Hospital Service District of the Parish of St. Bernard, State of Louisiana

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Hospital Service District of the Parish of St. Bernard, State of Louisiana
Chalmette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District of the Parish of St. Bernard, State of Louisiana, as of December 31, 2020 and 2019, and the changes in its financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Metairie, Louisiana
June 29, 2021

REQUIRED SUPPLEMENTARY INFORMATION

The following discussion and analysis for the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) d/b/a St. Bernard Parish Hospital (the Hospital), provides an overview of the District's financial activities for the years ended December 31, 2020 and 2019. Please read it in conjunction with the District's financial statements, which follow this analysis.

Using These Basic Financial Statements

The District's financial statements consist of: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. These financial statements and related notes provide information about the financial activities of the District and the St. Bernard Hospital Foundation, Inc. (Foundation).

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account when the underlying transactions occur, regardless of when cash is received or paid. These statements report the District's net position and the changes therein. When assessing the overall health of the District, other nonfinancial factors also need to be considered, such as changes in services offered, measures of the quality of service offered, and local economic factors.

Statements of Cash Flows

These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities. It provides information about sources and uses of cash and the change in cash balances during the reporting periods.

Hospital Operations and Significant Events

The mission of the Hospital is to provide quality, comprehensive, cost-effective, healthcare services for St. Bernard Parish. As noted in Note 1, "Description of Hospital Service District", on page 20 the District was formed for the purpose of operating a governmental community hospital in St. Bernard Parish. The Foundation was responsible for construction of the 113,000 square foot state-of-the-art facility, which was substantially completed on July 27, 2012, and the hospital opened its doors to patients shortly thereafter. The Louisiana Department of Health granted the District full licensure on August 20, 2012. The Hospital completed its first full year of operation in 2013.

The hospital facility is licensed for 40 patient beds, an intensive care unit, four operating suites, two endoscopy suites, a cardiac catheterization lab and a ten-bed emergency department. St. Bernard Parish Hospital also provides complete medical imaging, laboratory, in-house pharmacy, food and nutritional services, and rehabilitation services.

The adjacent medical office building (MOB) was substantially completed in late January 2013. The MOB is a complement to the hospital facility and is occupied by physicians in private practice, administrative offices of the hospital, and the St. Bernard Community Health Center.

By the end of December 2015, the Hospital had been serving the St. Bernard Parish community for about forty months. Since the vast majority of capital assets had been put in place upon the opening of the Hospital in August 2012, there was little need for significant additions to capital assets in 2015 and 2016. The Hospital experienced an increase in current liabilities from 2014 to 2015 to 2016 and a decrease in current assets due to unforeseen delays and declines in collections and a degradation of the District's patient receivables resulting in fewer payments of trade payables. There were unforeseen delays in collections on patient accounts through 2015 and parts of 2016. The District's net position decreased mainly as a result of a decline in the collections of patient revenue.

During 2017, the District entered into a Special Services Management Agreement with St. Bernard Operational Management Company, LLC (Ochsner), whereby, the management company provides managerial and administrative expertise in the delivery and operations of the hospital and clinically integrated the hospital with the Ochsner network of physicians, clinics, and hospitals, to improve access, quality, availability, affordability and efficiency of care for residents of the St. Bernard Parish community.

Changes in the District's net position from 2019 to 2020 and significant differences in revenue and expenses between the two years are discussed further in sections hereafter.

Statements of Net Position

The District's net position is the difference between its assets and liabilities as reported in the statements of net position. Table 1A presents a summary of the financial changes to the District in 2020 as compared to 2019. The District's total assets increased by $20,295,160 or 24%.

Table 1A
Condensed Statements of Net Position

December 31,	2020	2019	Dollar Change	Percent Change
Assets				
Current assets	$ 56,233,650	$ 33,702,370	$ 22,531,280	67%
Capital assets, net	48,263,181	50,499,300	(2,236,119)	-4%
Total assets	104,496,831	84,201,670	20,295,161	24%
Liabilities				
Current liabilities	43,597,828	24,038,110	19,559,718	81%
Long-term debt, net	4,047,428	3,575,000	472,428	13%
Total liabilities	47,645,256	27,613,110	20,032,146	73%
Net Position				
Net investment in capital assets	46,597,169	46,094,350	502,819	1%
Unrestricted	10,254,406	10,494,210	(239,804)	-2%
Total net position	$ 56,851,575	$ 56,588,560	$ 263,015	0%

Current Assets

There was a $22,531,280 increase in total current assets from 2019 to 2020.

- Unrestricted Cash increased $12.3 million. The increase includes $13 million in payments related to CARES Act funding, of which $3.6 million has been recognized as Governmental Support. Also included is $2.3 million of funds received under CMS's Accelerated and Advance Payment Program.
- Full Medicaid Payment program receivable increased $11.8 million due to revenues accrued pursuant to the Hospital Full Medicaid Payment program participation for services to Medicaid beneficiaries enrolled in the Medicaid Managed Care plans. The accrued payments of $16.3 million were received in the first five months of 2021.
- Prepaid expenses increased $1.8 million. This includes a $1.8 million increase for the Physician FMP Program.

Capital Assets

Table 2A presents the components of capital assets at December 31, 2020 and 2019. In 2020, net capital assets decreased approximately $2.2 million. Additions of $0.2 million to capital assets were offset by current year depreciation of $2.4 million. The District's additions to capital assets were for necessary improvements to the Hospital building and completing purchases of furniture and fixtures, major moveable equipment and computer equipment for the operations of the Hospital.

Table 2A
Capital Assets

December 31,	2020	2019	Dollar Change
Land	$ 2,890,000	$ 2,890,000	$ -
Hospital building	43,798,270	43,798,270	-
Medical office building	11,008,475	10,964,625	43,850
Machinery and equipment	15,628,295	15,583,247	45,048
Land and leasehold improvements	70,551	50,551	20,000
Software	19,020	-	19,020
Assets not in service	17,760	92,728.00	(74,968)
Subtotal	73,432,371	73,379,421	52,950
Less accumulated depreciation	(25,169,190)	(22,880,121)	(2,289,069)
Total capital assets	$ 48,263,181	$ 50,499,300	$ (2,236,119)

There was a $20.9 million increase in total current liabilities from 2019 to 2020.

- Accounts Payable decreased $0.4 million. This includes a decrease of $90 thousand in supplies and equipment received but not yet invoiced. Also included is $0.3 million in accrued payables for contracted services.
- Due to Hospital Manager decreased $6.4 million. This is primarily due to the management fees pursuant to the Special Services Management Agreement. According to this agreement, the Hospital Manager may procure purchased services (supplies, equipment, and other items) in the name of and on behalf of the District, for which the District must reimburse the Manager's full cost.
- Accrued interest payable and other expenses decreased $0.2 million.
- The Full Medicaid Payment program payable increased $16.3 million due to the timing of scheduled intergovernmental transfers. The accrued payable was fully paid in the first six months of 2021.
- Current portion of long-term debt decreased $2.2 million due to payments being made on the Hospital's bonds and other loans.
- Third party settlement reimbursements increased $1.9 million due to cost report reserves.
- Other current liabilities increased $10.1 million due to the CARES Act funding.

Long-Term Debt

The District had approximately $2.7 million in long-term debt outstanding as of the end of 2020 which was a 23% decrease from the previous year due to long-term debt payments made during the year.

There were no new long-term borrowings in 2020.

Net Position

Table 3A presents the components of the District's net position at December 31, 2020 and 2019:

Table 3A
Components of Net Position

December 31,		2020	2019	Dollar Change	Percent Change
Net investment in capital assets	$	**46,597,169**	$ 46,094,350	$ 502,819	1%
Unrestricted		**10,254,406**	10,494,210	(239,804)	-2%
Total net position	$	**56,851,575**	$ 56,588,560	$ 263,015	0%

2020 and 2019 Statements of Revenues, Expenses and Changes in Net Position

The following discussion refers to the summarized activity presented in the District's Condensed Statements of Revenues, Expenses, and Changes in Net Position in Table 4A for 2020 and 2019.

Operating Revenue

Operating revenue increased approximately $7.5 million from 2019 to 2020 due to an increase in revenues accrued pursuant to the Hospital Full Medicaid Payment program, effective July 1, 2017 for services to Medicaid beneficiaries enrolled in the Medicaid Managed Care plans and the additional Medicaid payments for physician services at District facilities.

Other operating revenue recognized by the District includes grants and other support for the delivery of adequate and essential medically necessary health care services to the citizens in the community who are low income and/or indigent patients of approximately $3.2 million and $2.8 million for the years 2020 and 2019, respectively.

