FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
d/b/a FRANKLIN FOUNDATION HOSPITAL
FRANKLIN, LOUISIANA

SEPTEMBER 30, 2020 AND 2019

LANGLINAIS BROUSSARD & KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Franklin Foundation Hospital ("the Hospital"), as of September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana as of September 30, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

May 27, 2021

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF NET POSITION **FOR THE YEARS ENDED SEPTEMBER 30,**

ASSETS

	2020	2019
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 14,487,805	$ 5,535,548
Investments	4,430,581	4,307,526
Accounts Receivables, less Allowance For Doubtful Accounts of $1,095,504 in 2020 and $1,388,825 in 2019	1,873,231	1,894,006
Due from Third Party Payors	1,799,086	738,765
Other Receivables	2,185,806	2,279,790
Inventories	741,932	655,409
Prepaid Expenses	548,771	437,973
Total Current Assets	26,067,212	15,849,017
ASSETS WHOSE USE IS LIMITED:		
By Board	12,890,378	9,285,021
By Bond Indenture		
Series 2005 Contingency Fund	176,087	162,471
Series 2005 Reserve Fund	176,090	162,473
Series 2010 Contingency Fund	266,977	241,045
Series 2010 Bond Reserve Fund	266,977	241,045
Total Assets Whose Use is Limited by Bond Indenture	886,131	807,034
Total Assets Whose Use is Limited	13,776,509	10,092,055
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment Cost	39,707,558	38,511,034
Less: Accumulated Depreciation	(27,353,332)	(25,916,057)
Total Property, Plant and Equipment	12,354,226	12,594,977
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Financing Costs	21,834	24,526
Total Deferred Outflows of Resources	21,834	24,526
TOTAL ASSETS	$ 52,219,781	$ 38,560,575

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF NET POSITION — **FOR THE YEARS ENDED SEPTEMBER 30,**

LIABILITIES AND NET POSITION

	2020	2019
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 2,156,866	$ 744,022
Accounts Payable	1,364,190	620,163
Due to Third Party Payors	2,611,855	885,401
Credit Balances	116,569	55,604
Interest Payable	24,184	11,514
Accrued Salaries and Related Withholdings	1,102,314	836,758
Accrued Vacation and Holiday Expense	526,773	451,573
Total Current Liabilities	7,902,751	3,605,035
LONG-TERM LIABILITIES:		
Revenue Bonds Series 2005	3,699,078	3,802,278
Revenue Refunding Bonds Series 2010	-	347,775
Capital Lease Payable	337,218	512,125
SBA PPP Loan	1,015,892	-
Provider Relief Funds	2,265,637	-
Total Long-Term Liabilities	7,317,825	4,662,178
TOTAL LIABILITIES	15,220,576	8,267,213
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	7,733,450	7,188,777
Restricted Net Position (Expendable)	13,776,509	10,092,055
Unrestricted	15,489,246	13,012,530
TOTAL NET POSITION	36,999,205	30,293,362
TOTAL LIABILITIES AND NET POSITION	$ 52,219,781	$ 38,560,575

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION — FOR THE YEARS ENDED SEPTEMBER 30,

	2020	2019
OPERATING REVENUES:		
Net Patient Service Revenue before Provision for Doubtful Accounts	$ 22,199,858	$ 23,619,095
Provision for Doubtful Accounts	(1,359,184)	(1,993,396)
Net Patient Service Revenue less Provision for Doubtful Accounts	20,840,674	21,625,699
Ad Valorem Taxes	2,286,809	2,293,461
Intergovernmental Transfers - Operating Grant	3,872,486	4,004,525
Other Operating Revenue	300,174	435,710
TOTAL OPERATING REVENUE	27,300,143	28,359,395
OPERATING EXPENSES:		
Professional Services	15,917,434	15,270,514
General and Administrative	9,344,983	9,584,811
Depreciation and Amortization	1,472,618	1,365,254
TOTAL OPERATING EXPENSES	26,735,035	26,220,579
NET INCOME FROM OPERATIONS	565,108	2,138,816
NON-OPERATING REVENUES (EXPENSES)		
Full Medicaid Capacity Payment Program Funding	3,365,924	1,303,328
Other Non-Operating Revenues - Provider Relief Funds	2,777,628	-
Grant Revenue	104,855	2,967
Net Increase (Decrease) in the Fair Value of Investments	28,865	88,449
Investment Income	105,148	97,818
Loss on the Disposal of Fixed Assets	(65,470)	-
Interest Income	46,249	111,049
Interest Expense	(222,841)	(221,832)
Other Non-Operating Revenue	377	(147)
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,140,735	1,381,632
CHANGE IN NET POSITION	6,705,843	3,520,448
TOTAL NET POSITION, BEGINNING	30,293,362	26,772,914
TOTAL NET POSITION, ENDING	$ 36,999,205	$ 30,293,362

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF CASH FLOWS **FOR THE YEARS ENDED SEPTEMBER 30,**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	$ 21,830,944	$ 21,384,856
Ad Valorem Taxes	2,286,467	2,294,609
Intergovernmental Transfers-Operating Grant	3,872,486	4,004,525
Cash Received from Other Sources	152,103	193,931
Cash Payments to Suppliers for Goods and Services	(11,990,622)	(12,900,547)
Cash Payments to Employees for Services	(12,384,333)	(12,126,875)
Net Cash Provided By Operating Activities	3,767,045	2,850,499
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(1,297,337)	(2,003,691)
Proceeds from the Issuance of Long-Term Debt (Paycheck Protection Program)	2,588,278	577,376
Principal Payments on Long-term Debt	(785,424)	(601,852)
Interest Payments on Long-term Debt	(210,171)	(222,112)
Grant Income	3,470,779	1,306,295
Loss on Disposal of Assets	65,470	-
Other Non-Operating Income	377	(147)
Net Cash Provided By (Used In) Capital and Related Financial Activities	3,831,972	(944,131)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Proceeds from Provider Relief Funds	5,043,265	-
Deferred Financing Costs	2,692	2,936
Net Cash Provided By Non-Capital Financing Activities	5,045,957	2,936
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(3,942,864)	(3,557,496)
Proceeds from the Sal of Investments	3,754,340	3,379,182
Investment Income	134,012	186,267
Interest Income	46,249	111,049
Net Cash (Used In) Provided By Investing Activities	(8,263)	119,002
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,636,711	2,028,306
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING $10,092,055 AND $9,594,968 LIMITED AS TO USE FOR 2020 AND 2019, RESPECTIVELY	15,627,603	13,599,297
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING $13,776,509 AND $10,092,055 LIMITED AS TO USE FOR 2020 AND 2019, RESPECTIVELY	$ 28,264,314	$ 15,627,603

