Union General Hospital, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

Union General Hospital, Inc.

June 30, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Union General Hospital, Inc.
Farmerville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Union General Hospital, Inc. (Hospital), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of operations, and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2021 and 2020, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the Hospital'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

BKD, LLP

Waco, Texas
November 12, 2021

Union General Hospital, Inc.
Balance Sheets
June 30, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	$ 14,630,402	$ 12,020,898
Short-term investments	507,859	500,633
Patient accounts receivable	1,785,686	982,141
Estimated amounts due from third-party payors	1,494,474	1,224,420
Supplies	228,120	217,705
Grant receivable	63,706	436,500
Prepaid expenses and other	716,471	162,577
Total current assets	19,426,718	15,544,874
Assets Limited As To Use – Internally Designated	12,110	20,862
Property and Equipment, at Cost		
Land and land improvements	573,530	497,988
Buildings and leasehold improvements	8,903,880	7,787,790
Equipment and software	7,295,355	8,663,333
Construction in progress	561,361	741,912
	17,334,126	17,691,023
Less accumulated depreciation and amortization	11,227,876	12,140,712
	6,106,250	5,550,311
Other Assets	454,583	186,031
Total assets	$ 25,999,661	$ 21,302,078

See Notes to Financial Statements

Liabilities and Net Assets

	2021	2020
Current Liabilities		
Accounts payable	$ 409,205	$ 361,653
Accrued expenses	636,352	697,452
Estimated amounts due to third-party payors - current	360,000	-
Deferred revenue	3,709,671	4,951,321
Estimated self-insurance costs	91,608	91,608
Total current liabilities	5,206,836	6,102,034
Estimated Amounts Due to Third-Party Payors - Long-Term	1,690,701	-
Total liabilities	6,897,537	6,102,034
Net Assets		
Without donor restrictions	18,563,371	14,424,732
With donor restrictions	538,753	775,312
Total net assets	19,102,124	15,200,044
Total liabilities and net assets	$ 25,999,661	$ 21,302,078

Union General Hospital, Inc.
Statements of Operations
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	$ 16,887,092	$ 14,294,191
CARES Act revenue	2,422,547	-
Other revenue	333,872	391,563
Total revenues, gains, and other support without donor restrictions	19,643,511	14,685,754
Expenses and Losses		
Salaries and wages	7,015,138	6,125,177
Employee benefits	972,210	1,146,990
Purchased services and professional fees	5,043,103	4,279,221
Supplies	1,127,642	1,000,194
Other expenses	1,581,176	1,523,640
Depreciation and amortization	732,316	692,252
Total expenses and losses	16,471,585	14,767,474
Operating Income (Loss)	3,171,926	(81,720)
Other Income		
Contributions received	168,700	346,296
Investment income	23,049	61,453
Total other income	191,749	407,749
Excess of Revenues Over Expenses	3,363,675	326,029
Contributions of or for acquisition of property and equipment	456,710	161,655
Net assets released from restriction related to property and equipment	318,254	257,839
Increase in Net Assets Without Donor Restrictions	$ 4,138,639	$ 745,523

Union General Hospital, Inc.
Statements of Changes in Net Assets
Years Ended June 30, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	$ 3,363,675	$ 326,029
Contributions of or for acquisition of property and equipment	456,710	161,655
Net assets released from restriction related to property and equipment	318,254	257,839
Increase in net assets without donor restrictions	4,138,639	745,523
Net Assets With Donor Restrictions		
Contributions received	81,695	735,312
Net assets released from restriction	(318,254)	(257,839)
Increase (decrease) in net assets with donor restrictions	(236,559)	477,473
Change in Net Assets	3,902,080	1,222,996
Net Assets, Beginning of Year	15,200,044	13,977,048
Net Assets, End of Year	$ 19,102,124	$ 15,200,044

Union General Hospital, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	$ 3,902,080	$ 1,222,996
Items not requiring (providing) operating cash flow		
Gain on sale of property and equipment	-	(2,299)
Depreciation and amortization	732,316	692,252
Restricted contributions received	(81,695)	(735,312)
Contributions of or for acquisition of property and equipment	(456,710)	(161,655)
Changes in		
Patient accounts receivable	(803,545)	74,812
Estimated amounts due to/from third-party payors	1,780,647	(595,689)
Accounts payable and accrued expenses	(13,548)	44,887
Deferred revenue	(1,241,650)	4,951,321
Supplies	(10,415)	(11,141)
Other current assets	(822,446)	179,475
Net cash provided by operating activities	2,985,034	5,659,647
Investing Activities		
Purchase of short-term investments	(501,199)	(493,180)
Proceeds from sale of short-term investments	493,973	600,000
Proceeds from disposal of property and equipment	-	73,546
Purchase of property and equipment	(1,288,255)	(1,269,551)
Net cash used in investing activities	(1,295,481)	(1,089,185)
Financing Activities		
Proceeds from contributions for acquisition of property and equipment	911,199	460,467
Net cash provided by financing activities	911,199	460,467
Increase in Cash and Cash Equivalents	2,600,752	5,030,929
Cash and Cash Equivalents, Beginning of Year	12,041,760	7,010,831
Cash and Cash Equivalents, End of Year	$ 14,642,512	$ 12,041,760
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 14,630,402	$ 12,020,898
Assets limited as to use	12,110	20,862
Total cash and cash equivalents	$ 14,642,512	$ 12,041,760