Table 4A presents the components of the District's revenue, expenses and change in net position as of December 31, 2020 and 2019:

Table 4A
Condensed Statements of Revenues, Expenses and Changes in Net Position

December 31,	2020	2019	Dollar Change
Operating revenue	$ 55,309,929	$ 47,822,236	$ 7,487,693
Operating expense	58,698,460	47,195,658	11,502,802
Operating revenue	(3,388,531)	626,578	(4,015,109)
Total interest income	6,927	20,177	(13,250)
Ad valorem taxes	144,862	3,439,652	(3,294,790)
Governmental support	3,678,805	422,000	3,256,805
Gain on disposal of property and equipment	(1,024)	92,504	(93,528)
Gain on forgiveness of debt NMTC	-	44,699,000	(44,699,000)
Interest expense	(282,544)	(824,083)	541,539
Other non-operating expense	104,520	(100,307)	204,827
Asset management fees	-	(52,500)	52,500
Non-operating revenue	3,651,546	47,696,443	(44,044,897)
Change in net position	263,015	48,323,021	(48,060,006)
Net position, beginning of year	56,588,560	8,265,539	48,323,021
Net position, end of year	$ 56,851,575	$ 56,588,560	$ 263,015

Table 5A below presents the relative percentages of gross charges billed for patient services by payor.

Table 5A
Payor Mix

December 31,	2020	2019
Managed care	27%	26%
Medicare	14%	14%
Medicaid	35%	36%
Commercial	21%	20%
Guarantor	3%	4%
Total patient revenues	100%	100%

Reimbursements to the District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. Contractual allowance expense as a percentage of gross charges was 76.1% and 74.1% for 2020 and 2019.

Operating Expenses

The operating expenses of the Hospital increased by 24% or $11.5 million in 2020 as outlined below.

IGT expense, which is used to support the District's receipt of Hospital Full Medicaid Payment revenue and to support the Medicaid program for services to the low-income population, increased by $30 million.

Salaries, wages, and benefits increased $0.8 million; Medical supplies and services increased $136 thousand; General supplies increased $10 thousand; Professional fees and purchased services increased $22 thousand; Insurance increased $146 thousand; and Building and equipment increased $37 thousand in 2020 from 2019 primarily due to increased staffing and spending in response to the COVID-19 pandemic.

General and administrative expense decreased by $18.9 million due to a decrease in the management fees pursuant to the Special Services Management Agreement.

Depreciation decreased $0.7 million in 2020 due to certain assets becoming fully depreciated in 2020.

Non-Operating Income and Expenses

Ad valorem taxes are received by the District from the Tax Assessor of St. Bernard Parish. The 2011 year was the first year the District levied taxes, which have been set at 8.00 mills for the purpose of constructing, equipping, maintaining and operating hospital facilities within the District. The ad valorem taxes recognized by the District are recorded net of an allowance. The ad valorem taxes recognized by the District decreased $3.3 million because the millage was not renewed during 2020.

The District recognized $3.7 million from the CARES Act as support during 2020, which was a result of the COVID-19 pandemic. No such support was received during 2019.

The District received $422,000 from the St. Bernard Parish Government as support during 2019. No such support was received in during 2020. This support is given by the Parish Government to the District as per a Cooperative Endeavor Agreement dated August 23, 2011 between the Hospital Service District and the St. Bernard Parish Government.

Interest expense decreased by $0.5 million in 2020 due to pre-payment of existing loans and revenue bonds.

During the year ended December 31, 2019, the Foundation exercised a put option on both the Facility Notes A and B for $1,000 whereby the outstanding principal on the notes were forgiven. The transaction resulted in a gain on the forgiveness of the debt of $44,699,000.

2020 Budget to Actual Comparison

The following Table 6A presents a comparison between actual results of operations versus budgeted 2020 amounts:

Table 6A
Budget vs Actual

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Net patient service revenue net of provision for bad debts of $3,273,194 budget and $2,478,140 actual	$ 36,662,958	$ 29,707,884	$ (6,955,074)
Full Medicaid Payment program revenue	-	19,330,844	19,330,844
Other operating revenue	2,835,989	3,059,291	223,302
UPL program revenue	5,445,308	3,211,910	(2,233,398)
Total revenues	44,944,255	55,309,929	10,365,674
Operating Expenses			
Salaries, wages, and benefits	8,754,059	8,819,658	(65,599)
Supplies and other	6,799,617	6,278,954	520,663
Professional fees and purchased services	78,179	132,342	(54,163)
IGT Expense	6,250	38,707,469	(38,701,219)
Building and equipment	1,463,143	1,442,387	20,756
Insurance	458,356	576,701	(118,345)
General and administrative	20,482,288	367,768	20,114,520
Depreciation and amortization	3,047,089	2,373,181	673,908
Total operating expenses	41,088,981	58,698,460	(17,609,479)
Non-operating income (loss), net	(277,872)	3,651,546	3,929,418
Excess of revenues over expenses	$ 3,577,402	$ 263,015	$ (3,314,387)

Net patient revenue was under budget by $7 million due to an 18% decrease in outpatient revenue, which was a result of the COVID-19 pandemic.

There were positive and negative variances related to the Medicaid Program. Hospital FMP program revenue exceeded the budget by $19.3 million. Other operating revenue was favorable to budget by $0.2 million due to the Medicaid Managed Care Incentive Payment program revenue. UPL program revenue was unfavorable to budget by $2.2 million.

Total Operating Expenses were unfavorable to budget by $17.6 million. IGT Expense was unfavorable to budget by $38.7 million. General and administrative expenses were favorable to budget by $20.1 million due to the management fees pursuant to the Special Services Management Agreement.

Liquidity, Economic Factors, and Next Year's Budget

During 2020, management and the Board focused on the following:

- Optimizing operational efficiencies via the many systems and resources provided through the special services agreement with Ochsner.
- Increasing physicians and number of specialties providing services at the hospital and to the community
- Expanding outpatient hours of operation to better serve the community
- Providing increased outreach and education to the community through multiple avenues
- Promoting staff development and advanced degrees in order to improve quality and staff engagement

The Hospital's management and Board of Commissioners considered many factors when setting the fiscal year 2020 budget. Of primary importance in setting the 2020 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes and reductions
- Medicaid payment
- Increased number of uninsured and working poor
- Workforce shortages
- Cost of supplies and drugs
- Increased competition in the marketplace
- Prior year experience in use of estimates
- Operating efficiencies as a result of the special service management agreement

The recent Covid-19 pandemic had a significant impact on the operations at St, Bernard Parish Hospital. During March and April of 2020 the hospital experienced the following:

- Increased IP census to greater than 200% of budget
- Decreased OP revenue to virtually zero
- Significant strain on staffing
- PPE (person protective equipment) use and price increases at never before levels

Financially, the hospital has weathered the loss of revenue and has offset much of the lost thru Care Act payments and a PPP loan is expected to be forgiven. Since the Hospital began reopening the Outpatient services patient volume ramped quickly and we are now at pre-COVID levels.

Contacting the Financial Management

This financial report is designed to provide our taxpayers, suppliers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Anthony Bonnecarrere, Controller, at the District's finance office at 8000 West Judge Perez Drive, Chalmette, LA 70043.

The preceding discussion and analysis for the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) d/b/a St. Bernard Parish Hospital, provides an overview of the District's financial activities for the years ended December 31, 2020 and 2019. Please read it in conjunction with the District's financial statements, which follow this analysis.

FINANCIAL STATEMENTS

As of December 31,	**2020**	2019
Assets		
Current assets		
Cash and cash equivalents	**$ 31,322,578**	$ 19,055,957
Restricted cash	**482,195**	153,582
Receivables		
Patient accounts receivable, net of estimated uncollectibles and allowances of $13,423,103 in 2020 and $14,912,343 in 2019	**2,607,188**	4,080,867
Grants receivable	**1,240,406**	943,796
Ad valorem receivable	**12**	2,964,137
Full Medicaid Payment program receivable	**16,764,852**	4,943,406
Other receivable	**13,058**	1,358
MCIP Receivable	**1,344,419**	980,752
Inventory	**300,384**	230,691
Prepaid expenses	**2,158,558**	347,824
Total current assets	**56,233,650**	33,702,370
Noncurrent assets - Capital assets, net	**48,263,181**	50,499,300
Total assets	**$ 104,496,831**	$ 84,201,670
Liabilities and Net Position		
Current liabilities		
Accounts payable	**$ 338,177**	$ 773,221
Due to Hospital manager	**426,018**	6,845,539
Accrued payroll	**674,092**	358,526
Accrued interest payable and other expenses	**686,747**	846,629
Full Medicaid Payment program payable	**23,710,068**	7,375,690
Current portion of long-term debt	**830,000**	3,150,000
Current portion of capital lease obligation	**-**	9,976
Current portion of Paycheck Protection Program note payable	**93,472**	-
Third party settlement reimbursements, net	**6,641,596**	4,618,200
HHS CARES Act Provider Relief Fund	**7,856,688**	-
CMS Accelerated and Advanced Payment Program	**2,281,222**	-
Other current liabilities	**59,748**	60,329
Total current liabilities	**43,597,828**	24,038,110

(Continued)

As of December 31,	**2020**	2019
Long-term debt		
Paycheck Protection Program note payable, less current portion	**$ 1,302,428**	$ -
Long-term debt, less current portion	**2,745,000**	3,575,000
Total long-term debt	**4,047,428**	3,575,000
Total liabilities	**47,645,256**	27,613,110
Net position		
Net investment in capital assets	**46,597,169**	46,094,350
Unrestricted	**10,254,406**	10,494,210
Total net position	**56,851,575**	56,588,560
Total liabilities and net position	**$ 104,496,831**	$ 84,201,670