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF CASH FLOWS **FOR THE YEARS ENDED SEPTEMBER 30,**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	$ 565,108	$ 2,138,816
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	1,472,618	1,365,254
Provision for Doubtful Accounts	1,359,184	1,993,396
Increase in Receivables and Due from/to Third Parties	(517,327)	(2,474,870)
Increase in Inventories and Prepaid Expenses	(197,321)	(74,849)
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,084,783	(97,248)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 3,767,045	$ 2,850,499
Non-Cash Financing Activity:		
Acquisition of Assets by Capital Lease	$ -	$ 577,376
Non-Cash Investing Activity:		
Decrease (Increase) in fair value of investments	$ 28,865	$ 88,449

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

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Hospital Service District No. 1 of the Parish of St. Mary, d/b/a Franklin Foundation Hospital (the Hospital) was created by Ordinance No. 559 of the Police Jury of St. Mary Parish on September 20, 1950, to operate, control, and manage matters concerning the health care of citizens west and northwest of the Wax Lake Outlet. The Hospital is governed by a board of seven commissioners who are appointed by the St. Mary Parish Council. For this reason, the Hospital is considered to be a component unit of the St. Mary Parish Government, St. Mary Parish, Louisiana.

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

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds, if any, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Uses of restricted funds are determined by board resolution only.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position were $526,773 and $451,573 for 2020 and 2019, respectively.

Ad valorem Taxes. The Hospital received approximately seven percent (7%) in 2020 and eight percent (8%) in 2019 of its financial support from ad valorem taxes. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year.

Risk Management. The Hospital 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; 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.

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments in debt and equity securities. Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at approximated fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Net Position. GASB 63 and GASB Codification Section P80, states that net position is equal to assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

Operating and Non-operating Revenue. Operating revenue includes net patient revenue, ad valorem taxes, intergovernmental transfer grants, cafeteria and vendor sales, rental income, and other revenues determined by management to be derived from operations of the Hospital. Non-operating revenues include grant revenue, interest income and gains or losses not considered to be derived from operations of the Hospital.

Restricted Resources. Restricted funds may be designated by the board in order to comply with bond covenants, contracts, or other specific purposes. The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Income Taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising costs as incurred.

Environmental Matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 64% and 66% of its gross patient service revenue in 2020 and 2019, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received total grant revenue, including operating and non-operating, of $7,343,265 and $5,310,820 for 2020 and 2019, respectively.

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows.

Medicare Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been settled by the MAC through September 30, 2018.

Medicaid Inpatient services rendered to Medicaid and Medicaid Managed Care Organizations ("MCOs") program beneficiaries are reimbursed at a fixed rate per day for medical/surgical patients. Outpatient services for traditional Medicaid and MCO program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at an interim rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2015.

Commercial The Hospital has entered into payment agreements with certain commercial insurance carriers and preferred-provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant estimated provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is as follows.

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:	2020	2019
Medicare	$ 7,303,163	$ 7,670,074
Medicaid	7,713,282	8,726,115
All Other Payors	7,183,413	7,222,906
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	$ 22,199,858	$ 23,619,095

NOTE 3: NET PATIENT SERVICE REVENUE, CONTINUED

The following schedule represents Total Net Patient Service Revenue:

	2020	2019
Gross Patient Service Revenue	$ 37,049,449	$ 42,021,074
LESS: Contractual Adjustments	(17,075,839)	(20,819,759)
ADD: Physician Full Medicaid Payment	2,226,248	2,417,780
Net Patient Service Revenue Before Provision for Doubtful Accounts	22,199,858	23,619,095
Provision for Doubtful Accounts	(1,359,184)	(1,993,396)
Net Patient Service Revenue after Provision for Doubtful Accounts	$ 20,840,674	$ 21,625,699

During the fiscal years ended September 30, 2020 and 2019, the Hospital received funding based on provider services provided to the MCOs through the Louisiana Department of Health and Hospital's Bayou Health Program referred to as "Physician Full Medicaid Payment" above. Under this program, the Hospital was required to make intergovernmental transfers ("IGT") totaling $1,510,155 and $1,380,694 to the Louisiana DHH for the years ended September 30, 2020 and 2019, respectively. The Hospital later received matching dollars for the transfer in addition to the FMP payment. Before administrative fees paid to the MCOs and a third-party representative organization, the Hospital recognized a gross benefit of approximately $2,226,248 and $2,417,780 for the years ended September 30, 2020 and 2019, respectively. The Hospital has included this amount in the "Physician Full Medicaid Payment" shown above as a part of Net Patient Service Revenue.

NOTE 4: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial, and Self-Pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and that self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patient's Accounts Receivable consists of the following:

	2020	2019
Total Patient Accounts Receivable	$ 4,466,517	$ 5,487,504
LESS: Allowances for Doubtful Accounts and Contractual Allowances	(2,593,286)	(3,593,498)
Net Patient Accounts Receivable	$ 1,873,231	$ 1,894,006

NOTE 5: ACCOUNTS RECEIVABLE - OTHER

Other Accounts Receivable consists of the following:

	2020	2019
Accrued Ad Valorem Tax Revenue	$ 1,742,200	$ 1,741,858
Accrued Investment Income	23,892	23,910
Medicaid Physician Rate Enhancement Program	379,672	530,603
All Other	40,042	(16,581)
Total Accounts Receivable - Other	$ 2,185,806	$ 2,279,790

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment, by major category, are as follows:

