health Services, Inc. to Healthcare Vision, Inc. totaled $113,680. This lease expense and lease income are intercompany transactions that were eliminated for purposes of these combined financial statements. The following is a schedule of future minimum rentals on non-cancelable leases due to Healthcare Vision, Inc. over the next five years:

For the year ended:	
2021	$ 113,680
2022	113,680
2023	113,680
2024	113,680
2025	113,680

NOTE 17 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board of directors approves that action. The Organization has a goal to maintain financial assets which consist of cash on hand to meet six (6) months of normal operating expenses, which are, on average approximately $6,400,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization deposits cash in excess of daily requirements in certificate of deposit investments.

Current assets	$ 4,939,470
Subtract: restricted cash	(71,397)
Prepaid expenses	(99,102)
Financial assets available to meet cash needs for general expenditures with one year	$ 4,768,971

NOTE 18 – COMMITMENTS

In November 2020, the Organization entered into two separate contracts to modify two mobile medical units. The total outlays to date and committed amounts total $262,500 and approximately $500,000, respectfully. The project is expected to be completed in August 2021.

NOTE 19 – CHARITY CARE

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the year ended December 31, 2020 was $1,117,133. The Organization receives a Department of Health and Human Services grant to subsidize the charity care medical services provided to qualifying patients.

NOTE 20– BUILDING IMPAIRMENT

In April 2020, the roof of the Organization's buildings was damaged due to a hailstorm. These financial statements include an impairment loss resulting from the hailstorm damage totaling $15,105. The impairment loss only considers the complete loss of the building's roof and was calculated and valued based on the historical original cost. The building was restored and the Organization received insurance proceeds as reimbursement for the loss.

NOTE 21– SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2020 combined financial statements for subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

PRIMARY HEALTH SERVICES CENTER, INC.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Program Title	CFDA Number		Grant Number	Program Year	Program Revenues	Program Expenses
Health Centers Cluster						
U. S. Department of Health and Human Services						
Direct Programs:						
Community Health Center Section 330	93.224	*	H80CS00754	5/1/20 - 4/30/21	$ 4,598,033	$ 4,598,033
Community Health Center Section 330 CARES ACT	93.224	*	H80CS00754	5/1/20 - 4/30/21	853,235	853,235
Community Health Center Section 330 COVID-19	93.224	*	H80CS00754	5/1/20 - 4/30/21	30,410	30,410
Total Health Centers Cluster					5,481,678	5,481,678
Other Programs:						
U. S. Department of Health and Human Services						
Direct Programs:						
Provider Relief Funds	93.498		Provider Relief Funds	1/1/2020 - 12/31/2020	225,064	225,064
Total Expenditures of Federal Awards					$ 5,706,742	$ 5,706,742

*** Above program consider major.**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Primary Health Services Center, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements contained by Title 2 of U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirments, Cost Principles, and Requirments for Federal Awards (Uniform Guidance).

The amounts presented in this schedule do not differ from the amounts presented in, or used in the preparation of the financial statements.

Primary Health Services Center, Inc. has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Financial Position
As of December 31, 2020

	Primary Health Services Center, Inc.	Healthcare Vision, Inc.	Eliminations	Combined Total
Assets				
Current Assets				
Cash and cash equivalents	$ 2,419,336	$ 44,035	$ -	$ 2,463,371
Cash - restricted	7,286	64,111	-	71,397
Patient accounts receivable, net	215,286	-	-	215,286
Grants receivable	1,403,418	-	-	1,403,418
Certificates of deposit	686,896	-	-	686,896
Prepaid expenses	99,102	-	-	99,102
Total Current Assets	4,831,324	108,146	-	4,939,470
Property, Plant and Equipment				
Building and improvements	2,092,223	12,352,992	-	14,445,215
Furniture and equipment	4,010,263	-	-	4,010,263
Automobiles	765,305	-	-	765,305
	6,867,791	12,352,992	-	19,220,783
Less accumulated depreciation	(4,054,661)	(1,930,154)	-	(5,984,815)
	2,813,130	10,422,838	-	13,235,968
Land	436,999	370,492	-	807,491
Net Property, Plant and Equipment	3,250,129	10,793,330	-	14,043,459
Other Assets				
Investments other	10,000	-	-	10,000
Utility Deposits	14,171	-	-	14,171
PCDC receivable - new markets tax credit	74,394	-	-	74,394
Notes receivable - new markets tax credit	9,359,000	-	-	9,359,000
Total Other Assets	9,457,565	-	-	9,457,565
Total Assets	$ 17,539,018	$ 10,901,476	$ -	$ 28,440,494

See accompanying notes to financial statements.