(Concluded)

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

Hospital Service District of the Parish of St. Bernard, State of Louisiana
Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31,	**2020**	2019
Operating Revenue		
Net patient service revenue	**$ 29,707,884**	$ 33,562,453
Full Medicaid Payment program revenue	**19,330,844**	8,684,091
Other operating revenue	**2,358,763**	2,151,601
Rental income	**700,528**	593,670
UPL program revenue	**3,211,910**	2,830,421
Total operating revenues	**55,309,929**	47,822,236
Operating Expenses		
Salaries and wages	**7,398,786**	6,818,842
Employee benefits	**1,420,872**	1,229,278
General and administrative	**367,768**	19,232,666
IGT expense	**38,707,469**	8,811,787
Professional fees and purchased services	**132,342**	110,770
Medical supplies and services	**6,017,750**	5,882,038
Supplies	**261,204**	250,827
Building and equipment	**1,442,387**	1,405,575
Insurance	**576,701**	430,884
Depreciation and amortization	**2,373,181**	3,022,991
Total operating expenses	**58,698,460**	47,195,658
Operating (loss) income	**(3,388,531)**	626,578
Nonoperating Revenue (Expense)		
Ad valorem revenue	**144,862**	3,439,652
Governmental support	**3,678,805**	422,000
Interest income	**6,927**	20,177
Gain on forgiveness of debt NMTC	**-**	44,699,000
Gain (loss) on disposal of property and equipment	**(1,024)**	92,504
Other non-operating revenue (expense)	**104,520**	(100,307)
Interest expense	**(282,544)**	(824,083)
Asset management fees	**-**	(52,500)
Total nonoperating revenue (expense)	**3,651,546**	47,696,443

(Continued)

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

Hospital Service District of the Parish of St. Bernard, State of Louisiana
Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31,	**2020**	2019
Change in net position	**263,015**	48,323,021
Net position - beginning of year	**56,588,560**	8,265,539
Net position - end of year	**$ 56,851,575**	$ 56,588,560

(Concluded)

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

Hospital Service District of the Parish of St. Bernard, State of Louisiana
Statements of Cash Flows

For the Years Ended December 31,	**2020**	2019
Operating Activities		
Revenue collected	**$ 65,225,791**	$ 49,647,529
Cash paid to or on behalf of employees	**(8,504,092)**	(8,111,298)
Cash paid for suppliers and services	**(56,245,040)**	(32,657,624)
Net cash (used in) provided by operating activities	**476,659**	8,878,607
Noncapital Financing Activities		
Ad valorem taxes	**3,108,987**	2,713,038
Net cash provided by noncapital financing activities	**3,108,987**	2,713,038
Capital and Related Financing Activities		
Principal payments on long-term debt and capital lease obligation	**(3,159,976)**	(2,530,025)
Proceeds from Paycheck Protection Program note payable	**1,395,900**	-
Proceeds from HHS CARES Act Provider Relief Fund	**7,856,688**	-
Interest paid	**(651,862)**	(515,649)
Governmental support	**3,678,805**	422,000
Purchase of capital assets	**(224,164)**	(275,192)
Proceeds from sale of capital assets	**2,750**	79,700
Net cash provided by (used in) capital and related financing activities	**8,898,141**	(2,819,166)
Investing Activities		
Cash received as interest	**6,927**	20,177
Cash paid for asset management fees	**-**	(52,500)
Other non-operating activities	**104,520**	(100,307)
Change in restricted cash	**(328,613)**	27,207
Net cash used in investing activities	**(217,166)**	(105,423)
Net increase in cash and cash equivalents	**12,266,621**	8,667,056
Cash and cash equivalents - beginning of year	**19,055,957**	10,388,901
Cash and cash equivalents- end of year	**$ 31,322,578**	$ 19,055,957

(Continued)

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

For the Years Ended December 31,	**2020**	2019
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating (loss) income	**$ (3,388,531)**	$ 626,578
Adjustments to reconcile operating income (loss) from operations to net cash flows provided by operating activities:		
Depreciation and amortization	**2,373,181**	3,022,991
Provision for bad debt	**2,478,143**	3,038,912
Loss on disposal of capital assets	**1,024**	-
Changes in operating assets and liabilities:		
Patient accounts receivable	**(1,004,464)**	(4,060,761)
Grants receivable	**(296,610)**	175,945
Due from/to Hospital Manager	**(6,419,521)**	(699,352)
Full Medicaid Payment program receivable	**(11,821,446)**	(3,475,440)
Other receivable	**(11,700)**	48,588
MCIP receivable	**(363,667)**	(980,752)
Inventory	**(69,693)**	7,156
Prepaid expenses	**(1,810,734)**	3,530,520
Accounts payable	**(352,740)**	236,241
Accrued payroll	**315,566**	(63,178)
Third party settlement reimbursements	**2,023,396**	2,132,412
Full Medicaid Payment program payable	**16,334,378**	5,122,334
Proceeds from CMS Accelerated and Advanced Payment Program	**2,281,222**	-
Other liabilities	**208,855**	216,413
Net cash (used in) provided by operating activities	**$ 476,659**	$ 8,878,607
Supplemental Disclosures of Noncash Activities		
Noncash Investing Activities		
Intercompany transfer of capital assets	**$ 10,425**	$ -
Equipment acquired with capital lease obligation	**-**	92,728
Noncash Financing Activities		
Gain on forgiveness of debt NMTC	**$ -**	$ 44,699,000
Abatement of IRS penalties and interest	**104,520**	-
Reduction of lease obligation due to lease termination	**-**	134,460

(Concluded)

Note 1: DESCRIPTION OF HOSPITAL SERVICE DISTRICT

The accompanying financial statements include the accounts of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) and St. Bernard Hospital Foundation, Inc. (the Foundation), which are collectively referred to as the Organization.

The District is a political subdivision of the State of Louisiana (the State) organized by the St. Bernard Parish Council (the Parish) under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950. The District was formed on November 6, 2007 for the purpose of constructing a non-profit community hospital in St. Bernard Parish. The District is exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Board of Commissioners is the governing authority for the District and responsible for obtaining voter and/or board approval for the levy of tax or debt issuance. The District is considered a special district that was formed for the purpose of operation St. Bernard Parish Hospital (the Hospital).

The relationship between the Parish and the District is summarized as follows: The Parish Tax Assessor collects and remits a tax which was voter-approved and levied specifically for the District. In addition, there is a Cooperative Endeavor Agreement (CEA) dated 2009 between the District and the Parish wherein the Parish designated $600,000 from its Sales Tax Bond Issue Series 2004 loaned to the District to pay for capital improvement projects. Interest accrues at a rate of 6% per annum and the entire unpaid balance on the loan is due on or before January 2019. During 2020, the District paid the full outstanding balance of this loan.

The Foundation is a Louisiana not-for-profit entity which was granted its tax exempt status on October 23, 2012 with an effective exemption date of September 21, 2010 under Internal Revenue Code 501(c)(3). The Foundation was organized on September 21, 2010, for the purpose of assisting and promoting the District with the development of the hospital facility and raising capital for the operation of health care related services to benefit the health and wellness of the residents of the District, particularly the indigent residents of the District. The Foundation is a voluntary, nonprofit, non-stock membership organization.

The Foundation is maintained by grants, private loans, operating revenues, and joint ventures with the District. The Foundation is governed by a Board of Directors made up of five members. Four of the board members are appointed by the Board of Commissioners of the District and one member is appointed by Access Health Louisiana, a Louisiana nonprofit corporation. Due to this level of control and the financial benefit/burden relationship with the District that exists, the Foundation is considered a blended component unit of the District for accounting purposes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, and liabilities are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and parish appropriations) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Cash and Cash Equivalents

Cash and cash equivalents includes amounts held in demand deposits and interest bearing demand deposits. Under state law, the Organization may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Restricted cash has restrictions that exist that limit the ability of the Organization to use them to pay current liabilities. The Organization's restricted cash includes cash received through a long-term debt arrangement whose use is restricted for the purchase and implementation of a new electronic health records system and certain related management fees as outlined in the respective loan agreements.

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2020 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2020 or 2019.

Inventory

Inventory, which consists primarily of drugs and supplies, is valued at the lower of cost (first in, first out method) or net realizable value.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Capital Assets, net

Capital assets are recorded at acquisition cost. Depreciation and amortization of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Property and equipment with initial individual costs of greater than $1,000 are capitalized. Equipment under capital leases is amortized using the straight-line method over the shorter of the lease term of the equipment or its useful life.

The following estimated useful lives are being used by the Organization:

Hospital building	15 - 40 years
Medical office building	15 - 40 years
Machinery and equipment	3 - 15 years
Land and leasehold improvements	2 - 15 years
Software	2 - 3 years

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Organization evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved.

Based on management’s evaluations, no long-lived asset impairments were recognized during the years ended December 31, 2020 and 2019.