September 30, 2020

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		$ 918,759	$ 389,943	$ -	$ 1,308,702
Construction in Progress		115,051	262,035	115,051	262,035
Total assets not being depreciated		1,033,810	651,978	115,051	1,570,737
Other Capital Assets:					
Buildings	10-40	18,750,635	10,225	70,779	18,690,081
Fixed Equipment	5-25	571,164	-	-	571,164
Movable Equipment	5-25	17,142,946	749,845	29,694	17,863,097
Land Improvements	5-25	1,012,479	-	-	1,012,479
Total other assets		37,477,224	760,070	100,473	38,136,821
Less accumulated depreciation for:					
Buildings		10,838,676	705,499	5,604	11,538,571
Equipment and Furniture		14,322,862	719,674	29,739	15,012,797
Improvements		754,519	47,445	-	801,964
Total Accumulated Depreciation		25,916,057	1,472,618	35,343	27,353,332
Net Property, Plant, and Equipment		$ 12,594,977	$ (60,570)	$ 180,181	$ 12,354,226

September 30, 2019

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		$ 730,876	$ 187,883	$ -	$ 918,759
Construction in Progress		79,569	35,482	-	115,051
Total assets not being depreciated		810,445	223,365	-	1,033,810
Other Capital Assets:					
Buildings	10-40	18,607,021	143,614	-	18,750,635
Fixed Equipment	5-25	571,164	-	-	571,164
Movable Equipment	5-25	15,506,235	1,636,711	-	17,142,946
Land Improvements	5-25	1,012,479	-	-	1,012,479
Total other assets		35,696,899	1,780,325	-	37,477,224
Less accumulated depreciation for:					
Buildings		10,099,820	738,856	-	10,838,676
Equipment and Furniture		13,743,993	578,869	-	14,322,862
Improvements		706,990	47,529	-	754,519
Total Accumulated Depreciation		24,550,803	1,365,254	-	25,916,057
Net Property, Plant, and Equipment		$ 11,956,541	$ 638,436	$ -	$ 12,594,977

Total depreciation expense for the years ended September 30, 2020 and 2019 is $1,472,618 and $1,365,254, respectively.

Equipment in the amount of $633,378 and $754,745 is under capital lease for the periods ended September 30, 2020 and 2019. The related amortization/depreciation expense recognized for the years ended September 30, 2020 and 2019 is $57,081 and $29,734, respectively.

NOTE 7: OPERATING LEASES

The Hospital leases equipment and storage space through operating leases. Total lease expense for September 30, 2020 and 2019, respectively, for all operating leases was $204,685 and $158,431.

NOTE 7: OPERATING LEASES, CONTINUED

The Hospital entered into a non-cancellable operating lease agreement for lab equipment during the year ended September 30, 2016. Future minimum rental payments under this lease are as follows:

	2020	2019
2020		$ 3,720
2021	$ -	-
Total	$ -	$ 3,720

NOTE 8: LONG TERM DEBT

Long-term debt at September 30, 2020 and 2019, consists of the following:

	2020	2019
Revenue Bonds - face value $5,000,000, dated September 5, 2007, bearing interest at 4.25%, collateralized by hospital revenue, maturing monthly with the final maturity October 5, 2047.	$ 3,802,279	$ 3,901,192
Revenue Refunding Bonds - face value $6,295,462, dated April 30, 2010, bearing interest at 4.45%, collateralized by Hospital operating revenue, maturing monthly with the final maturity December 1, 2027.	364,262	838,262
Capital Lease Payable, dated October 1, 2016, bearing interest of 1.14%, maturing September 1, 2021, with principal due monthly, collateralized by lab equipment.	21,604	45,863
Capital Lease Payable, dated July 19, 2018, bearing interest of 2.63%, maturing July 19, 2023, with principal due monthly, collateralized by lab equipment	32,101	43,507
Capital Lease Payable, dated February 1, 2019, bearing interest of 2.44%, maturing March 10, 2025, with principal due monthly	400,530	577,376
Small Business Administration Paycheck Protection Program Loan, dated May 6, 2020, bearing an interest rate of 1.0%, with payments due monthly	2,588,278	-
HHS Provider Relief Funds, bearing no interest, (No Repayment Plan Established by the Program)	2,265,637	-
Total Long-term Debt	9,474,691	5,406,200
Less: Current Portion	(2,156,866)	(744,022)
Long-term Portion	$ 7,317,825	$ 4,662,178

A summary of long-term debt activity for the years ended September 30, 2020 and 2019, consists of the following:

September 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Series 2005	$ 3,901,192	$ -	$ 98,913	$ 3,802,279
Revenue Bonds Series 2010	838,262	-	474,000	364,262
Capital Lease Payable	666,746	-	212,511	454,235
Paycheck Protection Program Loan	-	2,588,278	-	2,588,278
Provider Relief Funds	-	2,265,637	-	2,265,637
Total	$ 5,406,200	$ 4,853,915	$ 785,424	$ 9,474,691

NOTE 8: LONG TERM DEBT, CONTINUED

September 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Series 2005	$ 3,995,941	$ -	$ 94,749	$ 3,901,192
Revenue Bonds Series 2010	1,312,262	-	474,000	838,262
Capital Lease Payable	122,473	577,376	33,103	666,746
Total	$ 5,430,676	$ 577,376	$ 601,852	$ 5,406,200

Balance due within one year:

	2020	2019
Revenue Bonds Series 2005	$ 103,201	$ 98,913
Revenue Bonds Series 2010	364,262	490,487
Capital Lease Payable	117,017	154,622
Paycheck Protection Program Loan	1,572,386	-
Total	$ 2,156,866	$ 744,022

Scheduled repayments on long-term debt are as follows:

September 30, 2020

	Principal	Interest	Total
2021	$ 2,156,866	$ 219,225	$ 2,376,091
2022	1,224,731	174,680	1,399,411
2023	215,332	161,119	376,451
2024	216,680	150,652	367,332
2025	156,721	140,923	297,644
2026 - 2030	695,676	618,324	1,314,000
2031 - 2035	860,066	453,934	1,314,000
2036 - 2040	1,063,302	250,698	1,314,000
2041 - 2043	619,680	34,543	654,223
Total	$ 7,209,054	$ 2,204,098	$ 9,413,152
Provider Relief Funds (No Repayment Plan Established by the Program)	2,265,637	-	2,265,637
Total Debt	$ 9,474,691	$ 2,204,098	$ 11,678,789

September 30, 2019

	Principal	Interest	Total
2020	$ 744,022	$ 204,909	$ 948,931
2021	599,460	175,996	775,456
2022	235,105	161,289	396,394
2023	239,014	153,989	393,003
2024	226,741	146,682	373,423
2025 - 2029	666,780	647,220	1,314,000
2030 - 2034	824,341	489,659	1,314,000
2035 - 2039	1,019,135	294,865	1,314,000
2040 - 2043	851,602	66,267	917,869
Total	$ 5,406,200	$ 2,340,876	$ 7,747,076

NOTE 9: BOND DEFEASANCE

On April 30, 2010, the Hospital issued $6,295,462 in Revenue Bonds (Refunding Bonds, Series 2010) with an interest rate of 4.45% and annual debt service payments from $515,052 to $519,545. These bonds were issued through a current refunding totaling $6,295,457 of outstanding 2005A Revenue Bonds (R-1 and R-2) bearing interest rates of 7.83% and 6.50%, respectively. The net proceeds were used to immediately refund the Series 2005A Revenue Bonds.

