

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE**

HOMER, LOUISIANA

JUNE 30, 2020, 2019, AND 2018

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE
TOWN OF HOMER, STATE OF LOUISIANA
YEARS ENDED JUNE 30, 2020, 2019 AND 2018**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Management’s Discussion and Analysis (Unaudited)	i-vii

AUDITED FINANCIAL STATEMENTS

Independent Auditors’ Report.....	1-3
Combined Balance Sheets.....	4
Combined Statements of Revenues, Expenses, and Changes in Net Position	5
Combined Statements of Cash Flows	6-7
Notes to Combined Financial Statements	8-26

SUPPLEMENTARY FINANCIAL INFORMATION

Combined Schedules of Net Patient Service Revenue.....	27-29
Combined Schedules of Other Operating Revenue.....	30
Combined Schedules of Operating Expenses	31-34
Schedule of Per Diem and Other Compensation Paid to Hospital Board Members	35
Schedule of Insurance Coverage at Year End.....	36
Schedule of Compensation, Benefits and Other Payments Paid to Agency Head.....	37

OTHER REPORTS

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 <i>Government Auditing Standards</i>	38-39
Schedule of Findings and Responses	40-41
Schedule of Prior Year Findings and Responses.....	42-43

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

This section of Claiborne Parish Hospital Service District #3 d/b/a/ Claiborne Memorial Medical Center and Affiliate's (Hospital's) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years that ended on June 30, 2020, 2019, and 2018. Please read it in conjunction with the financial statements in this report.

Overview of the Financial Statements

The Financial Statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

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

The Balance Sheets include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. It provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. The Statements of Revenues, Expenses, and Changes in Net Position report all of the revenues and expenses when the underlying transactions occur, regardless of when cash is received or paid. These statements measure the performance of the Hospital's operations during the years provided and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

Statements of Cash Flows

These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provide information as to sources and uses of cash as well as the change in the cash balance during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheets on page 4. Total net position increased during fiscal year 2020 by \$252,000 (2.65%) as reflected on the statements of revenues, expenses and changes in net position. Total net position increased during fiscal year 2019 by \$1,091,000 (12.9%).

Hospital Operations and Significant Events

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through "swing beds"), home health, and inpatient psychiatric services to patients from Claiborne and surrounding parishes and counties. The hospital facility is licensed for 47 patient beds, and has a state-of-the art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

The Hospital has received two grants from the Department of Health and Human Services under the Rural Communities Opioid Response program related to development of an Opioid Treatment Facility, both of which are on a cost reimbursement basis. The initial grant of \$200,000, approved in May, 2019, was a one year grant for planning purposes. To date, \$146,738 has been received from this grant. The second grant has a 3 year project period for program implementation purposes. The initial award from this grant is \$1,000,000 for the budget period September 1, 2019 – August 31, 2022. To date, \$34,568 has been received from this grant.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Hospital Operations and Significant Events

In March, 2020, the Covid-19 pandemic occurred resulting in a significant decrease in outpatient and surgical procedures as well as inpatient days from March – June 2020.

Financially the hospital has weathered the loss of revenue and has offset much of the lost revenue through Care Act payments and a PPP loan that is expected to be forgiven. The Hospital received funds primarily in the form of provider relief payments and Medicare advance payments. The total stimulus funds received were \$6,888,000 of which \$1,769,000 is recognized as revenue in FY 2020. The Paycheck Protection Program loan of \$1,675,000 is expected to be forgiven in 2021. All stimulus funds will be recognized as revenue when conditions are met. Since the hospital was able to reopen services, patient volume increased quickly and revenue is now at approximately pre-covid levels.

Financial Highlights

- The Hospital's total assets increased by \$5,316,000 or approximately 35.5% during fiscal year (FY) 2020. Significant changes include an increase of \$7,318,000 in cash and short-term investments primarily due to COVID-19 funds received not yet utilized. This was partially offset by a \$1,031,000 decrease in net patient receivables and a \$1,354,000 decrease in the receivable from acting as grantor of UPL payments for eight hospitals as well as \$572,000 depreciation of capital assets. There is also a decrease in the liability for payment to the other hospitals of \$1,987,000 included in accounts payable at year-end. These funds are received to provide adequate and essential medically necessary healthcare services to low income or indigent patients. The Hospital's net receivable from these payments at June 30, 2020 was \$50,000 as compared to a net payable of \$584,000 at June 30, 2019. Overall liabilities increased \$5,063,000, due to the COVID-19 funds mentioned above. The Hospital's total assets decreased by \$32,000 or approximately .2% during fiscal year (FY) 2019. Significant changes include a decrease of \$1,952,000 in the receivable from acting as grantor of UPL payments for eight hospitals as well as \$624,000 depreciation of capital assets, offset by a \$1,870,000 increase in cash from operations and a \$401,000 increase in net patient receivables. There is also a decrease in the liability for payment to the other hospitals of \$1,121,000 included in accounts payable at year-end.
- Net patient revenues (exclusive of \$15,939,000 total UPL payments received as discussed above) decreased by \$2,523,000 or approximately 16.5% in FY 2020 compared to an increase of \$1,216,000 or 9% in fiscal year 2019. The most significant decreases were in pharmacy charges due to decreased patient volume and in senior care charges due to the closing of that service in the current year.
- Total 2020 operating expenses (exclusive of UPL grant payments made) decreased \$65,000 or .4%, compared to a 16.5% decrease in net patient revenues of \$2,523,000. Total operating expenses decreased \$649,000 (4%) in fiscal year 2019. Primary 2020 decreases were in supplies and professional fees due to reduced patient volumes for a portion of the year.