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Union General Hospital, Inc. (Hospital) is a not-for-profit, critical access hospital (CAH), located in Farmerville, Louisiana. The Hospital provides inpatient, outpatient and emergency care services for the residents of Farmerville, Louisiana, and the surrounding area. Admitting physicians are primarily practitioners in the local area.

On November 22, 1983, the Hospital leased the hospital facilities from East Union Parish Hospital Service District (District). The hospital facilities were originally constructed by the District, which issued ad valorem tax bonds to finance its construction. The Hospital's financial obligation under the lease is to maintain the leased premises in good repair and replace equipment as needed. The lease was amended and restated effective September 8, 2010, and the term extended through March 31, 2019. The agreement was renewed for an additional 10-year period through March 31, 2029. Under the current lease agreement, there are no minimum lease payments.

The net book value of the District's facility was recorded on the Hospital's financial statements in the initial year of the agreement and the remaining net book value is reported as net assets with donor restriction. Annual amortization related to the District's assets is reported as assets released from restrictions in the accompanying statements of changes in net assets.

Use of Estimates

The preparation of 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.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of a repurchase agreement with a bank and money market accounts with brokers.

Certain cash balances are routinely invested in overnight repurchase agreements that are not covered by Federal Deposit Insurance Corporation insurance programs. The repurchase agreements are collateralized by securities held by the Hospital's financial institution in the Hospital's name.

Assets Limited As To Use

Assets limited as to use include assets set aside by the board of trustees (Board) for future payment of employee sick leave over which the Board retains control and may at its discretion subsequently use for other purposes. At June 30, 2021 and 2020, respectively, assets limited as to use were comprised of cash and totaled $12,110 and $20,862. Amounts required to meet current liabilities of the Hospital are included in current assets.

Investments and Net Investment Return

Investments are valued at fair value. Investment return includes interest, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of operations as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. As a service to the patient, the Hospital bills third-party payers directly and bills the patient when the patient's responsibility for co-pays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed. No bad debt expense was recognized in 2021 or 2020.

Contract Assets

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Hospital at the end of the year. Contract assets are not material and are included in patient accounts receivable on the balance sheets.

Supplies

Supply inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment acquisitions over $5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	5 – 20 years
Land improvements	5 – 20 years
Equipment and software	3 – 20 years

Construction in Progress

Construction in progress at June 30, 2021, primarily represents various hospital renovation projects, as well as the construction of a portico. These projects are expected to be completed in fiscal year 2022 at a total expected cost of approximately $600,000. Management intends to fund the projects through grants and existing cash balances.

Long-lived Asset Impairment

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2021 and 2020.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor (see *Note 6*).

Patient Service Revenue

Patient service revenue is recognized as the Hospital satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policies and implicit price concessions provided to uninsured patients.

The Hospital determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Hospital determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as patient service revenue.

Contributions

Contributions are provided to the Hospital either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Hospital overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value

Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Professional Liability Claims

The Hospital recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any.

The Hospital participates in the Louisiana Patients' Compensation Fund established by the state of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides $400,000 in coverage per occurrence above the first $100,000 per occurrence. The first $100,000 is covered by the Louisiana Hospital Association Malpractice and General Liability Trust. There is not a limitation placed on the number of occurrences covered.

Workers' Compensation

The Hospital participates in the Louisiana Hospital Association's Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

Income Taxes

The Hospital has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Hospital files tax returns in the U.S. federal jurisdiction.

Excess of Revenues Over Expenses

The statements of operations include excess of revenues over expenses. Changes in net assets without donor restriction which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Self-Insurance

The Hospital has elected to self-insure certain costs related to employee health programs. Costs resulting from noninsured losses are charged to income when incurred. The Hospital has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to $50,000 and $34,000 per covered person at June 30, 2021 and 2020, respectively.

Note 2: Patient Service Revenue

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

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients receiving services in its outpatient centers. The Hospital measures the performance obligation from inpatient admission, or 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 discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Hospital does not believe it is required to provide additional goods related to the patient.