NOTE 9: BOND DEFEASANCE, CONTINUED

As a result, the 2005A Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $51,687. This amount has been amortized and has a net carrying value of $21,834 and $24,526 for September 30, 2020 and 2019, respectively, and is reflected on the Statement of Net Position as Deferred Outflows of Resources. It is being amortized over the remaining life of the refunded debt, which has a shorter life than the original bonds. At the time of the refunding, aggregate debt service payments were reduced by $1,048,787, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,313,547. The effective interest rate on the new issue is 4.49%.

NOTE 10: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	2020	2019
Medicare	22%	16%
Medicaid	22%	23%
Commercial and other third-party payors, and patients	56%	61%
	100%	100%

NOTE 11: ASSETS WHOSE USE IS LIMITED

Pursuant to a resolution by the Board of Commissioners of the Hospital made in February of 2008, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

In relation to the revenue bonds issued on September 7, 2005 with a face value of $5,000,000, the Hospital entered into an agreement with the United States Department of Agriculture to reserve cash funds as follows:

> "Borrowers issuing bonds or other evidences of debt pledging facility revenues as a security will plan their reserve to provide for at least an annual reserve payment equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service in any future year is accumulated in the reserve fund..."

In relation to the revenue bonds issued April 30, 2010 with a face value of $6,295,462, the Hospital entered into an agreement with Capital One, N. A., to reserve cash funds as follows:

Debt Service (Sinking) Fund:

> "The maintenance of the 'Hospital Revenue Bond Sinking Fund' sufficient in amount to pay promptly and fully the principal of and the interest on the Outstanding Parity Bonds and Bonds, including any pari passu bonds issued hereafter in accordance with Outstanding Parity Bond resolution, as said bonds severally become due and payable by transferring from the Operating fund to the paying agent, monthly in advance … a monthly amount of moneys sufficient to provide payment of principal and/or interest and premium, if any, on the Outstanding Parity Bonds and Bonds at the time such payment is due….It is not expected that any amounts will remain in the Debt Service Fund after all payments in a Bond Year have been made therefrom."

Reserve Fund:

> "The maintenance of the 'Hospital Service District No. 1 of the Parish of St. Mary Reserve Fund', by transferring…monthly in advance…a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund…"

NOTE 11: ASSETS WHOSE USE IS LIMITED, CONTINUED

Contingency Fund:

> "The maintenance of the 'St. Mary Parish Hospital District Depreciation and Contingency Fund'…by transferring…monthly in advance…a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund…When a sum equal to the Debt Service Reserve Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund said payments to continue over the life of the bonds."

On April 22, 2015 the board restricted use of grant funds received from the Full Medicaid Capacity Program to be used for purposes connected to establishing Franklin Foundation Hospital as a Center of Excellence. These funds will be used for non-operating expenses.

In August of 2014, the Hospital settled a litigation for interior repairs and remediation work resulting from deficiencies in the initial construction of the Hospital. The Hospital received a lump sum of $250,000, in October of 2014, which the board has reserved in order to fund the necessary remediation.

	2020	2019
Internally designated for capital acquisitions	$ 592,362	$ 590,641
By Bond Indenture - Series 2005 Contingency Fund	176,087	162,471
By Bond Indenture - Series 2010 Contingency Fund	266,977	241,045
By Bond Indenture - Series 2005 Reserve Fund	176,090	162,473
By Bond Indenture - Series 2010 Reserve Fund	266,977	241,045
Building Litigation Settlement	250,000	250,000
Full Medicaid Capacity Funding Grant	12,048,016	8,444,380
Total Assets Whose Use is Limited	$ 13,776,509	$ 10,092,055

NOTE 12: BANK DEPOSITS AND INVESTMENTS

Louisiana state statutes require that all of the deposits of the Hospital must be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance.

The Hospital had bank balances as follows:

	2020	2019
Insured (FDIC)	$ 346,707	$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	28,131,539	16,027,854
Total	$ 28,478,246	$ 16,277,854
Carrying Value	$ 28,478,246	$ 16,277,854

The Hospital's investment policy states that it must at all times conform to Louisiana R.S. 33:2955, as amended from time to time, which is the main statute that governs investments that local political subdivisions are allowed to make in Louisiana. In addition, Act 264 of the 2012 Regular Session enacted R.S. 46:1073 which allows hospital service districts (as defined in R.S. 46:1072) to invest its funds in the same manner as provided by law for investment of funds of the Louisiana Employees Retirement System (LASERS) including but not limited to R.S. 11:263 (the "prudent man rule"). However, any such investment may be made only in compliance with rules and regulations established by the Hospital's Board of Commissioners and in compliance with the provisions of R.S. 11:263 and any other law which provides for the investment of funds in which the funds of LASERS may be invested.

The Hospital's investment policy also states that all investment decisions shall be the responsibility of the Board and that all investment decisions are to be made using reasonable efforts to control risk.