Financial Analysis of the Hospital

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in it. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Financial Analysis of the Hospital (Continued)

Governance of the hospital has been transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution which requires the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center. The vote on the ½ cent sales tax took place in March, 2015, and passed with a 93% approval. The hospital received approximately \$626,000 and \$625,000 in sales tax collections for FY 2020 and 2019, respectively, which are included in other operating revenue.

TABLE 1
Condensed Balance Sheets (In thousands)

	June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total current assets	\$ 13,803	\$ 8,504	\$ 8,012	\$ 9,703
Limited use assets (non current)	1,112	1,107	1,081	1,138
Property, plant and equipment	5,374	5,362	5,912	6,104
Total assets	<u>\$ 20,289</u>	<u>\$ 14,973</u>	<u>\$ 15,005</u>	<u>\$ 16,945</u>
Total current liabilities	\$ 8,604	\$ 5,182	\$ 6,257	\$ 7,071
Long-term debt, net of current	1,922	280	328	374
Total liabilities	<u>10,526</u>	<u>5,462</u>	<u>6,585</u>	<u>7,445</u>
Net position:				
Invested in capital assets, net of related debt	3,390	5,034	5,538	5,623
Restricted expendable	221	213	209	287
Unrestricted	6,152	4,264	2,673	3,590
Total net position	<u>9,763</u>	<u>9,511</u>	<u>8,420</u>	<u>9,500</u>
Total liabilities and net position	<u>\$ 20,289</u>	<u>\$ 14,973</u>	<u>\$ 15,005</u>	<u>\$ 16,945</u>

As can be seen in Table 1, total assets increased by \$5,316,000 to \$20,289,000 in fiscal year 2020 compared to total assets of \$14,973,000 in fiscal year 2019.

Accounts Receivable

Total accounts receivable at June 30, 2020 has decreased as compared to 2019 primarily due to a decrease in patient revenue from March – June, 2020 due to Covid-19. Accounts receivable had decreased the prior year primarily due a change in the timing of the write-off of past due accounts which resulted in a significant writeoff of accounts receivable during the prior year.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

TABLE 2
Gross Accounts Receivable Aging (In thousands)

	Year ended June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current accounts	\$ 2,193	\$ 3,339	\$ 3,077
30-day accounts	323	1,638	1,231
60-day accounts	198	302	480
90-day and over accounts	1,590	1,441	2,683
Total	<u>\$ 4,304</u>	<u>\$ 6,720</u>	<u>\$ 7,471</u>

Capital Assets

Net capital assets increased by \$12,000 in FY 2020. This increase relates to \$584,000 in capital expenditures offset by \$572,000 in depreciation of the Hospital's assets. Net capital assets decreased by \$551,000 in FY 2019. This decrease relates to \$81,000 in capital expenditures offset by \$8,000 in net asset retirements and \$624,000 in depreciation of the Hospital's assets. Table 3 highlights the major capital investments for FYE 2020.

TABLE 3
Capital Investments

	<u>2020</u> <u>Cost</u>
<u>Equipment</u>	
Air conditioning unit	28,500
ICU bed	32,987
Patient beds	76,895
Omnicell pharmacy cabinets	308,008
Defibrillators	49,470
Data storage equipment	43,006
Other	19,777
Total equipment	<u>558,643</u>
<u>Construction in Progress</u>	
Medical gas upgrade costs to date	15,847
Other	9,521
Total construction in progress	<u>25,368</u>
Total major acquisitions	<u>\$ 584,011</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Statements of Revenues, Expenses, and Changes in Net Position

Operating Revenue

During fiscal years 2020, 2019, and 2018, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and other third party payors and patients who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and other third party payors is based upon established contracts. The difference between the full charge and payment is recognized as a contractual adjustment.