Transaction Price

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

Third-Party Payors

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

Medicare. The Hospital is designated by Medicare as a critical access hospital (CAH). Medicare inpatient and outpatient reimbursement is based on the defined allowable costs of services rendered. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules.

Medicaid. Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations. As of June 30, 2021, the Hospital's Medicare and Medicaid cost report audits have been completed through June 30, 2011.

Refund Liabilities

From time to time the Hospital will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021 and 2020, the Hospital has a liability for refunds to third-party payors and patients recorded of approximately $218,200 and $26,600, respectively, which is included in accrued expenses in the balance sheets.

Patient and Uninsured Payors

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

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2021 and 2020, there were no material changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Revenue Composition

The Hospital has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service
- Method of reimbursement (fee for service)
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, etc.)

For the years ended June 30, 2021 and 2020, the Hospital recognized revenue of $16,887,092 and $14,294,191, respectively, from goods and services that transfer to the customer over time. For the years ended June 30, 2021 and 2020, the Hospital did not recognize any patient revenue from goods and services that transfer to the customer at a point in time.

The composition of patient service revenue by primary payor for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Medicare	$ 8,348,919	$ 6,900,907
Medicaid	5,934,914	5,072,499
Other third-party payers	2,444,755	1,977,591
Self-pay	158,504	343,194
Total	$ 16,887,092	$ 14,294,191

Revenue from patients' deductibles and coinsurance are included in the categories presented above based on the primary payor.

Note 3: Investments

Short-term investments, at June 30, 2021 and 2020, include:

	2021	2020
Certificates of deposit	$ 251,868	$ 248,686
Negotiable certificate of deposit	-	251,947
Mutual fund - fixed income	255,991	-
	$ 507,859	$ 500,633

Note 4: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at June 30, 2021 and 2020, is:

	2021	2020
Medicare	32%	38%
Medicaid	21%	7%
Other third-party payers	44%	51%
Patients	3%	4%
Total	100%	100%

Note 5: Grant Receivable

The grant receivable at June 30, 2021 and 2020, consisted of one grant owed from the state of Louisiana for $63,706 and $436,500, respectively, that is expected to be received in 2022 upon completion of the portico project, as discussed in *Note 1*.

Note 6: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specific purpose		
Purchase of equipment	$ 538,753	$ 775,312

Net Assets Released from Restrictions

In 2021 and 2020, $0 and $26,475, respectively, was released from net assets with donor restrictions due to the passage of time.

Note 7: Functional Expenses

The Hospital provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services and general and administrative functional expense classifications. The following schedule presents the natural classification of expenses by function for the years ended June 30, 2021 and 2020, as follows:

	2021		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 5,746,271	$ 1,268,867	$ 7,015,138
Employee benefits	796,361	175,849	972,210
Purchased services and professional fees	3,960,402	1,082,701	5,043,103
Supplies	885,549	242,093	1,127,642
Other expenses	1,241,714	339,462	1,581,176
Depreciation and amortization	575,095	157,221	732,316
Total expenses	$ 13,205,392	$ 3,266,193	$ 16,471,585

	2020		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 4,949,251	$ 1,175,926	$ 6,125,177
Employee benefits	874,469	272,521	1,146,990
Purchased services and professional fees	3,392,790	886,431	4,279,221
Supplies	793,006	207,188	1,000,194
Other expenses	1,208,064	315,576	1,523,640
Depreciation and amortization	548,853	143,399	692,252
Total expenses	$ 11,766,433	$ 3,001,041	$ 14,767,474

Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	2021	2020
Total financial assets		
Cash and cash equivalents	$ 14,630,402	$ 12,020,898
Short-term investments	507,859	500,633
Patient accounts receivable	1,785,686	982,141
Estimated amounts due from third-party payors	1,494,474	1,224,420
Grant receivable	63,706	436,500
Assets limited as to use	12,110	20,862
Other receivables included in prepaid expenses and other	632,782	81,915
Other assets	454,583	186,031
Total financial assets	19,581,602	15,453,400
Less amounts not available to be used within one year		
Assets limited as to use	12,110	20,862
Other assets	454,583	186,031
Financial assets not available to be used within one year	466,693	206,893
Financial assets available to meet general expenditures within one year	$ 19,114,909	$ 15,246,507

The Hospital has assets limited to use for payment of employee sick leave over which the Board retains control. These assets limited to use are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As a part of the Hospital's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 9: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as 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 assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	2021			
		Fair Value Measurements using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Mutual fund - fixed income	$ 255,991	$ 255,991	$ -	$ -

	2020			
		Fair Value Measurements using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Negotiable certificate of deposit	$ 251,947	$ -	$ 251,947	$ -

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 10: Pension Plan

The Hospital has a defined contribution pension plan covering substantially all employees. The Board annually determines the amount, if any, of the Hospital's contributions to the plan. Pension expense was $82,621 and $69,012 for 2021 and 2020, respectively.