Compensated Absences

Employees accumulate general purpose time at varying rates according to years of service. Employees are immediately vested in accrued general purpose time when earned. Upon termination, all unused paid time off hours are paid to the employee at the employee’s current rate of pay. Employees are allowed to accrue general purpose time up to 280 hours. Amounts are accrued and included in the accompanying statements of net position statements in accrued payroll.

Net Position

Net position of the Organization is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Organization, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenue and Expenses

The Organization's statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operative revenues result from exchange transactions associated with providing health care services, the Organization's principal activity. Non-operating revenues and expenses consist of revenues and expenses related to ad valorem tax revenue, capital grants, and financing and investing type activities and result from non-exchange transactions or investment income.

Net Patient Service Revenue

The District has agreements with third-party payers for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendering including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACs have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The District maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. As presented in Note 4, the District reduced its gross revenues for its cost of charity care. For the years ended December 31, 2020 and 2019, charity care totaled \$488,795 and \$624,293, respectively.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upper Payment Limit (UPL) Program Revenues

The District formed collaborations with the State and several units of local governments in Louisiana to more fully fund the Medicaid program (the Program) and ensure the availability of quality healthcare services for the low income and needy population. These collaborations enable the governmental entities to increase support for the state Medicaid program up to federal Medicaid UPLs. The District recognizes all funds received under the UPL program as operating revenues in the period applicable to the receipt of the funds. Any amounts related to that year that are not received as of fiscal year-end are recorded as grants receivable.

Grants and Contributions

From time to time, the Organization receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all the eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts are reported as non-operating revenues.

Ad Valorem Revenue

The District receives dedicated property tax revenues in amounts sufficient to fund annual debt maturities of the general obligation bonds and related interest costs (see Note 5). Such revenues are considered non-operating in the accompanying statements of revenues, expenses and changes in net position.

Full Medicaid Payment Program Revenues

The District's participates in the State's Full Medicaid Payment Program which provides continuing support to healthcare entities who provide services to Managed Medicaid patients, whereby the State distributes additional payments to approximate Medicaid reimbursement (Full Medicaid Payment). The District records the revenues as soon as they are estimable with any true ups recorded at the time of payment.

Managed Care Incentive Payment Revenue

The District participates in the State's Managed Care Incentive Payment (MCIP) Program which provides incentive payments to healthcare entities for achieving quality reforms that increase access to health care, improve the quality care, and/or enhance the health of patients they serves. Incentive payments received after the specified activities, targets, performance measures, or quality-based outcomes achieved by the healthcare entity. The revenue associated with MCIP incentive payments is recognized by the District as soon as the amounts are estimable. Any changes resulting from the change in estimate is recognized within operation in the period in which they occur.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Healthcare Environment

The Organization monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry.

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Organization's financial position and operating results.

Income Taxes

As an essential government function of St. Bernard Parish, the Organization is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation is exempt from taxes on income other than unrelated business income under section 501(c)(3) of the Internal Revenue Code.

During the year ended December 31, 2019, the Foundation filed 2016 and 2017 tax forms required by the Affordable Care Act after the due date as required by the IRS. Penalties of $252,644 were accrued by the Foundation and included in accounts payable and interest expense on the accompanying statements of financial position and statements of activities and changes in net assets as of December 31, 2019. Penalties of $104,520 were forgiven by the IRS and were recognized as IRS penalty forgiveness on the statements of activities and changes in net assets as of December 31, 2020. The remaining amount of $148,124 was included in accounts payable on the accompanying statements of financial position as of December 31, 2020. The Foundation is currently appealing the assessment of penalties and interest with the IRS.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective

GASB Statement No. 87, Leases - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for the Organization for the year ended December 31, 2021 and management is currently estimating the impact this statement will have on its financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2021 and determine that not occurred that required inclusion in or disclosure to the financial statements. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

Note 3: CASH AND RESTRICTED CASH

Cash and Restricted Cash

At December 31, 2020 and 2019, the Organization had $31,804,773 and $19,209,539, respectively, in interest bearing demand deposits as follows:

December 31,		**2020**		2019
Cash	**$**	**31,322,578**	$	19,055,957
Restricted Cash		**482,195**		153,582
Total	**$**	**31,804,773**	$	19,209,539

These deposits are stated at cost, which approximates market.

Note 3: CASH AND RESTRICTED CASH (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the Organization's deposits may not be returned to it. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent.

The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The Hospital’s cash deposits included in cash on its statement of net position as of December 31, 2020 and 2019, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution’s trust department or agent in the Hospital’s name.

The Federal Deposit Insurance Corporation insures cash deposits up to $250,000 per financial institution. The Foundation, a not-for-profit corporation, had deposits totaling $903,618 that were not secured by a pledge of securities owned by the fiscal agent bank as of December 31, 2020. There were no deposits not secured by a pledge of securities owned by the fiscal agent bank as of December 31, 2019.

Concentration of Credit Risk

As required under GASB statement 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2020 and 2019, the Organization had no investments requiring concentration of credit risk disclosure.

Note 4: PATIENT ACCOUNTS RECEIVABLE AND REVENUE

Accounts Receivable

The District is located in St. Bernard Parish in Louisiana. The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2020 and 2019 was:

	2020	2019
Medicare	**$ 3,735,339**	$ 7,122,106
Medicaid	**3,779,969**	5,249,338
Commercial and other third-party payers	**6,789,709**	4,983,349
Private pay	**1,725,274**	1,638,417
Total patient accounts receivables	**16,030,291**	18,993,210
Less allowance for uncollectible accounts	**(13,423,103)**	(14,912,343)
Patient accounts receivables, net	**$ 2,607,188**	$ 4,080,867

The mix of net accounts receivable due from patients and third-party payors as of December 31, 2020 and 2019 was as follows:

	2020	2019
Medicare	**23.3%**	37.5%
Medicaid	**23.6%**	27.7%
Commercial and other third-party payers	**42.3%**	26.2%
Private pay	**10.8%**	8.6%
Total	**100.0%**	100.0%

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates.

A summary of the payment arrangements with major third-party payors is as follows:

Medicare – The District is reimbursed under the Medicare Prospective Payment System for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient.

Note 4: PATIENT ACCOUNTS RECEIVABLE AND REVENUE (Continued)

Net Patient Service Revenue (Continued)

In addition, the District is paid prospectively for Medicare inpatient capital costs based on the federal specific rate. The District qualifies as a disproportionate share provider under the Medicare regulations. As such, the District receives an additional payment for Medicare inpatients served. Except for Medicare disproportionate share reimbursement and Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

Medicare outpatient services (excluding clinical lab and outpatient therapy) are reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the District is paid a predetermined amount per procedure. Medicare outpatient clinical lab services are reimbursed based upon the Medicare fee schedules.

Medicaid – The District is paid a prospective per diem rate for Medicaid inpatients. The per diem rate is based on a peer grouping methodology, which assigns a per diem rate to each hospital in the peer group. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Medicaid outpatient clinical lab and Medicaid ambulatory surgery and outpatient therapy services are reimbursed based upon the Medicare fee schedules.

Retroactive cost settlements, based upon annual cost reports, are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Revenue derived from the Medicare and Medicaid programs is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services (HHS) before settlement amounts become final. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the intermediary's audit of filed cost reports and additional information becoming available. Although the fiscal intermediary has not completed its audits (or reopened the review) of the estimated settlements for the years ended December 31, 2014 through 2018 for Medicare and Medicaid, the District does not anticipate significant adverse adjustments to the recorded settlements for those years.

Other – The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 4: PATIENT ACCOUNTS RECEIVABLE AND REVENUE (Continued)

Net Patient Service Revenue (Continued)

A summary of gross revenue from patient services provided under contracts with third-party payers for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Medicare	**39.4%**	39.9%
Medicaid	**34.6%**	36.1%
Commercial and other third-party payers	**24.0%**	24.0%
Total	**100%**	100.0%

A summary of the District's net patient service revenue for the years ended December 31, 2020 and 2019 is as follows:

December 31,	2020	2019
Gross patient service revenue	**$ 134,545,473**	$ 143,772,389
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	**(101,870,651)**	(106,546,731)
Less provision for bad debts	**(2,478,143)**	(3,038,912)
Charity Care	**(488,795)**	(624,293)
Net patient service revenue	**$ 29,707,884**	$ 33,562,453

Note 5: AD VALOREM TAXES

Ad valorem taxes are normally levied and billed in November of each year and are due by December 31st of the year levied. Revenues are recognized when levied due to the extent they are determined to be currently collectible. Ad valorem taxes are billed and collected using the assessed values determined by the Tax Assessor of St. Bernard Parish. The 2011 year was the first year the District levied taxes, which have been set at 8.00 mills for the purpose of constructing, equipping, maintaining and operating hospital facilities within the District. Effective August 22, 2016, the Board approved a millage increase to 8.16. The ad valorem taxes receivable as of December 31, 2020 and 2019, are recorded of $12 and $2,964,137, respectively, on the accompanying statements of net position. Effective January 1, 2020, the Board approved the removal of the millage for the District.