In FY 2019 and 2017, Medicare made payments to the Hospital as an incentive for implementing electronic health records. Payments received were \$1,100 and \$34,800, respectively. No payments were received in FY 2020 or 2018.

During fiscal years 2020, 2019, 2018 and 2017, the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$15,939,460 for 2020, \$17,884,603 for 2019, \$24,400,045 for 2018, and \$21,809,692 for 2017 under the program, which is included as Medicaid patient service revenue, and disbursed \$15,179,269 for 2020, \$17,070,486 for 2019, \$23,591,662 for 2018 and \$21,020,507 for 2017 to participating hospitals. Grants under this program are to be used solely to provide adequate and essential medically necessary health care services to the citizens of the community who are low income and/or indigent. Other revenue includes interest income, sales tax revenue, cafeteria sales, and other miscellaneous services.

Table 4 represents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2020, 2019, and 2018. Payor mix percentages are computed based on gross charges by payor compared to total gross patient charges, excluding the UPL grant funds discussed in the preceding paragraph.

TABLE 4
Payor Mix by Percentage of Gross Charges

	Year ended June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	57.2%	55.9%	56.0%
Medicaid	23.7%	25.0%	25.7%
Commercial	13.8%	14.8%	14.2%
Self-pay and other	5.3%	4.3%	4.1%
Total patient revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Non-Operating Income

The Hospital holds designated and restricted funds in its Balance Sheet that are invested primarily in money market funds held at First Guaranty Bank and Gibsland Bank & Trust in Public Fund Service Accounts (PFSA). During fiscal year 2017, the long-term investment account was transferred to Gibsland due to increased interest rate. Total investment income earned was \$32,000, \$26,000, \$26,200, and \$16,900 in 2020, 2019, 2018, and 2017, respectively. All investment accounts are in NOW accounts and Money Market checking accounts earning interest currently at .04% to 1.04%.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Capital Grants and Contributions

Various small grants were received to purchase equipment. The Claiborne Healthcare Foundation, an affiliate, received contributions of \$47,350, \$39,500, \$19,000, and \$16,000 during fiscal years 2020, 2019, 2018 and 2017, respectively that are restricted towards future capital expenditures. The Foundation contributed approximately \$49,000, \$15,400, \$63,000 and \$59,000 to the Hospital in FY 2020, 2019, 2018 and 2017 for equipment purchases.

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2020, 2019, 2018, and 2017.

TABLE 5
Condensed Statements of Revenues, Expenses, and Changes in Net Assets (In thousands)

	Years Ended June 30			
	2020	2019	2018	2017
Net patient service revenue	\$ 28,648	\$ 33,116	\$ 38,329	\$ 36,094
Noncapital grants	5	5	7	81
Other revenue	1,060	1,343	1,149	929
Total operating revenues	<u>29,713</u>	<u>34,464</u>	<u>39,485</u>	<u>37,104</u>
Salaries	7,621	7,602	8,066	7,426
Benefits and payroll taxes	1,769	1,639	1,918	1,845
Supplies and drugs	2,199	2,271	2,492	2,413
Professional fees	2,205	2,262	1,978	1,687
Intergovernmental transfers - access grant exp	15,179	17,070	23,592	21,021
Other expenses	1,655	1,728	1,704	1,836
Insurance	253	214	213	232
Depreciation and amortization	572	624	618	730
Total operating expenses	<u>31,453</u>	<u>33,410</u>	<u>40,581</u>	<u>37,190</u>
Operating income (loss)	<u>(1,740)</u>	<u>1,054</u>	<u>(1,096)</u>	<u>(86)</u>
HHS stimulus revenue	1,769	-	-	-
Investment income	32	26	26	17
Interest and service charges expense	<u>(47)</u>	<u>(29)</u>	<u>(28)</u>	<u>(29)</u>
Excess of revenues (expenses) before capital grants and contributions	14	1,051	(1,098)	(98)
Capital grants and contributions	<u>238</u>	<u>40</u>	<u>19</u>	<u>23</u>
Increase (decrease) in net position	<u>252</u>	<u>1,091</u>	<u>(1,079)</u>	<u>(75)</u>
Net position - beginning of year	9,511	8,420	9,499	9,574
Net position - end of year	<u>\$ 9,762</u>	<u>\$ 9,511</u>	<u>\$ 8,420</u>	<u>\$ 9,499</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Operating and Financial Performance

The highlights of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position include::