Note 11: Related Party Transactions

From time to time, the Hospital conducts business with organizations that are affiliated with Board members. This is often a result of a limited number of vendors in smaller communities. During 2021 and 2020, the Hospital maintained funds at Origin Bank where a Hospital Board member serves on the board of directors and is a senior vice-president. At June 30, 2021 and 2020, approximately $14,510,000 and $11,703,000, respectively, of the Hospital's cash balances was held at Origin Bank. During 2020, the Hospital also obtained a Paycheck Protection Program (PPP) loan from Origin Bank as discussed in *Note 13*.

Note 12: Transactions with the District

In March 2008, the voters of the District approved the authorization of a ten-year, $5.56 million property tax levy on all taxable property located within the District. The tax can be used for constructing, maintaining, improving, equipping, and operating the Hospital facilities. The District board of commissioners determines how the tax proceeds will be spent. At the District's election, the Hospital may receive a portion of the tax proceeds from the District as a contribution. During the years ended June 30, 2021 and 2020, the Hospital received $677,105 and $592,624, respectively, from the District, and is included in contributions received in the statements of operations and statements of changes in net assets.

Note 13: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as temporarily suspended elective procedures by health care facilities.

Beginning in mid-March 2020, the Hospital temporarily deferred all nonessential medical and surgical procedures and suspended elective procedures, which resumed prior to June 30, 2020. The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic.

Provider Relief Fund

During the years ended June 30, 2021 and 2020, the Hospital received approximately $1,050,000 and $3,677,000, respectively, of distributions from the CARES Act Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Hospital accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses, the Hospital recognized approximately $1,170,000 and $40,000, respectively, related to the distributions from the Provider Relief Fund during the years ended June 30, 2021 and 2020, respectively, which are recorded as CARES Act and contribution revenue in the accompanying statement of operations. The unrecognized amount of distributions from the Provider Relief Fund are recorded as deferred revenue in the accompanying balance sheets.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Medicare Accelerated & Advanced Payment Programs

During the year ended June 30, 2021, the Hospital requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by the Centers for Medicare and Medicaid Services (CMS) according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25 percent of the remittance advice payment followed by a six-month payback period at 50 percent of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 month at a rate of 4 percent.

In September 2020, the Hospital received $2,050,701 from these accelerated Medicare payment requests which are reflected as estimated amounts due to third-party payers in the accompanying balance sheets.

Paycheck Protection Program (PPP) Loan

In April 2020, the Hospital received a PPP loan of $1,251,650 established by the CARES Act and elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalent (FTE) and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

At June 30, 2020, the entire PPP loan balance of $1,251,650 is included as deferred revenue in the accompanying balance sheets. In January 2021, the Hospital received legal notice that the PPP loan was forgiven in its entirety and recognized the forgiveness as CARES Act revenue in the accompanying statement of operations.

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue as described in *Notes 1* and *2*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 1*.

Physician Revenue Concentration

The Hospital is served by two physicians whose patients comprise approximately 35 percent of the Hospital's patient service revenue for the year ended June 30, 2021.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

Note 15: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for the Hospital's fiscal year ending June 30, 2023. The Hospital is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 16: Subsequent Events

Subsequent events have been evaluated through, November 12, 2021, which is the date the financial statements were available to be issued.

Supplementary Information

Union General Hospital, Inc.

Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer

Year Ended June 30, 2021

Name of Hospital Chief Executive Officer: Evalyn Ormond

Purpose	Amount
Salary	$ 243,003
Benefits – insurance	1,298
Benefits – retirement and other	33,291
Car allowance	1,863
Reimbursements	12,348
Unvouchered expenses	1,000
	$ 292,803

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Union General Hospital, Inc.
Farmerville, Louisiana

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, the financial statements of Union General Hospital, Inc. (Hospital), which comprise the balance sheet as of June 30, 2021, and the related statements of operations, and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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.*

Hospital's Response to Findings

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Hospital's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Waco, Texas
November 12, 2021

Union General Hospital, Inc.

Schedule of Finding and Response

Year Ended June 30, 2021

Reference Number	Finding
2021-001	Segregation of Duties

Criteria – Personnel functions that have the ability to conceal and perpetrate fraud should be segregated.

Condition – The Hospital has a lack of segregation of duties regarding bank reconciliations, payment processing, and payroll processing.