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position. Investments consisted of the following as of September 30, 2020 and 2019:

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2020		
	Cost	Market	
Alabama St Port Auth Docks Facs Rev Txbl Ref-Series D 2.567% Maturity 10/1/2021 (AA S&P)	$ 202,294	$ 203,134	
Apple, Inc. 1.55% Maturity 8/4/2021 (AA+ S&P) (Aa1 Moody's Rating)	144,971	151,442	
Boulder Cops Txbl 3% Maturity 11/1/2020 (AA+ S&P) (Aa1 Moody's Rating)	234,452	225,448	1
Chevron Corporation 2.355% (AA S&P) (Aa2 Moody's Rating)	149,489	155,720	
Fannie Mae Series 14-18 Class WA 3.5% Maturity 6/25/2040	105,983	106,152	
Federal Home Loan Mtg Corp Ser 4945 Cl DA 3% Maturity 3/25/2043	92,952	93,268	
FHLMC Ser 4675 Cl BC 3.5% Maturity 2/15/2042	155,086	152,041	
FHLMC Series 3919 Class BG 3% Maturity 8/15/2039	18,974	18,932	
FHLMC Series 3941 Class BA 3% Maturity 3/15/2026	76,475	77,288	
FHLMC Series 4120 Class QB 1.5% Maturity 10/15/2042	109,184	118,320	
FNMA Series 2012-100 Class ED 2% Maturity 6/25/2027	8,592	8,966	
FNMA Series 2013-98 Class EA 3% Maturity 2/25/2032	144,070	146,423	
GNMA Series 2011-85 Class LC 4% Maturity 10/20/2040	82,321	83,283	
GNMA Series 2013-169 Class JC 2.5% Maturity 6/20/2043	43,220	44,585	
GNMA Series 2018-79 Class AB 3% Maturity 1/20/48	146,136	150,779	
Goldman Sachs Government Fund - Class: Inst (#465)	253,389	253,389	1
Government Natl Mtg Assn Series 16-93 Class LA 3% Maturity 5/20/2045	171,075	170,574	
Government Natl Mtg Assn Series 18-138 Class BA 3.5% Maturity 5/20/2045	52,818	53,392	
Jefferson LA Sales Tax Dist Spl Sales Tax Rev Sef-Series A 5% Maturity 12/1/2025 (AA S&P) (A1 Moody's Rating)	60,531	60,716	
Louisiana St Env Fac & Cmnty Dev Auth Rev Txbl Ref Brcc Fac Corp Proj 1.659% Maturity 12/1/2021 (AA S&P)	165,000	166,591	
Microsoft Corp 1.55% Maturity 8/8/2021 (AAA S&P) (Aaa Moody's Rating)	145,422	151,620	

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2020		
	Cost	Market	
New Orleans LA Txbl 2.1% Maturity 12/01/2022 (AA S&P) (A2 Moody's Rating)	235,040	242,339	1
New York NY Build America Bonds 5.049% Maturity 12/1/2021 (AA S&P) (Aa2 Moody's Rating)	83,783	78,815	
Procter & Gamble Co CO/THE 2.15% Maturity 8/11/2022 (AA- S&P) (Aa3 Moody's Rating)	148,814	155,318	
Terrebonne Parish LA Wtrwks Dist #1 Txbl-Wtr Rev-Ref 1.965% Maturity 11/1/2021 (AA- S&P)	135,000	136,507	
US Bank NA Cincinnati 3.15% Maturity 4/26/2021 (AA- S&P) (A1 Moody's Rating)	101,553	101,404	
US Treasury (Y-2025) .375% Maturity 4/30/2025 (Aaa Moody's Rating)	100,238	100,590	
US Treasury (Z-2025) .25% Maturity 5/31/2025 (Aaa Moody's Rating)	249,023	250,030	1
US Treasury 1.875% Maturity 12/15/2020 (Aaa Moody's Rating)	199,289	200,718	
US Treasury 2.625% Maturity 12/15/2021 (Aaa Moody's Rating)	199,836	205,984	
US Treasury 2.625% Maturity 6/15/2021 (Aaa Moody's Rating)	149,801	152,649	
Visa, Inc. 2.8% Maturity 12/14/2022 (AA- S&P) (Aa3 Moody's Rating)	103,214	105,058	
Walmart, Inc. 3.3% Maturity 4/22/2024 (AA S&P) (Aa2 Moody's Rating)	106,022	109,109	
Total Investments	$ 4,374,045	$ 4,430,581	

	2019		
	Cost	Market	
Alabama St. Port Auth Docks FACS (AA/Standard & Poor)	$ 202,294	$ 201,874	
Apple Inc 1.55% (AA+/S&P) (Aa1/Moody's Rating)	144,971	149,262	
Boulder Cops Txbl 3% Maturity 11/01/2020 (AA+/S&P) (Aa1/Moody's Rating)	234,452	227,954	1
Chevron Corporation 2.355% (AA/S&P) (Aa2/Moody's Rating)	149,489	152,040	
Connecticut St Txbl-B 2.5% (A/S&P) (A1/Moody's Rating)	100,778	100,355	
Fannie Mae Note, 1.5% (AA+/S&P) (Aaa/Moody's Rating)	50,968	49,861	
Fannie Mae Series 2012, 2.0%	11,951	12,098	
Fannie Mae Series 2013, 3.0%	191,649	190,342	

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2019		
	Cost	Market	
Federal Home Loan Banks Note, 1.375% (AA+/S&P) (Aaa/Moody's Rating)	349,385	349,762	1
Federal Home Loan Banks Note, 1.5% (AA+/S&P) (Aaa/Moody's Rating)	148,862	149,972	
Federal Home Loan Mortgage Corp Series 3919, 3%	54,576	54,553	
Federal Home Loan Mortgage Corp Series 3941, 3%	138,013	137,989	
Federal Home Loan Mortgage Corp Series 4120, 1.5%	184,743	196,110	
Federated Gov't Oblig FD #117 (GOFXX)	329,845	329,845	1
Government National Mortgage Association, Series 2011-85, 4%	138,004	139,743	
Government National Mortgage Association, Series 2013-169, 2.5%	66,470	68,139	
Government National Mortgage Association, Series 2018-79, 3%	212,056	215,284	
Government National Mortgage Association, Series 18-138, 3.5%	89,094	88,898	
Jefferson La Sales Tax Dist SPL Sales Tax Rec Ser A, 5% (AA/S&P) (A1/Moody's Rating)	60,531	60,239	
Microsoft Corp 1.55% (AAA/S&P) (Aaa/Moody's Rating)	145,422	149,372	
New York State Build America Bonds, 5.049% Maturity 12/01/2021 (AA/S&P) (Aa1/Moody's Rating)	83,783	79,570	
Proctor & Gamble Co/the, 2.15% (AA-/S&P) (Aa3/Moody's Rating)	148,814	151,667	
US Bank Na Cincinnati, 3.15% (AA-/S&P) (A1/Moody's Rating)	101,553	101,633	
US Treasury, 1.875% (Aaa/Moody's Rating)	199,289	200,180	
US Treasury, 2.5% (Aaa/Moody's Rating)	159,881	160,643	
US Treasury, 2.625% (Aaa/Moody's Rating)	149,801	152,297	
US Treasury, 2.625%	199,836	204,406	
VISA Inc, 2.8% (AA-/S&P) (Aa3/Moody's Rating)	103,214	102,819	
Walmart Inc, 3.3% (AA/S&P) (Aa2/Moody's Rating)	106,022	105,622	
Wichita KS Txbl-Ser 815, 2% Maturity 12/01/2019 (AA+/S&P) (Aa1/Moody's Rating)	25,248	25,007	
Total Investments	$ 4,280,994	$ 4,307,526	