- Patient days, not including Senior Care days, decreased to 4,139, decreased to 4,906, and decreased to 5,441 for FY 2020, 2019, and 2018, respectively. This is a decrease of 15%, compared to a decrease of 10% and a decrease of 7%, in overall activity for the past three years. A portion of the current year decrease is due to Covid-19 as discussed previously.
- Salaries had a slight increase in FY 2020 after a slight decrease in FY 2019 and a significant increase in FY 2018. Administration and nursing services are the two areas that saw the largest increases in 2020, which were offset by decrease in the senior care salaries due to the closure of the senior care center. Employee benefits increased by \$130,000 overall in fiscal year 2020, primarily due to an increase in health insurance costs. In fiscal year 2019 there was a decrease in employee benefits of \$279,000 and an increase of \$73,000 in fiscal year 2018.
- Investment income was \$32,000, \$26,000, and \$26,200 for fiscal years 2020, 2019 and 2018, respectively. Rates have remained low throughout the period, however approximately \$6,100,000 in Covid funds received were invested for a portion of the year.
- Professional fees decreased slightly overall by \$57,000 in FY 2020, primarily due to the closing of the senior care unit during the year as well as decreased volume due to Covid-19. Fiscal year 2019 had an increase of \$284,000, primarily due to additional contract ER physicians added due to physician employee being out a portion of the year on FMLA and an increase in security to daily rather than weekends only. Fiscal year 2018 had an increase of \$290,000, primarily due to additional contract ER physicians added due to legal requirements.
- Supply and drug cost decreased by \$72,000 compared to a decrease of \$221,000 in fiscal year 2019, primarily due to decreases in pharmacy supply costs due to reduced patient volumes.
- During FYE 2019, the Hospital Service District (HSD 3) entered into a Cooperative Endeavor Agreement with Claiborne Parish Hospital Service District #1(HSD 1) which consolidated healthcare operations within Claiborne Parish and transferred control and management over facilities owned by HSD 1 to HSD 3. The intensive outpatient services are located in one facility and the other is leased to a medical clinic. The hospital began receiving monthly rental income from the medical clinic effective March, 2019. In addition, the hospital received cash of \$208,000 from HSD 1 which was recognized as revenue in FYE 2019.

Contacting the Hospital's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Hospital Administration.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

1900 NORTH 18TH STREET, SUITE 300
MONROE, LOUISIANA 71201
318-388-3108 PHONE • 318-323-4266 FAX

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital), a component unit of the Town of Homer, Louisiana, as of and for the years ended June 30, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic combined 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 combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 combined financial statements.

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

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Hospital, as of June 30, 2020, 2019 and 2018, and the respective changes in combined financial position and cash flows for the years then ended, in conformity 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 i through vii be presented to supplement the combined basic financial statements. Such information, although not a part of the combined 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 combined 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 combined basic financial statements, and other knowledge we obtained during our audit of the combined 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 that collectively comprise the Hospital's combined basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The accompanying supplementary 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 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the combined basic 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 December 17, 2020, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 17, 2020