Context – The personnel that reconciles the bank account also makes journal entries and processes payments; the business office coordinator has the ability to take payments, post adjustments, and write-off accounts; payroll personnel have the ability to create a new employee within the system and generate payroll direct deposits.

Effect – The ability to perpetrate and conceal fraud.

Cause – The Hospital operates a smaller/medium sized facility and has limited personnel.

Recommendation – The Hospital should segregate incompatible duties to improve its internal controls related to cash receipts, cash payments, and payroll. Specifically, individuals that can add employees to the payroll system should not also have the ability to generate or have access to payroll payments. Additionally, personnel with access to patient payments should not also have the ability to authorize or approve adjustments to patient accounts. In addition, individuals with the ability to generate payments should have separate duties from individuals with recording and monitoring duties.

Views of responsible officials and planned corrective actions – We understand the importance of the Segregation of Duties as it relates to maintaining internal control. As mentioned, the Hospital does have limited personnel in certain areas that creates a lack of Segregation of Duties, but we believe that we have sufficient checks and balances in place in those areas to adequately minimize any risks.

Union General Hospital, Inc.

Summary Schedule of Prior Audit Finding

Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
2020-001	Segregation of Duties	Unresolved. See finding 2021-001.

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Board of Trustees
Union General Hospital, Inc.
Farmerville, Louisiana

As part of our audit of the financial statements of Union General Hospital, Inc. (Hospital) as of and for the year ended June 30, 2021, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our contract more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our contract more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Hospital's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Patient accounts receivable
- Amounts due to and from third-party payers
- Self-funded health insurance accrual
- Provider Relief Fund revenue recognition – The Hospital is a recipient of distributions from the Provider Relief Fund established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The Hospital attested to the terms and conditions upon receipt of the funding, including the requirement to demonstrate that funds received have been used for health care-related expenses or lost revenue attributable to coronavirus as defined in the CARES Act. Management has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by the United States Department of Health and Human Services (HHS) subsequent to June 30, 2021 in accordance with ASC Topic 855 and have concluded as follows:

    - July 1, 2021 FAQs – recognized

  Management has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2021 and any clarifications issued by HHS subsequent to year-end, including any referenced above as recognized subsequent events.

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Self-insured risks
- COVID-19 and CARES Act funding

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Proposed Audit Adjustments Recorded

- No matters are reportable.

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole.

Auditor's Judgments About the Quality of the Hospital's Accounting Principles

No matters are reportable.

Significant Issues Discussed with Management

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Provider Relief Fund revenue recognition as noted in the management judgment and accounting estimates section

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (*attached*)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Hospital as of and for the year ended June 30, 2021, 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, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be significant deficiencies.

Significant Deficiencies

Segregation of Duties

Management is responsible for establishing and maintaining effective control over financial reporting. A few individuals within the Hospital have incompatible duties in several financial statement reporting transaction cycles. Duties in these transaction cycles are not adequately segregated to safeguard the Hospital's assets. Following is a summary of various incompatible duties we identified:

Revenue Cycle

The business office coordinator has access to all aspects of the cash-receipting, posting, and adjustment process. When employees have the ability to make changes in the master file, post entries, and reconcile patient accounts, there is generally a risk of misappropriation. We recommend management evaluate the cash receipt process and consider adding additional oversight procedures to mitigate the risk.

Purchasing Cycle

Certain individuals have incompatible duties in the cash disbursements and accounts payable transaction cycle. The comptroller has the ability to generate a payment, post journal entries, make changes to master files, and perform bank reconciliations, though the bank reconciliations and some of the journal entries are reviewed by the chief executive officer (CEO) and the chief financial officer (CFO). The human resources director has the ability to access the accounts payable module as well as secondary ability to perform comptroller duties. Individuals with the ability to generate payments should have separate duties from individuals with recording and monitoring duties. We recommend the Hospital consider adding additional oversight procedures to mitigate and limit the opportunity for misappropriation.

Payroll Cycle

Certain individuals have incompatible duties within the payroll transaction cycle. The human resource director and payroll clerk have the ability to enter a new employee as well as process payroll for that employee. In addition, it is possible within the system for the human resources director and payroll clerk to approve their own timecard, but all department managers' time is reviewed and approved in the payroll system by the CEO, CFO, or Division Leader prior to the payroll being processed for payment. The comptroller has secondary ability to perform payroll transaction duties, including entering a new employee as well as processing payroll for the employee. Individuals that can add employees to the payroll system should not also have the ability to generate or have access to payroll payments. We recommend the Hospital consider adding additional oversight procedures to mitigate and limit the opportunity for misappropriation.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies, or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

New Lease Accounting Standard

On February 25, 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), the long-waited new standard on lease accounting.

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP.

Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing, and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

The standard will be effective for the Hospital's fiscal year ending June 30, 2023, with early adoption permitted.

Price Transparency

Effective January 1, 2021, hospitals operating in the U.S. are required to make their standard charges for all items and services provided by the hospital publicly available in a comprehensive, machine-readable file. In addition, hospitals must make public, in a consumer-friendly format, standard charge information for 300 shoppable services.

In the calendar-year 2022 Outpatient Prospective Payment System proposed rule, the Centers for Medicare and Medicaid Services (CMS) shows no sign of backing off on the current requirements but instead proposes to amend several hospital price transparency policies to further encourage compliance.

The most notable change to the price transparency requirement is a proposed increase to the amount of the monetary penalty for noncompliance through the use of a proposed scaling factor based on hospital bed count. While the current civil monetary penalty for noncompliance would not exceed $300 per day for any hospital, the proposed penalty of $10 per day per hospital bed for hospitals with more than 30 beds could increase penalties up to $5,500 per day for a hospital with more than 550 beds as summarized by CMS in the following table.

Number of Beds	Penalty Applied per Day	Total Full-Year Penalty
30 or fewer	$300 per hospital	$109,500 per hospital
31 up to 550	$310–$5,500 per hospital (number of beds * $10)	$113,150–$2,007,500 per hospital
More than 550	$5,500 per hospital	$2,007,500 per hospital

Source: CMS CY 2022 OPPS Proposed Rule, Table 63

Additional proposed amendments to the price transparency policies include deeming state forensic hospitals that meet certain requirements to be in compliance with the requirements of 45 Code of Federal Regulations Part 180 and prohibiting certain conduct that CMS has concluded to be barriers to accessing the standard charge information. CMS also clarifies the expected output of hospital online price estimator tools when hospitals choose to use them to provide price estimates for shoppable services in a consumer-friendly format.

CMS has prepared Hospital Price Transparency Requirements Quick Reference Checklists to assist hospitals with determining whether the hospital is meeting current price transparency requirements. The checklists can be found on CMS' website at the following location.

https://www.cms.gov/files/document/hospital-price-transparency-final-rule-quick-reference-checklists.pdf

BKD's Health Care Performance Advisory Services (HCPAS) professionals can help hospitals navigate the price transparency requirements and develop a plan for incorporating these requirements into the hospital's overall pricing strategy. For more information, reach out to your BKD trusted advisor.

Changes to Rural Health Clinic (RHC) Payments

The *Consolidated Appropriations Act of 2021* (CAA) included Section 130 titled "Improving Rural Health Clinic Payments". This section established a uniform cost-based reimbursement for rural health clinic's (RHC), regardless of whether their status is considered freestanding or provider-based. Under the new rules, new RHCs certified with effective dates after December 31, 2019, will be reimbursed at the lower of their cost per visit rate as determined by the Medicare cost report, or the newly established reimbursement caps. RHCs with provider-based status to a hospital with less than 50 beds with effective dates prior to December 31, 2019, will be considered grandfathered. Each grandfathered RHC will have a clinic-specific cap established based on their 2020 All-Inclusive Rate (AIR). The clinic-specific cap for these grandfathered RHCs will then grow annually at the Medicare Economic Index (MEI).

For new RHCs or RHCs subject to the per visit limit, the rates will begin at $100 per visit in 2021 and increase to $190 by 2028. Beginning in 2029 the reimbursement cap will be set at $190 plus the MEI. Specifically, the reimbursement caps by year will be:

Beginning	Ending	Rate
1/1/2021	3/31/2021	$87.52
4/1/2021	12/31/2021	$100.00
1/1/2022	12/31/2022	$113.00
1/1/2023	12/31/2023	$126.00
1/1/2024	12/31/2024	$139.00
1/1/2025	12/31/2025	$152.00
1/1/2026	12/31/2026	$165.00
1/1/2027	12/31/2027	$178.00
1/1/2028	12/31/2028	$190.00
1/1/2029	12/31/2029	$190.00 + MEI

Please keep in mind that if the calculated cost per visit is less than the cap, the RHC will be reimbursed based on its actual cost per visit.

For existing RHCs, we recommend evaluating the financial impact of these changes to reimbursement. In addition, the increased reimbursement caps may present an opportunity for clinic practices to pursue RHC status. If you have any clinic practices you feel may qualify as an RHC in the future and would like to discuss more details related to RHC requirements or potential reimbursement impact, please let us know.