Note 6: CAPITAL ASSETS

Capital asset activity and balances for the years ended December 31, 2020 were as follows:

	Balance 1/1/2020	Additions/ Transfers in	Disposals/ Retirements/ Transfers out	Balance 12/31/2020
Land	$ 2,890,000	$ -	$ -	$ 2,890,000
Hospital building	43,798,270	-	-	43,798,270
Medical office building	10,964,625	43,850	-	11,008,475
Machinery and equipment	15,583,247	138,544	(93,745)	15,628,046
Land improvements	50,551	-	-	50,551
Leasehold improvements	-	20,000	-	20,000
Software	-	19,020	-	19,020
Assets not in service	92,728	34,883	(109,851)	17,760
Total acquisition cost	73,379,421	256,297	(203,596)	73,432,122
Less accumulated depreciation:				
Hospital building	(8,159,033)	(1,095,580)	-	(9,254,613)
Medical office building	(1,781,752)	(274,481)	-	(2,056,233)
Major moveable equipment	(12,924,073)	(997,555)	84,361	(13,837,267)
Land improvements	(15,263)	(3,370)	-	(18,633)
Leasehold improvements	-	(1,667)	-	(1,667)
Software	-	(528)	-	(528)
Total accumulated depreciation	(22,880,121)	(2,373,181)	84,361	(25,168,941)
Total capital assets, net	$ 50,499,300	$ (2,116,884)	$ (119,235)	$ 48,263,181

Note 6: CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended December 31, 2019 were as follows:

	Balance 1/1/2019	Additions/ Transfers in	Disposals/ Retirements/ Transfers out	Balance 12/31/2019
Land	$ 2,890,000	$ -	$ -	$ 2,890,000
Hospital building	43,798,270	-	-	43,798,270
Medical office building	10,964,625	-	-	10,964,625
Machinery and equipment	16,574,292	275,191	(1,266,236)	15,583,247
Land improvements	50,551	-	-	50,551
Leasehold improvements	-	-	-	-
Software	-	-	-	-
Assets not in service	-	92,728	-	92,728
Total acquisition cost	74,277,738	367,919	(1,266,236)	73,379,421
Less accumulated depreciation:				
Hospital building	(7,063,453)	(1,095,580)	-	(8,159,033)
Medical office building	(1,507,636)	(274,116)	-	(1,781,752)
Major moveable equipment	(12,418,710)	(1,649,925)	1,144,562	(12,924,073)
Land improvements	(11,893)	(3,370)	-	(15,263)
Leasehold improvements	-	-	-	-
Software	-	-	-	-
Total accumulated depreciation	(21,001,692)	(3,022,991)	1,144,562	(22,880,121)
Capital assets, net	$ 53,276,046	$ (2,655,072)	$ (121,674)	$ 50,499,300

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was $2,373,181 and $3,022,991, respectively.

Note 7: LONG-TERM DEBT

The following table summarizes the Organization's outstanding debt at December 31, 2020 and 2019:

Long-Term Debt		**2020**	2019
Tax-Exempt Limited Tax Certificates, Series 2012 B: Interest payable semi-annually at rate of 3.10%, reduced to 2.42% effective March 1, 2015. Principal is payable annually March 2018 through March 2020.	A	**-**	1,760,000
Intergovernmental Loan from St. Bernard Parish: Interest rate of 6% per annum, payable on or before January 2019.	B	**-**	600,000
Hospital Revenue Bonds, Series 2014: Interest payable semi-annually at a rate of 4.90%. Principal is payable annually through December 2024.	C	**3,575,000**	4,365,000
Paycheck protection program note payable	D	**1,395,900**	-
Total long term debt		**4,970,900**	6,725,000
Less: Current maturities of long-term debt		**(923,472)**	(3,150,000)
Total long-term debt – noncurrent portion		**$ 4,047,428**	$ 3,575,000

(A) On March 7, 2012, the District issued $4,000,000 of Tax-Exempt Limited Tax Certificates, Series 2012 B for the purpose of constructing, equipping, maintaining and operating hospital facilities. The certificates are secured by the irrevocable pledge and dedication of the fund to be derived from the levy and collection of the ad valorem tax of 8 mills authorized at the November 2, 2010 election. The outstanding principal of the bonds will be repaid in 3 annual installments ranging from $550,000 to $1,760,000 beginning March 1, 2018, with the final installment due March 1, 2020. Interest is payable semi-annually on March 1 and September 1 at the rate of 3.10%. The interest rate was reduced to 2.42%, effective March 1, 2015. The bond was fully paid off on March 1, 2020.

(B) During the fiscal year ended December 31, 2009, the District entered into a cooperative endeavor agreement with the St. Bernard Parish Government (the Parish), whereas the Parish designated $600,000 from its issue of Sales Tax Bonds, Series 2004, to be loaned to the District to pay for capital improvement projects. Interest shall accrue on the loan at the rate of 6.00% per annum. The District shall repay the Parish the entire unpaid balance of the loan on or before January 2019. The loan was fully paid off in August 2020.

Note 7: LONG-TERM DEBT (Continued)

(C) On December 1, 2014, the District issued $7,800,000 of Taxable Hospital Revenue Bonds, Series 2014 for the purpose of refunding and extending the District's Revenue Anticipation Note, Series 2013 and constructing, equipping, maintaining and operating hospital facilities. The certificates are secured by the irrevocable pledge and dedication of the fund to be derived from net revenues including the levy and collection of the ad valorem tax of 8 mills authorized at the November 2, 2010 election.

The outstanding principal of the bonds will be repaid in 10 annual installments ranging from $620,000 to $960,000 beginning December 1, 2015, with the final installment due December 1, 2024. Interest is payable semi-annually on December 1 and June 1 at the rate of 4.90%.

(D) In May 2020, the Foundation received a loan in the amount of $1,395,900 under the Payroll Protection Program (PPP Loan). The loan accrues interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Foundation and the lender. Payments are deferred during the deferral period, as defined in the agreement. The deferral period is the period beginning on the date of this note, May 2020, and ending ten (10) months after the last day of the covered period (Deferral Expiration Date). Any amounts not forgiven under the Program will be payable in equal installments of principal plus any interest owed on the payment date from the Deferral Expiration Date through the maturity date, as defined in the agreement. Additionally, any accrued interest that is not forgiven under the Program will be due on the first payment date, which is the 15th of the month following the month in which the Deferral Expiration Date occurs.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act, 2021, proceeds may only be used for the Foundation's eligible payroll costs (with salary capped at $100,000 on an annualized basis for each employee), or other eligible costs related to rent, mortgage interest, utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, in each case paid during the 24-week period following disbursement.

The PPP Loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP Loan would be reduced in accordance with the regulations that were issued by the SBA. The Foundation is of the opinion that all of the proceeds of the PPP Loan were used by the Foundation to pay eligible payroll costs and the Foundation maintained its headcount and otherwise complied with the terms of the PPP Loan.

Note 7: LONG-TERM DEBT (Continued)

While the Foundation believes that it has acted in compliance with the program and will seek forgiveness of the PPP Loan, no assurance can be provided that the Foundation will obtain forgiveness of the PPP Loan in whole or in part. The balance on this PPP loan was $1,395,900 of December 31, 2020 and has been classified as current and non-current based on the contractual repayment terms.

On August 23, 2011, the Foundation issued a note payable (Facility A) to SBP Redevelopment II, LLC. The note was subject to credit and loan agreements executed by the Foundation (as borrower), St. Bernard Parish Redevelopment, LLC as the community development entity (CDE) under the New Markets Tax Credit Program, and SBP Redevelopment II, LLC (Lender). The agreement contains certain financial and non-financial covenants.

The Facility A note, issued for $33,028,779, was secured under the aforementioned credit and loan agreements. The outstanding principle of the note was to be paid in 33 annual installments ranging from $439,177 to $1,193,669 beginning June 30, 2019, with the final installment due June 30, 2051. The Foundation could not prepay this note in full or in part any time prior to the expiration of the NMTC compliance period. The note borne interest at a rate per annum equal to 1.00%. The Foundation paid interest only on this note semi-annually in arrears on June 30th and December 31st of each year, commencing December 31, 2011, and continued until September 2019. Effective September 2019, the Foundation exercised a put option and paid a purchase price in the amount of $1,000.

On September 14, 2012, the Facility B note (subordinate note) was issued for $11,671,221 to SBP Redevelopment II, LLC, after all of the Facility A note funds had been expended and the certificate of occupancy for the hospital facility was issued. The note was secured under the same aforementioned credit and loan agreements executed by the Foundation for the Facility A note. The terms of the Facility B note were similar to those of the Facility A note. The outstanding principal of the note was to be paid in 33 annual installments ranging from $155,190 to $421,801 beginning June 30, 2019, with the final installment due August 22, 2051. The Foundation could not prepay this note in full or in part any time prior to the expiration of the NMTC compliance period. The note borne interest at a rate per annum equal to 1.00%. The Foundation paid interest only on this note semi-annually in arrears on June 30 and December 31 of each year commencing December 31, 2012, and continued until September 2019. Effective September 2019, the Foundation exercised a put option and paid a purchase price in the amount of $1,000.