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED BALANCE SHEETS
JUNE 30, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Current:			
Cash and cash equivalents (Note 3)	\$ 4,927,639	\$ 2,584,410	\$ 713,981
Short-term investments (Note 3)	5,295,743	321,223	318,567
Receivables, net (Note 4)	2,737,130	4,814,138	6,300,151
Assets limited as to use - current (Notes 3 & 5)	126,796	126,784	126,930
Inventories	338,223	332,528	365,734
Prepaid expenses	290,773	258,494	127,480
Other current assets (Note 6)	86,305	66,535	58,944
Total current assets	<u>13,802,609</u>	<u>8,504,112</u>	<u>8,011,787</u>
Other:			
Assets limited as to use - non current (Notes 3 & 5)	1,111,885	1,107,212	1,080,596
Capital assets, net (Note 7)	<u>5,374,173</u>	<u>5,361,888</u>	<u>5,912,411</u>
 Total assets	 <u>\$ 20,288,667</u>	 <u>\$ 14,973,212</u>	 <u>\$ 15,004,794</u>
<u>LIABILITIES AND NET POSITION</u>			
Current:			
Accounts payable	\$ 1,547,282	\$ 3,406,664	\$ 4,356,765
Accrued expenses	785,531	687,827	842,522
COVID-19 Program liabilities	5,118,580	-	-
Estimated third-party payor settlements	1,089,839	1,039,319	1,011,219
Current maturities of long-term debt (Note 8)	<u>62,300</u>	<u>48,000</u>	<u>46,000</u>
Total current liabilities	<u>8,603,532</u>	<u>5,181,810</u>	<u>6,256,506</u>
Long-term debt, net of current maturities (Note 8)	<u>1,922,338</u>	<u>280,000</u>	<u>328,000</u>
Total liabilities	<u>10,525,870</u>	<u>5,461,810</u>	<u>6,584,506</u>
Net Position:			
Invested in capital assets, net of related debt	5,064,483	5,033,888	5,538,411
Restricted expendable (Note 5)	220,800	212,813	208,976
Unrestricted	<u>4,477,514</u>	<u>4,264,701</u>	<u>2,672,901</u>
Total net position	<u>9,762,797</u>	<u>9,511,402</u>	<u>8,420,288</u>
 Total liabilities and net position	 <u>\$ 20,288,667</u>	 <u>\$ 14,973,212</u>	 <u>\$ 15,004,794</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Net patient service revenue (Note 10)	\$ 28,647,869	\$ 33,116,433	\$ 38,328,616
Noncapital grants (Note 14)	4,596	4,744	6,554
Other operating revenue	<u>1,060,812</u>	<u>1,343,586</u>	<u>1,149,427</u>
 Total operating revenues	 <u>29,713,277</u>	 <u>34,464,763</u>	 <u>39,484,597</u>
 Operating Expenses:			
Salaries	7,621,360	7,602,455	8,065,962
Benefits and payroll taxes	1,769,065	1,638,891	1,917,958
Supplies and drugs	2,199,279	2,270,987	2,492,030
Professional fees	2,204,754	2,261,830	1,977,878
Intergovernmental transfers - access grant expense	15,179,269	17,070,486	23,591,662
Other expenses	1,654,647	1,727,831	1,704,261
Insurance	253,585	214,164	213,212
Depreciation and amortization	<u>571,726</u>	<u>623,676</u>	<u>618,174</u>
 Total operating expenses	 <u>31,453,685</u>	 <u>33,410,320</u>	 <u>40,581,137</u>
 Operating income (loss)	 <u>(1,740,408)</u>	 <u>1,054,443</u>	 <u>(1,096,540)</u>
 Nonoperating revenues (expenses)			
COVID 19 Stimulus revenue recognized (Note 17)	1,769,140	-	-
Investment income	31,978	25,979	26,158
Interest expense	<u>(47,583)</u>	<u>(28,849)</u>	<u>(27,873)</u>
 Excess of revenues (expenses) before capital grants and contributions	 13,127	 1,051,573	 (1,098,255)
 Capital grants and contributions	 <u>238,268</u>	 <u>39,541</u>	 <u>19,470</u>
 Increase (decrease) in net position	 251,395	 1,091,114	 (1,078,785)
 Net position at beginning of year	 <u>9,511,402</u>	 <u>8,420,288</u>	 <u>9,499,073</u>
 Net position at end of year	 \$ <u>9,762,797</u>	 \$ <u>9,511,402</u>	 \$ <u>8,420,288</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 30,775,397	\$ 34,630,546	\$ 37,438,261
Other receipts and payments, net	1,043,138	1,341,736	1,210,537
COVID 19 Program funds received	6,887,720	-	-
Payments to suppliers and contractors	(23,388,890)	(24,586,146)	(30,755,004)
Payments for employees and benefits	<u>(9,292,721)</u>	<u>(9,397,267)</u>	<u>(9,927,741)</u>
Net cash provided (used) by operating activities	<u>6,024,644</u>	<u>1,988,869</u>	<u>(2,033,947)</u>
Cash flows from investing activities:			
Interest on investments	31,978	25,979	26,158
Change in assets whose use is limited	(4,685)	(26,470)	57,037
Purchases of investments	<u>(4,974,520)</u>	<u>(2,656)</u>	<u>(2,547)</u>
Net cash provided (used) by investing activities	<u>(4,947,227)</u>	<u>(3,147)</u>	<u>80,648</u>
Cash flows from capital and related financing activities:			
Capital grants and contributions	238,268	39,541	19,470
Proceeds of PPP loan	1,674,948	-	-
Interest paid on long-term debt	(47,583)	(27,623)	(27,873)
Payments on capital lease obligation	(13,316)	-	-
Principal payments on long-term debt	(48,000)	(46,000)	(106,600)
Proceeds from sale of capital assets	2,500	-	-
Purchase of capital assets	<u>(541,005)</u>	<u>(81,211)</u>	<u>(469,848)</u>
Net cash provided (used) by capital and related financing activities:	<u>1,265,812</u>	<u>(115,293)</u>	<u>(584,851)</u>
Net increase (decrease) in cash and cash equivalents	2,343,229	1,870,429	(2,538,150)
Beginning cash and cash equivalents	<u>2,584,410</u>	<u>713,981</u>	<u>3,252,131</u>
Ending cash and cash equivalents	\$ <u>4,927,639</u>	\$ <u>2,584,410</u>	\$ <u>713,981</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,740,408)	\$ 1,054,443	\$ (1,096,540)
Adjustments to reconcile operating income (loss) to net cash flows provided (used) by operating activities:			
COVID 19 Program funds recorded as non-operating	1,769,140	-	-
(Gain) loss on disposition of assets	(2,500)	995	42,888
Depreciation and amortization	571,726	623,676	618,174
Prior construction in progress expensed	-	7,063	-
(Increase) decrease in:			
Accounts receivable, net	2,077,008	1,486,013	(876,092)
Other assets	(57,744)	(105,399)	32,007
Increase (decrease) in:			
Accounts payable and accrued expenses	(1,761,678)	(1,106,022)	(740,121)
COVID 19 Program liabilities	5,118,580	-	-
Estimated third-party payor settlements	<u>50,520</u>	<u>28,100</u>	<u>(14,263)</u>
Net cash provided (used) by operating activities	\$ <u>6,024,644</u>	\$ <u>1,988,869</u>	\$ <u>(2,033,947)</u>
Supplemental disclosure of cash flow information			
Cash payments for:			
Interest (net of interest capitalized)	\$ <u>47,583</u>	\$ <u>27,623</u>	\$ <u>27,873</u>
Noncash financial transactions			
Acquisition of equipment through capital lease	<u>43,006</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organizations