This communication is intended solely for the information and use of management, and Board of Trustees, and others within the Hospital, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 12, 2021

Representation of:
Union General Hospital, Inc.
P.O. Box 398
Farmerville, LA 71241-0398

Provided to:
BKD, LLP
Certified Public Accountants
510 N. Valley Mills Drive, Suite 200
Waco, Tx 76710-6075

The undersigned ("We") are providing this letter in connection with BKD's audits of our financial statements as of and for the years ended June 30, 2021 and 2020.

Our representations are current and effective as of the date of BKD's report: November 12, 2021

Our engagement with BKD is based on our contract for services dated: June 22, 2021

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Confirmation of Matters Specific to the Subject Matter of BKD's Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:

    a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

    b. Internal control to prevent and detect fraud.

3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We

acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

4. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. All minutes of trustees' meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board if applicable, and maintained as part of our records.

    e. All significant contracts and grants.

    f. All peer review organizations, administrative contractor, and third-party payer reports and information.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:

    a. Misappropriation of assets.

    b. Misrepresented or misstated assets, liabilities or net position.

7. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

8. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

9. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:

    a. Management or employees who have significant roles in internal control, or

    b. Others, where activities of others could have a material effect on the financial statements.

10. We have no knowledge of any communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.

12. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

    We understand that the term related party refers to an affiliate, management and members of their immediate families, and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

14. Except as reflected in the financial statements, there are no:

    a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    b. Material transactions omitted or improperly recorded in the financial records.

    c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    d. Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.

    e. Agreements to purchase assets previously sold.

    f. Restrictions on cash balances or compensating balance agreements.

    g. Guarantees, whether written or oral, under which the entity is contingently liable.

15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

16. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

18. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the entity's participation in the Medicare or other governmental health care programs.

19. Adequate provisions and allowances have been accrued for any material losses from:

    a. Uncollectible receivables.

    b. Medicare/Medicaid and other third-party payer contractual, audit, or other adjustments.

    c. Reducing obsolete or excess inventories to estimated net realizable value.

    d. Purchase commitments in excess of normal requirements or above prevailing market prices.

20. Except as disclosed in the financial statements, the entity has:

    a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.

    b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

21. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

22. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

23. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

24. With respect to any nonattest services you have provided us during the year, including preparation of the Form 990, *Return of the Organization Exempt from Income Tax*, and the preparation of a draft of the financial statements and related notes:

    a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

d. We have evaluated the adequacy of the services performed and any findings that resulted.

25. With respect to the entity's possible exposure to past or future medical malpractice assertions:

    a. We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.

    b. All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.

    c. There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.

    d. Management does not expect any claims to exceed malpractice insurance limits.

    e. We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.

26. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.

27. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

28. We further acknowledge the entity's exemption under Section 501(c) is subject to additional operating requirements under Section 501(r). As such, we made publicly available a community health needs assessment performed in accordance with IRS requirements, and the entity's Board of Trustees subsequently approved an implementation strategy to address needs identified in the assessment. The entity is also in compliance with certain requirements dealing with financial assistance, billing and collection practices, and limitations on charges for uninsured patients that meet our financial assistance requirements.

29. We acknowledge the entity is not a conduit debt obligor whose debt securities are listed, quoted, or traded on an exchange or an over-the-counter market. As a result, we acknowledge the entity does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

30. As an entity subject to *Government Auditing Standards*:

    a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.

b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.

e. We have a process to track the status of audit findings and recommendations.

f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

g. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

31. With regard to supplementary information:

a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

32. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws, and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

33. With regard to cost reports filed with Medicare, Medicaid, or other third parties:

a. All required reports have been properly filed.

b. Management is responsible for the accuracy and propriety of those reports.

c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.

d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.

f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the Company is entitled to all the amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

34. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.

35. With regards to our loan obtained under the "*first draw*" Paycheck Protection Program (created under the CARES Act of 2020 and extended under the *2021 Consolidated Appropriations Act*) (PPP-1 or First Draw), dated April 15, 2020 we represent the following:

    a. At the time of the loan application, the current economic uncertainty that existed made this loan request necessary to support the entity's ongoing operations. In making this assessment, we considered the nature of our business activities at the time of the loan application and our ability to access other sources of liquidity that were (could have been) sufficient to support ongoing operations.

    b. The entity, when considered together with all its affiliates (using the affiliate determinations required by the PPP-1), had fewer than 500 employees at the date of the loan application.

        i. In addition, we have determined the number of full-time equivalent employees on payroll (at the time of the application) in a manner that is consistent with the clarification guidance released by the Small Business Administration.

    c. We have not received more than one loan under the First Draw Paycheck Protection Program. In addition, we have confirmed with our affiliated entities (using the affiliate determinations required by the PPP-1) that the total of any PPP loans received by us and by those affiliates under the First Draw program does not exceed $20 million in the aggregate.

d. We have not used the proceeds from the PPP-1 loan for expenditures that were covered by other funding sources, *i.e.*, government grants or contracts.

e. With regards to our decision to recognize the loan proceeds as operating revenue, we have met the measurable barriers, *i.e.*, full-time equivalent and salary reduction requirements, and incurred eligible expenditures in accordance with PPP regulations.

f. The funds received under this loan have only been used:

   i. To retain workers and maintain payroll;
   ii. To make mortgage interest, lease, and utility payments;
   iii. To pay for worker protection costs related to COVID-19; or
   iv. To pay for uninsured property damage costs caused by looting or vandalism during 2020

g. We have not spent more than 40 percent of the loan amount for nonpayroll costs.