During the year ended December 31, 2019, the Foundation exercised a put option on both the Facility Notes A and B for $1,000 whereby the outstanding principle on the notes were forgiven. The transaction resulted in a gain on the forgiveness of the debt of $44,699,000.

Note 7: LONG-TERM DEBT (Continued)

A summary of changes in the Organization's long-term debt for the year ended December 31, 2020 follows:

Long-Term Debt	1/1/2020	Additions	Reduction	12/31/2020	Due within 1 Year
Tax-Exempt Limited Tax Certificates, Series 2012 B	$ 1,760,000	$ -	$ (1,760,000)	**$ -**	$ -
Intergovernmental Loan from St. Bernard Parish	600,000	-	600,000	**-**	-
Hospital Revenue Bonds, Series 2014	4,365,000	-	(790,000)	**3,575,000**	830,000
Paycheck protection program note payable	-	1,395,900	-	**1,395,900**	93,472
Total long-term debt	$ 6,725,000	$ -	$ (3,150,000)	**$ 4,970,900**	$ 923,472

A summary of changes in the Organization's long-term debt for the year ended December 31, 2019 follows:

Long-Term Debt	1/1/2019	Additions	Reduction	12/31/2019	Due within 1 Year
NMTC Facility A	$ 33,028,779	$ -	$(33,028,779)	**$ -**	$ -
NMTC Facility B	11,671,221	-	(11,671,221)	**-**	-
Tax-Exempt Limited Tax Certificates, Series 2012 B	3,450,000	-	(1,690,000)	**1,760,000**	1,760,000
Intergovernmental Loan from St. Bernard Parish	600,000	-	-	**600,000**	600,000
Hospital Revenue Bonds, Series 2014	5,120,000	-	(755,000)	**4,365,000**	790,000
Total long-term debt	$ 53,870,000	$ -	$ (47,145,000)	**$ 6,725,000**	$ 3,150,000

Note 7: LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt as of December 31, 2020 are as follows:

December 31,		Principal		Interest
2021	$	923,472	$	178,587
2022		1,246,232		145,808
2023		1,295,011		99,398
2024		1,343,829		50,746
2025		162,356		409
Total	$	4,970,900	$	474,948

Note 8: CAPITAL LEASE OBLIGATION

The Foundation entered into a lease for equipment during 2013. The economic substance of the lease is that the Foundation is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Foundation's assets and liabilities. The capital lease obligation was to expire in November 2018. The Foundation extended the lease agreement and returned leased equipment in 2019. The Foundation recorded a gain of $61,335 on return of equipment under the capital lease.

The Foundation entered into a lease for equipment during 2015. The economic substance of the lease is that the Foundation is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Foundation's assets and liabilities. The capital lease obligation expires February 2020. The Foundation obtained possession of the asset after final payment of the lease.

Assets recorded under capital leases are included in the major movable equipment of the capital assets on the Statement of Net Position. The net book value of assets recorded under capital leases as of December 31, 2020 and 2019, consists of the following:

December 31,		**2020**		2019
Equipment	**$**	**329,186**	$	329,186
Less accumulated amortization		**(329,186)**		(323,699)
Capital lease equipment, net	**$**	**-**	$	5,487

Amortization of assets held under the capital lease were $10,973 and $65,837 for the years ending December 31, 2020 and 2019, respectively, and is included in depreciation and amortization expense.

Note 9: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position is calculated as follows:

December 31,		2020		2019
Capital assets, net	$	**48,263,181**	$	50,499,300
Less debt related to capital assets:				
Capital Leases		**-**		(9,976)
Bond payable		**(1,666,012)**		(4,394,974)
Net Investment in capital assets	$	**46,597,169**		46,094,350

Note 10: UPPER PAYMENT LIMIT (UPL) PROGRAM

Since October 8, 2012, the District formed collaborations with the State and several units of local governments in Louisiana to more fully fund the Medicaid program (the "Program") and ensure the availability of quality healthcare services for the low income and needy population. These collaborations enable the governmental entities to increase support for the state Medicaid program up to federal Medicaid UPL. Each State's UPL methodology must comply with its State plan and be approved by the Centers for Medicare & Medicaid Services (CMS). Federal matching funds are not available for Medicaid payments that exceed UPLs. The District recognizes all funds received under the UPL program as operating revenues in the period applicable to the receipt of the funds. Any amounts related to that year that are not received as of fiscal year-end are recorded as grants receivable and reflected in other current assets in the accompanying statements of net position. These receivables can be subject to adjustments that are reflected in the period they become known. The District recognized $3,211,910 and $2,830,421 in net revenue related to this program during the years ended December 31, 2020 and 2019, respectively.

Note 11: FULL MEDICAID PAYMENT PROGRAM

As part of the District's continuing support of the State's Medicaid Program, the Organization has, throughout the period, made intergovernmental transfers (IGT's) amounts to the State restricted for use in support of the Medicaid Program to provide additional payments to Managed Medicaid providers to approximate Medicaid reimbursement (Full Medicaid Payment). For the years ended December 31, 2020 and 2019 the Organization expensed IGT's of $6,131,558 and $580,689 respectively, to the State for Full Medicaid Payment. Amounts are included in the accompanying Statements of Revenues, Expenses, and Changes in Net Position in the caption IGT expense. Full Medicaid Payment revenue recorded by the Organization under Full Medicaid Payment reimbursement totaled $19,330,844 and $8,684,091 in 2020 and 2019, respectively.

Additionally, the Organization recorded a receivable of $16,775,745 and $4,943,406, which expected to receive as of December 31, 2020 and 2019, respectively.

Note 12: MANAGED CARE INCENTIVE PAYMENT PROGRAM

As part of the State's Managed Care Incentive Payment (MCIP) Program, the Organization participated in the Quality and Outcome Improvement Network (QIN), the network formed to contract with hospitals wishing to participate in the MCIP program and implemented measures designed by the QIN to achieve incentive arrangements in exchange for incentive payments from QIN. The Organization recorded revenue of $2,107,837 and $1,922,187 for the years ended December 31, 2020 and 2019, respectively. Additionally, the Organization recorded a receivables of $1,344,419 and $980,752 for the years ended December 31, 2020 and 2019, respectively.

Note 13: CARES ACT FUNDING

Provider Relief Fund

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President of the United States. Included in the CARES Act was a healthcare provider relief fund (PRF), administered by the Department of Health and Human Services (HHS), and to be distributed to healthcare providers. The purpose of the PRF is to help providers offset certain costs incurred as a result of COVID-19 including the impact to the provider's revenue if applicable. Providers were allocated a portion of the PRF based on prior revenue information reported to CMS in their annual Medicare cost reports. During the year ended December 31, 2020 the Organization received $11,527,761 in PRF payments. For year ended December 31, 2020 the Organization determined that, based on the guidance provided by HHS, sufficient additional costs and lost revenues related to COVID-19 are allocable to PRF payments received and has recognized $3,671,073 as Governmental support in the statements of revenues, expenses, and changes in net position.

In addition, the CARES Act permitted employers to defer payment of the 6.2% employer Social Security tax beginning March 27, 2020 through December 31, 2020. Deferred tax amounts are required to be repaid in equal amounts over two years, with payments due in December 2021 and December 2022. During the year ended December 31, 2020, the Organization deferred employer Social Security tax payments totaling $265,811 pursuant to the CARES Act. The full amount is included in accrued payroll in the statements of net position.

Additionally, in response to the COVID-19 pandemic, CMS advanced to all providers funds under the CMS Accelerated and Advance Payment Program. The funds advanced under this program are required to begin being repaid 12 months from the award date. Beginning 12 months after the advance payments were made, CMS will automatically recoup 25% of all payments otherwise owed to the providers for 11 months. After the 11 months have elapsed, if there are still amounts yet to be repaid from the advance payment, CMS will automatically recoup 50% of all payments otherwise owed to providers for 6 months. At the end of this six-month period, if there are any amounts still unpaid, CMS will send a letter to the provider requesting the full repayment of the amount still outstanding. The Organization was advanced $2,281,222 under this program. Recoupment is expected to begin in April 2021. At December 31, 2020 the entire amount is recorded as a current liability in the statements of net position.

Note 14: 403(B) DEFERRED COMPENSATION PLAN

The Foundation sponsors a deferred compensation plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. All new full-time employees are immediately eligible to join the defined contribution 403(b) plan, St. Bernard Parish Hospital Retirement Savings Plan (Plan) established on November 1, 2012. The Plan allows participants to make pre-tax contributions to the Plan and receive employer matching contributions up to 50% of the first 1%. Employer contributions to the 403(b) plan totaled $21,877 and $22,791 for 2020 and 2019, respectively. To vest in the employer annual non-discretionary contribution, employees must complete at least 3 years of service.

Note 15: SPECIAL SERVICES MANAGEMENT AGREEMENT

On October 3, 2016, the District entered into an interim Cooperative Endeavor Agreement with Ochsner to provide administrative services and operational support to the District to assist the hospital in providing health services for the St. Bernard Parish Community; the interim CEA was extended through June 30, 2017. Effective July 12, 2017, the District entered into a special services agreement (“Agreement”) with Ochsner for the purposes of managing, operating and administering the Hospital. This agreement has enabled the Hospital to enhance clinical service delivery while simultaneously improving resources, including operational efficiencies, and obtaining additional cost reductions through vendor purchase discounts on supplies.