[1] denotes a concentration of credit risk due to the individual investment value representing a percentage greater than or equal to five percent of the total investment value.

The net change in the fair value of investments was an increase of $28,865 and $88,449 for the years ended September 30, 2020 and 2019, respectively.

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements (Topic 820)." Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

These levels are:

Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

All investments are based on Level 1 inputs. The Hospital relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities.

NOTE 13: NET POSITION

Net position for the years ended September 30, 2020 and 2019 are as follows:

	2020	2019
Invested in Capital Assets, net of related debt	$ 7,733,450	$ 7,188,777
Restricted for:		
Capital Projects (Expendable)	592,362	590,641
Bond Indenture (Expendable)	886,131	807,034
Building Mediation Settlement (Expendable)	250,000	250,000
Wellness Center Endeavors (Expendable)	12,048,016	8,444,380
Unrestricted	15,489,246	13,012,530
Total Net Position	$ 36,999,205	$ 30,293,362

NOTE 14: CASH FLOW SUPPLEMENTAL INFORMATION

Cash and cash equivalents reported in the cash flow statement are as follows:

	2020	2019
Cash and Cash Equivalents	$ 14,487,805	$ 5,535,548
Cash Whose Use is Limited	13,776,509	10,092,055
Cash and Cash Equivalents at End of Year	$ 28,264,314	$ 15,627,603

NOTE 15: GOVERNING BOARD EXPENSES

The board of commissioners of Hospital Service District No. 1, Parish of St. Mary received no compensation for the years ended September 30, 2020 and 2019.

NOTE 16: PENSION PLAN

The Hospital has two defined contribution retirement plans, a 457(b) plan and a 401(a) plan, which are administered by Retirement Strategies Group, LLC. Qualified Employees may elect to make contributions to the plans through salary reduction agreements. The employees are 100% vested in the 457(b) plan when the first contribution is made. The 401(a) plan's vesting percentage varies in relation to the employee's period of service. The amount of the employer contribution is currently 2% of the eligible

NOTE 16: PENSION PLAN, CONTINUED

participants' annual compensation. Benefit terms and amendments require approval by management and the board. Total expense for the years ended September 30, 2020 and 2019 was $231,901 and $215,297 respectively. Forfeitures may first be used to pay administrative expenses. Forfeitures of matching contributions that relate to excess amounts may be used to reduce employer contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were approximately $1,320 and $12,249 for the years ended September 30, 2020 and 2019, respectively. The accrued pension plan liability was $194,915 and $167,160 for the years ended September 30, 2020 and 2019, respectively.

NOTE 17: CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criteria for charity care consider items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately $54,423 and $66,335 for the years ended September 30, 2020 and 2019, respectively.

Management estimates that approximately $37,109 and $41,392 of costs were related to charity care for the years ended September 30, 2020 and 2019, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 18: CONTINGENCIES AND COMMITMENTS

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third-party-based Revenues - Cost reimbursements and claims are subject to examination by agencies administering the programs. The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such retroactive adjustments cannot be determined.

The healthcare 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 privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes, 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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an

NOTE 18: CONTINGENCIES AND COMMITMENTS, CONTINUED

adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

Professional Liability Risk - The Hospital is contingently liable for losses outside of its professional liability insurance coverage.

NOTE 19: UNCOMPENSATED CARE REVENUE AND OTHER FUNDING

Intergovernmental Transfers - Operating Grant. The Hospital received Uncompensated Care ("UCC") for the years ended September 30, 2014 and prior years (formerly called Disproportionate Share payments or "DSH"). In fiscal year 2015 the Hospital entered into a cooperative endeavor agreement ("CEA") with a regional public rural hospital (the "Grantor") whereby the Grantor distributes the funds as an intergovernmental transfer ("IGT"). The aggregate IGT grant revenue is $3,872,486 and $4,004,525 for the years ended September 30, 2020 and 2019, respectively, and is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position in Intergovernmental Transfers - Operating Grant.

Full Medicaid Payment Program Funding. The Hospital received Full Medicaid Payment Program ("FMPP") funding from the Louisiana Department of Health ("LDH") during the fiscal years ended September 30, 2020 and 2019. As part of the agreement with LDH, the Hospital was required to provide an IGT of 33% and 41%, respectively, of the gross funds to the LDH in order to secure the federal Medicaid matching funds. In addition, the Hospital has a CEA with Teche Action Board, Inc., a Louisiana non-profit corporation, under the terms of which the Hospital granted a portion of the FMPP funding to Teche Action Board, Inc. for the purpose of promoting and providing for the general health of the community. Under the terms of the CEA, in the event that the Hospital does not receive funding for these efforts, there is no obligation on the part of the Hospital to provide funds to Teche Action Board, Inc.

The following is a breakdown of the Full Medicaid Payment Program funding received by the Hospital during the year ended September 30, 2020 and 2019:

	2020	2019
Gross Full Medicaid Payment Program Funding	$ 6,000,000	$ 3,000,000
Intergovernmental Transfer (IGT)	(1,980,090)	(1,232,228)
Rural Hospital Coalition Fee	(60,000)	(30,000)
Net Full Medicaid Payment Program Funding	3,959,910	1,737,772
Funds Granted to Teche Action Board, Inc.	(593,986)	(434,444)
Grant Revenue - Franklin Foundation Hospital	$ 3,365,924	$ 1,303,328

The FMPP grant revenue is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position as Non-operating Revenue - Full Medicaid Capacity Payment Program Funding. On April 22, 2015 the Board restricted use of the FMPP grant funds to purposes connected to establishing the Hospital as a Center of Excellence. On June 4, 2020, the Board approved moving forward with the construction of a Wellness Center on property located adjacent to the Hospital campus. The construction will be funded in part with the current FMPP funds as well as any future FMPP grant funds. In addition, the Hospital will utilize funds allocated through the State of Louisiana's capital outlay program. These funds will be used for non-operating activities.