Claiborne Memorial Medical Center (the "Hospital") operates as an enterprise fund of the Town of Homer, Louisiana. The Hospital is controlled by a board of directors, who are a separate and distinct body from the Selectmen of the Town of Homer. The board members consist of citizens appointed by the Mayor and Selectmen of the Town of Homer. The board members serve without compensation.

As the governing authority of the Town, for reporting purposes, the Town of Homer is the financial reporting entity for the Hospital. The Hospital's financial accountability as a component unit, is defined in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended. The accompanying financial statements present information only on the funds maintained by the Hospital.

During the year ended June 30, 2015, governance of the hospital was transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution requiring the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center.

Claiborne Healthcare Foundation, Inc. (the "Foundation") was incorporated January 1, 2007, as a Louisiana non-profit organization to support specific capital projects that complement the mission of Homer Memorial Hospital. The Hospital Board has pledged to fund the operational expenses of the Foundation so that 100% of the contributions to the Foundation can be allocated according to the donors' restrictions. The Foundation is included in the Hospital's reporting entity because of the significance of its operational and financial relationship with the Hospital. Collectively, Claiborne Memorial Medical Center and its affiliate are hereafter referred to as the "Hospital".

Nature of Business

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through "swing beds"), home health, and inpatient psychiatric services to patients from Claiborne and surrounding parishes and counties. The hospital facility is licensed for 47 patient beds, and has a state-of-the art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

The Foundation's purpose is to engage in the solicitation, receipt and administration of funds and property, and from time to time, to disburse such funds or property and the income therefrom, to or for the benefit of the Hospital.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying financial statements include the accounts and transactions of the Hospital combined with its affiliate, Claiborne Healthcare Foundation, Inc. All material intercompany accounts and transactions have been eliminated.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. 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) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates and assumptions are used for, but are not limited to, contractual allowances for revenue adjustments, allowance for doubtful accounts, and depreciable lives of assets.

Accounting estimates used in the preparation of the financial statements may change as new events occur and additional information is obtained. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. In particular, laws and regulations governing 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.

Income Taxes

The Hospital is a political subdivision and exempt from taxation. The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has been classified as an organization other than a private foundation.

The Foundation adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Foundation is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2016.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside by the Foundation Board, restricted by contributors' designations for capital projects and designated assets set aside by the Hospital Board, over which the Hospital Board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

Patient accounts receivable is reported at net realizable value, after recognition of allowances for estimated uncollectible accounts. The allowance for uncollectible accounts is based on historical losses and on analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible amounts and decreased by write-offs of accounts determined by management to be uncollectible.

Inventory

Inventories, which consist primarily of drugs and supplies, are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets, Net

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses the straight-line method of calculating depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Building and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 to 20 years

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Net (Continued)

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. The Hospital capitalizes depreciable property and equipment valued at \$5,000 or more, with a useful life greater than two years. The cost of assets retired or otherwise disposed of and related accumulated depreciation is eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in three components – net investment in capital assets, restricted net position, and unrestricted net position.

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted – Consists of all other assets that do not meet the definition of “restricted” or “net investment in capital assets” as described above.