36. With regards to the payments received from the Provider Relief Fund established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), we represent the following:

a. To the extent revenue has been recognized, we believe we have met the eligibility requirements as outlined in the U.S. Department of Health and Human Services' (HHS) terms and conditions for the Provider Relief Fund.

b. We believe the method we have utilized to recognize revenue associated with the Provider Relief Fund is consistent with acceptable methods outlined in HHS' terms and conditions and other guidance available as of June 30, 2021.

c. Consistent with the terms and conditions established by HHS and other guidance available as of June 30, 2021, Provider Relief Fund payments were not used to reimburse expenses or losses that have been reimbursed or are obligated to be reimbursed by other sources, including payments from insurance and/or patients and amounts received from federal, state, or local governments.

d. We have evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent June 30, 2021 in accordance with ASC Topic 855 and have concluded as follows:

   - July 1, 2021 FAQs - recognized

e. For guidance issued subsequent to June 30, 2021 considered nonrecognized subsequent events, we have reviewed this guidance and believe it will not have material impact of Provider Relief Fund the District has recognized though June 30, 2021. In addition, we acknowledge that HHS may issue new guidance that could have a material impact on the amount of revenue recognized from the Provider Relief Fund as of June 30, 2021.

f. We understand that amounts recognized on the Schedule of Expenditures of Federal Awards may differ from amounts recognized on the financial statements.

Evalyn Ormand, Chief Executive Officer

William Adcock, Chief Financial Officer

Union General Hospital, Inc.

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE AND QUALITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	19,426,718	(187,783)	19,238,935	-0.97%
Non-Current Assets	6,572,943	0	6,572,943	0.00%
Current Liabilities	(5,206,836)	26,300	(5,180,536)	-0.51%
Non-Current Liabilities	(1,690,701)	0	(1,690,701)	0.00%
Current Ratio	3.73		3.71	-0.46%
Total Assets	25,999,661	(187,783)	25,811,878	-0.72%
Total Liabilities	(6,897,537)	26,300	(6,871,237)	-0.38%
Net Assets	(19,102,124)	161,483	(18,940,641)	-0.85%
Revenues & Income	(20,610,224)	187,783	(20,422,441)	-0.91%
Expenses & Losses	16,471,585	(26,300)	16,445,285	-0.16%
Net Assets Without Donor Restrictions	(4,138,639)	161,483	(3,977,156)	-3.90%

Client: Union General Hospital, Inc.
Period Ending: June 30, 2021

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets Current	Assets Noncurrent	Liabilities Current	Liabilities Noncurrent	(X) Non Tax	Revenues & Income	Expenses & Losses	Net Assets	Net Effect on Following Year Assets Without	Net Effect on Following Year Net Assets
				DR (CR)	DR (CR)	DR (CR)	DR (CR)		DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
Valuation of patient accounts receivable	UGH		J	(66,000)	0	0	0		66,000	0	0	0	0
		Patient accounts receivable		(66,000)								N/A - Estimated difference	
		Patient service revenue							66,000				
Estimated accrual for employee self funded health insurance	UGH		J	0	0	26,300	0		0	(26,300)	0	0	0
		Accrued expenses				26,300						N/A - Estimated difference	
		Employee benefits								(26,300)			
Difference in cost report settlement based on correspondence received subsequent to year end	UGH		F	(121,783)	0	0	0		121,783	0	0	(121,783)	121,783
		Estimated amounts due from third-party payers		(121,783)									
		Patient service revenue							121,783			(121,783)	121,783
		Taxable passed adjustments							187,783	(26,300)	0	(121,783)	121,783
		Times (1 - effective tax rate of 00%)							100%	100%	100%		
		Taxable passed adjustments net of tax impact				0			187,783	(26,300)	0		
		Nontaxable passed adjustments		(187,783)	0	26,300	0		0	0	0		
		Total passed adjustments, net of tax impact (if any)		(187,783)	0	26,300	0		187,783	(26,300)	0		

Impact on Increase In Net Asse	161,483
Impact on Net Assets	161,483