Under the Agreement, the Organization is managed by St. Bernard Operational Management Company, LLC (SBOMC), a wholly owned subsidiary of Ochsner Health System. The Organization pays a management fee to SBOMC in exchange for management, staff, and other assistance to operate.

In addition to the management fee referred to above, the District provides other payments to SBOMC for supplies purchased, professional services provided outside of the management agreement, and other miscellaneous items received or services provided throughout the year.

During year ended December 31, 2020, transactions between SBOMC and the Organization included: (1) purchases from SBOMC of supplies and services in accordance with the management agreement of approximately $7,900,000; (2) accrual of management fees payable to SBOMC of approximately $120,000 based upon the Organization’s operations in accordance with the management agreement and (3) payments to SBOMC of approximately $14,400,000 on amounts outstanding. The remaining amounts due to the Hospital Manager are included on the statements of net position as due to hospital manager.

Note 15: SPECIAL SERVICES MANAGEMENT AGREEMENT (Continued)

During year ended December 31, 2019, transactions between SBOMC and the Organization included: (1) purchases from SBOMC of supplies and services in accordance with the management agreement of approximately $6,900,000; (2) accrual of management fees payable to SBOMC of approximately $19,100,000 based upon the Organization's operations in accordance with the management agreement and (3) payments to SBOMC of approximately $24,100,000 on amounts outstanding. The remaining amounts due to the Hospital Manager are included on the Statements of Net Position as Due to Hospital Manager.

Based on the support provided pursuant to the current and prior agreements with Ochsner, the District has implemented new processes and procedures around the revenue cycle to improve collections. In addition, the District has settled large outstanding payables with vendors and freed up operating cash to continue paying vendors and contractors in a timely manner. These actions have improved the District's operations and resulted in a positive ending net position for 2020 and 2019.

Note 16: COOPERATIVE ENDEAVOR AGREEMENTS

Parish of St. Bernard

On July 14, 2011, the Parish and the District entered into a Cooperative Endeavor Agreement whereas the Parish committed federal and state pass-through funding to provide a public health unit equivalent (outpatient clinic) to that which existed prior to the devastation caused by Hurricane Katrina on August 29, 2005. The construction of the medical office building was completed in January 2013 and the outpatient clinic occupies approximately 10,200 square feet of space within the medical office building.

On August 23, 2011, the District and the Foundation entered into a Joint Venture Cooperative Endeavor Agreement (Agreement) to engage in a joint venture to construct and operate a hospital facility and provide emergency and other essential and specialized hospital services to the citizens of St. Bernard Parish, State of Louisiana. This agreement was to facilitate the New Markets Tax Credit (NMTC) transaction, described further in Note 7. On this date, the District transferred all construction in progress associated with the hospital to the Foundation. Using the proceeds of the NMTC Notes (Facility A and B), the Foundation substantially completed the construction of the hospital building, acquired essential equipment, materials and supplies necessary for beginning the operation of the hospital, and employed and contracted with all of the physicians, health professionals, administrative staff, employees and contractors required for the operation of the hospital. Under the terms of the Agreement, the District was obligated to make the land that the District owns, including all of the District's rights, privileges, appurtenances, and amenities, available to itself and the Foundation for the term of the Agreement, in order for the Foundation to complete construction of the hospital building, which was completed in July 2012.

Note 16: COOPERATIVE ENDEAVOR AGREEMENTS (Continued)

Pursuant to the agreement, the District provides the administrative, professional and financial management of the business, policies, and operations of the hospital. There is also a revenue-sharing agreement which requires a waterfall payment of costs in the following order:

1) the Foundation's qualified low-income community investment (QLICI) note payments
2) operating expenses of the District and the Foundation jointly incurred
3) Hospital operating expenses
4) pro rata share of the debt service due on any obligations
5) contingency fund in the amount of $200,000
6) necessary or desirable improvements
7) applicable percentage of interest in each

Additionally, the Foundation is responsible for the hospital building, equipment, maintenance and repair, contract and professional services related to construction, property insurance, payroll, and payroll taxes. The District is responsible for waste disposal, utilities, professional and malpractice insurance through the Louisiana Patient Compensation Fund, licenses and other provider agreements. This agreement will terminate on June 30, 2051, unless sooner terminated as permitted.

Pursuant to the cooperative endeavor agreement, there are certain revenue and expense sharing provisions between the District and the Foundation which eliminate in consolidation in the accompanying financial statements.

Ochsner Health System

On October 3, 2016, the District entered into an interim Cooperative Endeavor Agreement with Ochsner to provide administrative services and operational support to the District to assist the hospital in providing health services for the St. Bernard Parish Community. That interim CEA was extended through June 30, 2017. Effective July 12, 2017, the District entered into a Special Services Agreement with Ochsner for the purposes of managing, operating and administering the Hospital (see Note 15).

Note 17: RELATED PARTIES

The transactions between the District and the Parish were (1) $600,000 note payable to the Parish entered into in 2009 and paid off in 2020 with interest amount of $417,000, and (2) grant from the Parish for $422,000 for the year ended December 31, 2019. See discussion of the District and St. Bernard Parish Government (Parish) agreement in Note 16.

The related party transactions between the Hospital and Manager are detailed in Note 16 and include expenses for supplies and professional services provided by the manager and the management fee. There was no compensation paid to board members for the years ended December 31, 2020 or 2019.

Note 18: COMMITMENTS

Meraux Foundation Commitment

On March 12, 2010, the Arlene and Joseph Meraux Charitable Foundation (Meraux) agreed to grant the District an access easement over, upon and across a parcel of land contiguous to the District property for the purpose of utility access, and vehicular and pedestrian ingress and egress to and from West Judge Perez Drive. The District was required to and completed the construction and installation of the curb cuts, pavement and other improvements to the servitude land, at no expense to Meraux. The District is required to carry and keep in force, at its own expense, comprehensive general liability insurance with companies licensed to do business in the State. On March 12, 2010, Meraux granted to the District temporary construction servitude over, upon and across the servitude land for the exclusive purpose of vehicular and pedestrian ingress and egress to and from West Judge Perez Drive. This servitude has not been accessed as of the date of this report.

Low Income and Needy Care Collaboration Agreement

In April of 2012, the District entered into a Low Income and Needy Care Collaboration Agreement with certain participating private hospitals primarily to improve access and provide low income and needy care services in the community it serves by the participating hospitals. The agreement was effective when the District became operational with an initial term through December 31, 2013 and may be renewed annually unless the other party provides notice to terminate. Expenses incurred under this agreement totaled $32,575,912 and $8,231,096 for the years ending December 31, 2020 and 2019, respectively, and are included in the accompanying statements of revenues, expenses, and changes in net position in the caption IGT expense.

Note 19: RISK MANAGEMENT AND REGULATORY MATTERS

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse, as well as other applicable government, laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note 19: RISK MANAGEMENT AND REGULATORY MATTERS (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the CMS to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments.

Similarly, the CMS created new entities titled Audit Medicaid Integrity Contractors (MIC) in order to continue its efforts to ensure the highest integrity of its healthcare programs. The goal of the provider audits is to identify overpayments and to ultimately decrease the payment of inappropriate Medicaid claims. The MIC is to review claims submitted by all types of Medicaid providers, including all settings of care and types of services, with most audits taking place at staff headquarters and on occasion on-site at a provider's place of business. The Organization has not been the subject of any RAC or MIC audits during 2020 or 2019.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Workers' Compensation

The Foundation purchased commercial insurance that provides coverage for workers' compensation claims up to $1,000,000 per claim in excess of its self-insured limits. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic social factors. Due to the lack of incurred workers' compensation claims reserves were not material to the financial statements as of December 31, 2020 and 2019 and were not accrued.

Note 19: RISK MANAGEMENT AND REGULATORY MATTERS (Continued)

Medical Malpractice Insurance

The District participates in the State's Patient Compensation Fund (the Fund). The Fund provides for malpractice coverage to the District for claims in excess of $100,000 and up to $500,000 per claim. According to state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to $500,000 per occurrence. There were no medical malpractice liabilities accrued as of December 31, 2020 and 2019.

The District purchased commercial insurance policies that provide coverage for medical malpractice. These policies included a professional liability claims made policy that provides coverage up to $1,000,000 per occurrence and $3,000,000 in the aggregate, a general liability policy that provides coverage up to $5,000,000 per occurrence and in the aggregate, and an excess liability policy that provides coverage up to $5,000,000 per occurrence and in the aggregate.

U.S. GAAP requires a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

Note 20: TAX ABATEMENT

The St. Bernard Parish Assessor (the Assessor) negotiates property tax abatement agreements on the Parish's behalf on an individual basis. Each agreement was negotiated for a variety of economic development purposes, including business relocation, retention, and expansion. The Assessor has tax abatement agreements with five entities as of December 31, 2020:

Four oil and gas companies, through an agreement negotiated with the Industrial Tax Exemption program, have property assessed at $69,680,822 with exempt taxes of $9,599,272. Of the $9,599,272 in exempt taxes, the Hospital's portion of these taxes for the year ended December 31, 2020 was $-0-.