Deferred outflows represent the consumption of the Hospital’s net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Hospital had no deferred outflows or inflows of resources at June 30, 2020, 2019 and 2018.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital’s policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The Hospital’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital’s principal activity. Non-exchange revenues, not including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

The Hospital formed collaborations with the State and area rural hospitals to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy population. These collaborations enable the rural hospitals to increase support for the state Medicaid program up to federal Medicaid Upper Payment Limits (UPL). During fiscal years 2020, 2019 and 2018 the Hospital acted as grantor for the UPL

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses (Continued)

program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$15,939,460, \$17,884,603 and \$24,400,045 under the program, which is included as Medicaid patient service revenue, and disbursed \$15,179,269, \$17,070,486 and \$23,591,662 to participating hospitals. In accordance with Medicaid reporting requirements, the total grant funds is included in net patient service revenue and the total disbursements to participating hospitals is included in operating expenses.

Grants and Contributions

From time to time, the Hospital 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 eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, that provide for 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 estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes 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.

Credit Risk

The Hospital is located in Homer, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental healthcare entities.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 4. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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; except for workers compensation, general, and professional liability claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 13 for discussion of professional and general liability risk.

Charity Care

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

New Accounting Standards

ASU 2014-09, *Revenue from Contracts with Customers*, as amended was to be effective for the Hospital's fiscal year beginning July 1, 2019. Due to the COVID-19 pandemic, the effective date will be for the fiscal year beginning July 1, 2020. The hospital is evaluating the requirements of the new standard, but it is not expected to have a significant impact on the recognition of net revenues or related disclosures for any period.

NOTE 3 - DEPOSITS AND INVESTMENTS

Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Currently all amounts shown as investments are interest-bearing deposits. Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose "cash in banks" is comprised of the account balances according to the banks' records.

Account balances according to banks' records at June 30, 2020, for the Hospital are as follows:

	<u>First</u> <u>Guaranty</u>	<u>Gibsland Bank</u> <u>and Trust</u>	<u>Citizens</u> <u>National</u>
Cash in bank	\$ <u>2,000,335</u>	\$ <u>5,442,356</u>	\$ <u>3,767,671</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>1,750,335</u>	\$ <u>5,192,356</u>	\$ <u>3,517,671</u>
Uncollateralized	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at June 30, 2020, for the Foundation are as follows:

	First <u>Guaranty</u>	Gibsland <u>Bank</u>
Cash in banks	\$ <u>20,224</u>	\$ <u>52,536</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>-</u>	\$ <u>-</u>
Uncollateralized	\$ <u>-</u>	\$ <u>-</u>

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits might not be recovered. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. Claiborne Memorial Medical Center's deposits were entirely insured or collateralized by securities held by the pledging bank in the Hospital's name at June 30, 2020, 2019, and 2018. The Affiliate's (Foundation) had no uninsured deposits at June 30, 2020, 2019 and 2018.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value is to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The carrying amounts of deposits and investments are included in the Hospital's balance sheets at June 30 as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Carrying amount			
Deposits	\$ 4,927,639	\$ 2,584,410	\$ 713,981
Investments	<u>6,534,424</u>	<u>1,555,219</u>	<u>1,526,093</u>
Totals	\$ <u>11,462,063</u>	\$ <u>4,139,629</u>	\$ <u>2,240,074</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 4,927,639	\$ 2,584,410	\$ 713,981
Short-term investments	5,295,743	321,223	318,567
Assets limited as to use - current	126,796	126,784	126,930
Assets limited as to use - noncurrent	<u>1,111,885</u>	<u>1,107,212</u>	<u>1,080,596</u>
Totals	\$ <u>11,462,063</u>	\$ <u>4,139,629</u>	\$ <u>2,240,074</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 4 - RECEIVABLES, NET AND PATIENT SERVICE REVENUE

Accounts Receivable

A summary of net receivables at June 30 is presented below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable			
Patient accounts receivable, net of contractual allowances	\$ 2,387,578	\$ 3,464,724	\$ 4,498,630
Estimated uncollectibles	<u>(1,049,822)</u>	<u>(1,096,053)</u>	<u>(2,530,754)</u>
Net patient accounts receivable	1,337,756	2,368,671	1,967,876
Receivable - Medicaid Fiscal Intermediary	980,112	2,334,290	4,286,430
Third-party cost based settlements	<u>419,262</u>	<u>111,177</u>	<u>45,845</u>
Receivables, net	\$ <u>2,737,130</u>	\$ <u>4,814,138</u>	\$ <u>6,300,151</u>

The following is a summary of the mix of gross receivables from patients and third-party payors at June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	21%	37%	34%
Medicaid	18%	16%	15%
Other third-party payors	21%	24%	10%
Others	<u>40%</u>	<u>23%</u>	<u>41%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Patient Service Revenue