NOTE 20: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB's new lease accounting standard, GASB Statement No. 87, was issued in June 2017. This Statement requires 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. In May 2020, the GASB issued Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponing the requirements of GASB 87 by 18 months. The requirements of this Statement are now effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

NOTE 20: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, CONTINUED

In May 2020, the GASB issued Statement 96. The objective of GASB 96, Subscription-Based Information Technology Arrangements, is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.

NOTE 21: CARES ACT FUNDING

In response to the COVID-19 pandemic, Congress passed H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which was signed into law by the President on March 27, 2020. This Act established several different tranches of funds meant to ensure businesses would be able to continue paying their employees and other bills despite the COVID related declines in patient volumes and revenues and increase in operating costs. Franklin Foundation received funds from three of the different portions of CARES Act funds: The Small Business Administration's Paycheck Protection Program, the Medicare Accelerated and Advanced Payment Program, and Provider Relief Funds.

Paycheck Protection Program

The Hospital received $2,588,278 on May 6, 2020. This money was to be used for payroll costs, utility payments, lease agreements, and interest on mortgage obligations. Under the terms of the Program, if certain criteria are met when the Hospital applies for loan forgiveness, all or part of the loan could be forgiven. Any portion that is not forgiven must be repaid over two years at an interest rate of 1%.

Medicare Accelerated and Advanced Program

The Hospital received $2,400,965 in Medicare Accelerated and Advanced Payments on April 14, 2020. This program was in existence prior to COVID-19 but was amended and expanded by the Act for the purposes of providing a source of more funding to Medicare Part A providers and Part B suppliers. If these funds are not repaid within one year from the date they were received, CMS will recover the funds by way of recoupment of twenty-five (25) percent of Medicare payments owed to the Hospital for the first eleven (11) months, then recouped at fifty (50) percent for the next six (6) months. The total recoupment will take place over a maximum of twenty-nine (29) months. After that time, a demand letter will be issued for any remaining balance due subject to an interest rate of four (4) percent.

Provider Relief Funds

The Hospital received $5,043,265 under this section of the CARES Act. The terms and conditions require that recipients be able to demonstrate that lost net patient revenues and increased expenses attributable to COVID 19, excluding expenses and losses that have been reimbursed from other sources, exceed the total amount of Provider Relief funding received. The Hospital has recognized $2,777,628 of the available funds as an offset to lost net patient revenue in the current fiscal year. The Hospital recognized this as non-operating revenue per the guidance laid out in GASB Technical Bulletin 2020-1. A repayment mechanism has yet to be established by the federal government.

NOTE 22: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through May 27, 2021, the date the financial statements were available to be issued.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE — **FOR THE YEARS ENDED SEPTEMBER 30,**

INPATIENT SERVICE REVENUES

	2020	2019
Daily Patient Services:		
Room and Board	$ 1,817,018	$ 1,759,987
Total Daily Patient Services	1,817,018	1,759,987
Other Nursing Services:		
Central Supplies	2,013,738	2,021,045
Emergency Service	(3,076)	99,561
Labor and Delivery	136,596	187,505
Observation	7,043	2,267
Operating Room	320,066	514,800
Total Other Nursing Services	2,474,367	2,825,178
Other Professional Services:		
Anesthesiology	28,726	46,142
Blood	104,541	109,436
Cardiac Rehab	-	1,641
EKG & EEG	71,706	97,587
Inhalation Therapy	651,666	572,718
Laboratory	757,386	805,037
Pharmacy	1,765,697	1,896,766
Physical Therapy	212,737	348,764
Radiology	147,421	253,255
Wound Care	712	-
Total Other Professional Services	3,740,592	4,131,346
TOTAL INPATIENT SERVICE REVENUE	8,031,977	8,716,511

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

SCHEDULE OF PATIENT SERVICE REVENUE — FOR THE YEARS ENDED SEPTEMBER 30,

OUTPATIENT SERVICE REVENUE

	2020	2019
Other Nursing Services:		
Central Supplies	1,446,173	1,487,382
Emergency Services	6,228,954	7,325,891
Labor and Delivery	17,830	18,919
Observation	146,505	166,184
Operating Room	1,875,607	2,356,938
Total	9,715,069	11,355,314
Other Professional Services:		
Anesthesiology	125,604	155,564
Blood	68,574	67,492
Cardiac Rehab	79,315	74,215
Clinics	3,404,777	4,062,871
EKG and EEG	563,014	654,863
Inhalation Therapy	154,547	164,336
Laboratory	6,244,960	7,222,101
Pharmacy	2,407,777	2,587,131
Physical Therapy	957,220	1,110,509
Radiology	5,296,654	5,543,394
Wound Care	(39)	306,773
Total	19,302,403	21,949,249
TOTAL OUPATIENT SERVICE REVENUE	29,017,472	33,304,563
GROSS PATIENT SERVICE REVENUE	37,049,449	42,021,074
Less: Contractual Adjustments	14,849,591	18,401,979
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	$ 22,199,858	$ 23,619,095

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES — FOR THE YEARS ENDED SEPTEMBER 30,

	2020	2019
Cafeteria and Vendor Sales	$ 148,071	$ 241,779
Rental Income	122,790	141,699
Other	29,313	52,232
TOTAL OTHER OPERATING REVENUES	$ 300,174	$ 435,710