Four oil and gas companies and one sugar refinery, through an agreement negotiated with the Industrial Tax Exemption program, have property assessed at $77,882,213 with exempt taxes of $11,141,468. Of the $11,141,468 in exempt taxes, the Hospital's portion of these taxes for the year ended December 31, 2019 was $635,519.

Note 20: TAX ABATEMENT (Continued)

The Industrial Tax Exemption program may be granted to manufacturers located within the Parish. The Industrial Tax Exemption program abates, up to ten years, local property taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing sale. The Assessor has not made any commitments as part of the agreements other than to reduce taxes.

The Parish is not subject to any tax abatement agreements entered into by other governmental entities other than the Assessor.

Note 21: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION

The following table presents the condensed consolidating statements of net position information for the District and its blended component unit as of December 31, 2020:

	2020			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
Current assets	$ 54,657,428	$ 1,576,222	$ -	$ 56,233,650
Other assets – non-current	70,863,783	-	(70,863,783)	-
Capital assets, net	11,957,971	36,305,210	-	48,263,181
Total assets	$ 137,479,182	$ 37,881,432	$ (70,863,783)	$ 104,496,831
Current liabilities	$ 42,468,415	1,129,413	$ -	$ 43,597,828
Other liabilities – non-current	-	72,166,211	(70,863,783)	1,302,428
Long-term debt - less amounts				-
due within one year	2,745,000	-	-	2,745,000
Net position	92,265,767	(35,414,192)	-	56,851,575
Total liabilities and net position	$ 137,479,182	$ 37,881,432	$ (70,863,783)	$ 104,496,831

Note 21: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION (Continued)

The following table presents the condensed consolidating statements of net position information for the District and its blended component unit as of December 31, 2019:

	2019			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	**St. Bernard Hospital Foundation, Inc.**	**Eliminations**	**Total**
Current assets	$ 32,666,246	$ 1,036,124	$ -	$ 33,702,370
Other assets – non-current	57,436,017	-	(57,436,017)	-
Capital assets, net	12,202,477	38,296,823	-	50,499,300
Total assets	$ 102,304,740	$ 39,332,947	$ (57,436,017)	$ 84,201,670
Current liabilities	$ 23,109,922	$ 928,188	$ -	$ 24,038,110
Other liabilities – non-current	-	57,436,017	(57,436,017)	-
Long-term debt - less amounts				-
due within one year	3,575,000	-	-	3,575,000
Net position	75,619,818	(19,031,258)	-	56,588,560
Total liabilities and net position	$ 102,304,740	$ 39,332,947	$ (57,436,017)	$ 84,201,670

Note 21: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION (Continued)

The following table presents the condensed consolidating statement of revenues, expenses and changes in net position for the District and its blended component unit as of December 31, 2020:

	2020			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
Operating Revenues	55,223,916	$ 33,621,646	$ (33,535,633)	$ 55,309,929
Operating Expenses				
Salaries, wages, and benefits	-	8,819,658	-	8,819,658
General and administrative	33,886,808	16,593	(33,535,633)	367,768
IGT expense	-	38,707,469	-	38,707,469
Professional fees and purchased services	89,792	42,550	-	132,342
Medical supplies and services	6,017,750	-	-	6,017,750
Supplies	261,204	-	-	261,204
Building and equipment	1,279,965	162,422	-	1,442,387
Insurance	300,349	276,352	-	576,701
Depreciation and amortization	288,355	2,084,826	-	2,373,181
Total operating expenses	42,124,223	50,109,870	(33,535,633)	58,698,460
Net Income (Loss) From Operations	13,099,693	(16,488,224)	-	(3,388,531)
Non-Operating Revenues (Expenses)				
Ad valorem taxes	144,862	-	-	144,862
Government support	3,678,805	-	-	3,678,805
Interest income	5,057	1,870	-	6,927
Gain on forgiveness of debt NMTC	-	-	-	-
Gain (loss) on disposal of property and equipment	-	(1,024)		(1,024)
Other non-operating expense	-	104,520	-	104,520
Interest expense*	(282,468)	(76)	-	(282,544)
Total non-operating revenues, net	3,546,256	105,290	-	3,651,546
Change in Net Position	16,645,949	(16,382,934)	-	263,015
Net Position, beginning of year	75,619,818	(19,031,258)	-	56,588,560
Net Position, end of year	$ 92,265,767	$ (35,414,192)	$ -	$ 56,851,575

Note 21: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION (Continued)

The following table presents the condensed consolidating statement of revenues, expenses and changes in net position for the District and its blended component unit as of December 31, 2019:

	2019			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	**St. Bernard Hospital Foundation, Inc.**	**Eliminations**	**Total**
Operating Revenues	$ 47,759,128	$ 17,271,387	$ (17,208,279)	$ 47,822,236
Operating Expenses				
Salaries, wages, and benefits	-	8,048,120	-	8,048,120
General and administrative	36,430,756	10,189	(17,208,279)	19,232,666
IGT expense	-	8,811,787	-	8,811,787
Professional fees and purchased services	85,816	24,954	-	110,770
Medical supplies and services	5,882,038	-	-	5,882,038
Supplies	250,827	-	-	250,827
Building and equipment	1,173,645	231,930	-	1,405,575
Insurance	267,665	163,219	-	430,884
Depreciation and amortization	290,188	2,732,803	-	3,022,991
Total operating expenses	44,380,935	20,023,002	(17,208,279)	47,195,658
Net Income (Loss) From Operations	3,378,193	(2,751,615)	-	626,578
Non-Operating Revenues (Expenses)				
Ad valorem taxes	3,439,652	-	-	3,439,652
Government support	422,000	-	-	422,000
Interest income	17,653	2,524	-	20,177
Gain on forgiveness of debt NMTC	-	44,699,000	-	44,699,000
Gain on disposal of property and equipment	-	92,504	-	92,504
Other non-operating expense	(100,307)	-	-	(100,307)
Interest expense*	(370,416)	(453,667)	-	(824,083)
Asset management fees*	-	(52,500)	-	(52,500)
Total non-operating revenues, net	3,408,582	44,287,861	-	47,696,443
Change in Net Position (Deficit)	6,786,775	41,536,246	-	48,323,021
Net Position, beginning of year	68,833,043	(60,567,504)	-	8,265,539
Net Position, end of year	$ 75,619,818	$ (19,031,258)	$ -	$ 56,588,560

*Note that St. Bernard Hospital Foundation classifies the asset management fee and interest expense as an operating expense. These expenses are classified as non-operating in the District's combining statement of revenues, expenses and changes in net position.

Note 21: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION (Continued)

The following table presents the condensed consolidating statement of cash flows for the District and its blended component unit as of December 31, 2020:

	2020			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	**St. Bernard Hospital Foundation, Inc.**	**Eliminations**	**Total**
Net cash provided by (used in):				
Operating activities	$ 1,232,016	$ (755,357)	$ -	$ 476,659
Noncapital financing activities	3,108,987	-	-	3,108,987
Capital and financing activities	7,512,217	1,385,924	-	8,898,141
Investing activities	(122,931)	(94,235)	-	(217,166)
Net change in cash	11,730,289	536,332	-	12,266,621
Cash and cash equivalents - beginning of year	18,145,608	910,349	-	19,055,957
Cash and cash equivalents - end of year	$ 29,875,897	$ 1,446,681	$ -	$ 31,322,578

The following table presents the condensed consolidating statement of cash flows for the District and its blended component unit as of December 31, 2019:

	2019			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	**St. Bernard Hospital Foundation, Inc.**	**Eliminations**	**Total**
Net cash provided by (used in):				
Operating activities	$ 7,987,891	$ 890,716	$ -	$ 8,878,607
Noncapital financing activities	2,713,038	-	-	2,713,038
Capital and financing activities	(2,735,141)	(84,025)	-	(2,819,166)
Investing activities	90,069	(195,492)	-	(105,423)
Net change in cash	8,055,857	611,199	-	8,667,056
Cash - beginning of year	10,089,751	299,150	-	10,388,901
Cash - end of year	$ 18,145,608	$ 910,349	$ -	$ 19,055,957

Note 22: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

SUPPLEMENTARY INFORMATION

Hospital Service District of the Parish of St. Bernard, State of Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2020

Agency Head Name: Kim Keene, Chief Executive Officer

Note: In 2017, Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) entered into a Special Services Management Agreement with St. Bernard Operational Management Company, LLC (Ochsner). The Agency Head is Kim Keene, Chief Executive Officer. Kim Keene is an employee of Ochsner. The District did not make any payments to or on behalf of the Chief Executive Officer, an individual as the agency head for the year ended December 31, 2020.

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

To the Board of Commissioners of
Hospital Service District of the Parish of St. Bernard, State of Louisiana
Chalmette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, L.L.C

June 29, 2021

Section I – There were no findings noted related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and Louisiana Revised Statute 24:513.

Section I - There were no findings noted related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and Louisiana Revised Statute 24:513.