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Financial Position (Continued)
As of December 31, 2020

	Primary Health Services Center, Inc.	Healthcare Vision, Inc.	Eliminations	Combined Total
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 188,433	$ -	$ -	$ 188,433
Accrued vacation and payroll	159,765	-	-	159,765
Payroll taxes payable	111,204	-	-	111,204
Accrued interest payable	722	-	-	722
Current portion of notes payable	2,537,877	-	-	2,537,877
Total Current Liabilities	2,998,001	-	-	2,998,001
Long Term Liabilities				
Notes payable - net of current portion	1,442,980	13,296,822	-	14,739,802
Total Liabilities	4,440,981	13,296,822	-	17,737,803
Net Assets				
Without donor restrictions	11,694,619	(2,395,346)	-	9,299,273
With donor restrictions	1,403,418	-	-	1,403,418
Total Net Assets	13,098,037	(2,395,346)	-	10,702,691
Total Liabilities and Net Assets	$ 17,539,018	$ 10,901,475	$ -	$ 28,440,494

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE
Monroe, Louisiana
Combining Statement of Activities
For the Year Ended December 31, 2020

	Primary Health Services Center, Inc.	Healthcare Vision, Inc.	Eliminations	Combined Total
Revenue and Support				
Revenue:				
Gross patient service revenue	$ 14,601,166	$ -	$ -	$ 14,601,166
Less: contractual allowances and discounts	(7,006,407)	-	-	(7,006,407)
	7,594,759	-	-	7,594,759
Less: provision for uncollectible accounts	(23,476)	-	-	(23,476)
Net patient service revenue	7,571,283	-	-	7,571,283
Support and other income:				
Federal grants	4,303,324	-	-	4,303,324
Other grant	49,900	-	-	49,900
Interest income	195,406	-	-	195,406
Lease income	-	113,680	(113,680)	-
Other	34,025	-	-	34,025
Insurance recoveries	175,831			175,831
Temporarily restricted revenue - federal grant	1,403,418	-	-	1,403,418
Total support and other income	6,161,904	113,680	(113,680)	6,161,904
Total revenue, support and other income	13,733,187	113,680	(113,680)	13,733,187
Expenses				
Program expenses	10,395,577	423,980	(96,628)	10,722,928
Management and general	2,529,870	100,859	(17,052)	2,613,678
Loss on building impairment	15,105	-	-	15,105
Total Expenses	12,940,552	524,839	(113,680)	13,351,711
Increase (decrease) in Net Assets	792,635	(411,159)	-	381,476
Net Assets - Beginning of Year	12,305,402	(1,984,187)	-	10,321,215
Net Assets - End of Year	$ 13,098,037	$ (2,395,346)	$ -	$ 10,702,691

Primary Health Services Center, Inc. and Affiliate

Schedule of Compensation, Benefits and Other Payments to Executive Director

Paid from Public Funds

December 31, 2020

NO COMPENSATION FROM PUBLIC FUNDS

Agency Head Name: Catherine Tonore, Chief Executive Officer

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

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

Board of Directors
Primary Health Services Center, Inc. and Affiliate
Monroe, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Primary Health Services Center, Inc. and Affiliate (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Primary Health Services Center, Inc. and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control. Accordingly, I do not express an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control.

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Primary Health Services Center, Inc. and Affiliate's combined financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 29, 2021

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

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

The Board of Directors
Primary Health Services Center, Inc. and Affiliate
Monroe, Louisiana

Report on Compliance for Each Major Federal Program

I have audited Primary Health Services Center, Inc. and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Primary Health Services Center, Inc. and Affiliate's major federal programs for the year ended December 31, 2020. Primary Health Services Center and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Primary Health Services Center, Inc. and Affiliate's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Primary Health Services Center and Affiliate's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Primary Health Services Center, Inc. and Affiliate's compliance.

Opinion on Each Major Federal Program

In my opinion, Primary Health Services Center, Inc. and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Primary Health Services Center, Inc. and Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Primary Health Services Center, Inc. and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Primary Health Services Center, Inc. and Affiliate's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 29, 2021

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE

Schedule of Findings and Questioned Cost
Year Ended December 31, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.224	US Department of Health and Human Services, Community Health Center Section 330

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	x Yes	___ No

PRIMARY HEALTH SERVICES CENTER, INC. AND AFFILIATE

Schedule of Findings and Questioned Cost
Year Ended December 31, 2020

SECTION II – FINDINGS

None

SECTION III – PRIOR YEAR FINDINGS

None