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

SCHEDULE OF PROFESSIONAL SERVICES — FOR THE YEARS ENDED SEPTEMBER 30,

	2020	2019
Salaries and Fees:		
Anesthesiology	$ 363,396	$ 302,491
Central Supply	103,544	104,770
Clinics	1,942,327	2,200,937
EKG and EEG	2,820	3,291
Emergency Response (COVID-19)	768,838	-
Emergency Room	2,409,630	2,308,495
Hospitalist	351,060	240,000
Intensive Care Unit	477,086	527,552
Inhalation Therapy	361,367	351,547
Labor and Delivery	1,042,684	968,008
Laboratory	788,947	715,536
Nursing	925,716	1,305,820
Occupational Therapy	62,994	70,251
Operating Room	1,666,882	1,250,814
Pharmacy	279,586	283,962
Physical Therapy	409,293	486,540
Radiology	853,242	845,108
Social Services	85,570	133,117
Speech Therapy	55,303	75,221
Wound Care	-	128,825
Other	204,826	165,076
Total Professional Salaries and Fees	13,155,111	12,467,361
Supplies and Other Expenses:		
Anesthesiology	2,769	3,412
Central Supply	92,216	85,764
Clinics	326,808	354,792
Emergency Response (COVID-19)	74,239	-
Emergency Room	140,404	156,938
Intensive Care Unit	20,299	8,807
Inhalation Therapy	72,243	29,927
Labor and Delivery	22,362	24,051
Laboratory	471,070	479,925
Nursing	82,641	87,681
Operating Room	549,725	593,319
Pharmacy	754,986	771,430
Physical Therapy	17,631	19,693
Radiology	134,175	186,492
Social Services	755	922
Total Professional Supplies and Other Expenses	2,762,323	2,803,153
TOTAL PROFESSIONAL SERVICES	$ 15,917,434	$ 15,270,514

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED SEPTEMBER 30,

	2020	2019
Salaries and Fees:		
Administrative	$ 2,851,414	$ 3,465,865
Dietary	236,155	220,533
Housekeeping	210,138	208,101
Maintenance	377,385	369,035
Medical Records	168,735	173,362
Total General and Administrative Salaries and Fees	3,843,827	4,436,896
Supplies and Other Expenses:		
Administrative	1,996,156	1,463,443
Employee Benefits	2,642,561	2,756,939
Dietary	234,698	292,870
Housekeeping	75,683	61,604
Maintenance	472,321	545,130
Medical Records	27,576	27,929
Orthopedics	52,161	-
Total General and Administrative Supplies and Other Expenses	5,501,156	5,147,915
TOTAL GENERAL AND ADMINISTRATIVE SERVICES	$ 9,344,983	$ 9,584,811

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CEO — FOR THE YEARS ENDED SEPTEMBER 30,

	2020	2019
STEPHANIE GUIDRY, CEO		
Salary	$ 235,032	$ 220,757
Benefits-Insurance	7,792	14,875
Benefits-Retirement	4,857	4,415
Car Allowance	7,800	7,800
Reimbursements	-	348
Travel	151	-
Conference Travel	-	1,152
Special meals	699	45
	$ 256,331	$ 249,392

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

LANGLINAIS BROUSSARD & KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

Glen P. Langlinais, CPA
Gayla F. Russo, CPA

Michael P. Broussard, CPA
Elizabeth L. Whitford, CPA
John W. O'Bryan, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA

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

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, d/b/a Franklin Foundation Hospital, a component unit of the St. Mary Parish Council ("the Hospital"), as of September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 27, 2021.

INTERNAL CONTROL OVER FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements, we considered the Hospital'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we identified certain deficiencies in internal control that we consider to be material weaknesses - Finding 2020-1 and 2020-2.

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 did not identify findings of noncompliance.

HOSPITAL'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This communication is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the Hospital, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

May 27, 2021

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the years ended September 30, 2020 and 2019

We have audited the financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Franklin Foundation Hospital (the Hospital), as of and for the years ended September 30, 2020 and 2019, and have issued our report thereon dated May 27, 2021.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2020 and 2019 resulted in unmodified opinions.

Section 1: Summary of Auditor's Results

A - Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	No

Compliance:

Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

B - Significant Deficiencies and Material Weaknesses

Finding 2020-1 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Cause: The amount of the hospital staff dedicated to the accounting function is limited, and therefore, segregation of duties in all areas is difficult to achieve.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities including fraud may occur and not be prevented or detected.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur.

Management Response: Complete segregation of duties is not possible due to both the small size of the Hospital and the limited staff size. We will continue to review our processes and procedures and will make changes, up to and including reassignment of responsibilities to the extent that it is practical to try to minimize the impact of segregation of duties.

Finding 2020-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2020 and 2019 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end and the recognition of Provider Relief Fund revenues.

Cause: The filing of annual Medicare and Medicaid cost reports result in settlements either due to or from the Hospital. These settlements result from complex calculations, many variables, several payors, and the use of third-party data that is often not complete until several months after year end. These factors make it difficult to properly estimate and record cost report settlements. The Hospital is conservative in its cost report estimates.

Effect: The Hospital's financial statements have been adjusted to reflect all proposed audit journal entries approved by management.

Recommendation: Management should perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Management Response: The Hospital's CFO continues to perform a comprehensive review of the Hospital's financial statements and estimates, particularly those involving Medicare and Medicaid cost report settlement accounts prior to closing the fiscal year. In addition, the CFO reviews journal entries and reconciliations. The Hospital maintains a conservative position as it relates to recording estimated cost report settlements. As in prior years, some Medicaid cost reports from earlier years, particularly those from the former "Coordinated Care Network" entities, were settled for amounts different from estimates that the Hospital recorded when those cost reports were submitted. In response to the COVID pandemic, the Louisiana Department of Health urged payors to settle older cost report years, especially in situations where funds were due to providers, to help providers offset the effects of the COVID pandemic on operations. The Hospital's current fiscal year-end cost reports resulted in larger than normal receivables as costs increased due to COVID-19 while interim reimbursements were based on prior year cost reports. The Hospital will change the timing of reviews, where feasible, to quarterly or semi-annually to try to minimize the number of proposed audit adjustments.

In addition to the cost report receivables discussed above, at the current fiscal year-end the Hospital recognized a portion of the CARES Act Provider Relief Fund received earlier in the fiscal year. This adjustment was made at year-end as guidance on costs and lost revenue recognition was not available until late in the year.

Section III: Management Letter Items

There are no management letter items at September 30, 2020.

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2020

Section I-Internal Control and Compliance Material to the Financial Statements

Finding 2019-1 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Unresolved. See Finding 2020-1.

Finding 2019-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2019 and 2018 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end.

Status: Unresolved. See Finding 2020-2.