Percentage mix of gross revenue for the years ended June 30, 2020, 2019 and 2018 for patient services rendered under contract with major third-party cost reimbursers follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	57%	56%	56%
Medicaid	24%	25%	26%
Commercial	14%	15%	14%
Self-pay and other	5%	4%	4%
Total patient revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Hospital is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Hospital.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 5 - ASSETS LIMITED AS TO USE

The components of assets limited as to use at June 30, is set forth in the following table. Investments are stated at fair value and are comprised primarily of certificates of deposit and money market brokerage accounts.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Restricted by third parties			
Capital improvement	\$ 94,004	\$ 86,029	\$ 82,204
Self-funded insurance fund	<u>126,796</u>	<u>126,784</u>	<u>126,772</u>
Total restricted by third parties	<u>220,800</u>	<u>212,813</u>	<u>208,976</u>
Internally designated by board			
Education fund	-0-	-0-	158
Long-term investment fund	804,099	795,771	787,068
Investment fund	<u>213,782</u>	<u>225,412</u>	<u>211,324</u>
Total internally designated by board	<u>1,017,881</u>	<u>1,021,183</u>	<u>998,550</u>
Total assets limited as to use	1,238,681	1,233,996	1,207,526
Less: Current portion	<u>126,796</u>	<u>126,784</u>	<u>126,930</u>
Non current assets limited as to use	\$ <u>1,111,885</u>	\$ <u>1,107,212</u>	\$ <u>1,080,596</u>

NOTE 6 - OTHER CURRENT ASSETS

The following is a summary of other current assets at June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Education contracts receivable	\$ 22,498	\$ -	\$ -
Sales tax receivable	60,032	59,050	57,419
Miscellaneous receivables	<u>3,775</u>	<u>7,485</u>	<u>1,525</u>
Balance, end of year	\$ <u>86,305</u>	\$ <u>66,535</u>	\$ <u>58,944</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 7 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at June 30:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,358,223	-	-	12,358,223
Leasehold improvements	20,620	-	-	20,620
Equipment	6,843,635	558,643	-	7,402,278
Construction in progress	<u>99,035</u>	<u>25,368</u>	-	<u>124,403</u>
Total	19,706,340	584,011	-	20,290,351
Accumulated depreciation	<u>(14,344,452)</u>	<u>(571,726)</u>	-	<u>(14,916,178)</u>
Net	<u>\$ 5,361,888</u>	<u>\$ 12,285</u>	<u>\$ -</u>	<u>\$ 5,374,173</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,361,043	-	2,820	12,358,223
Leasehold improvements	20,620	-	-	20,620
Equipment	7,062,949	45,370	264,684	6,843,635
Construction in progress	<u>70,255</u>	<u>69,969</u>	<u>41,189</u>	<u>99,035</u>
Total	19,899,694	115,339	308,693	19,706,340
Accumulated depreciation	<u>(13,987,283)</u>	<u>(623,676)</u>	<u>(266,507)</u>	<u>(14,344,452)</u>
Net	<u>\$ 5,912,411</u>	<u>\$ (508,337)</u>	<u>\$ 42,186</u>	<u>\$ 5,361,888</u>
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,361,043	-	-	12,361,043
Leasehold improvements	20,620	-	-	20,620
Equipment	10,539,549	522,682	3,999,282	7,062,949
Construction in progress	<u>123,088</u>	<u>269,512</u>	<u>322,345</u>	<u>70,255</u>
Total	23,429,127	792,194	4,321,627	19,899,694
Accumulated depreciation	<u>(17,325,502)</u>	<u>(618,174)</u>	<u>(3,956,393)</u>	<u>(13,987,283)</u>
Net	<u>\$ 6,103,625</u>	<u>\$ 405,195</u>	<u>\$ 646,506</u>	<u>\$ 5,912,411</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt and capital lease obligations at June 30 follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
2015 Series bonds payable	328,000	-	48,000	280,000	48,000
Paycheck Protection Program loan	-	1,674,948	-	1,674,948	-
Great American capital lease	-	43,006	13,316	29,690	14,300
Total	\$ 328,000	\$ 1,717,954	\$ 61,316	\$ 1,984,638	\$ 62,300

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
2015 Series bonds payable	374,000	-	46,000	328,000	48,000
Total	\$ 374,000	\$ -	\$ 46,000	\$ 328,000	\$ 48,000

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
2015 Series bonds payable	418,000	-	44,000	374,000	46,000
2011 Series B bonds payable	62,600	-	62,600	-	-
Total	\$ 480,600	\$ -	\$ 106,600	\$ 374,000	\$ 46,000

The terms and due dates of the Hospital's long-term debt, at June 30, 2020, 2019 and 2018, follow:

- 3.25% 2011B Hospital revenue bonds, principal and interest payable in monthly payments of \$9,040, collateralized by a pledge of Hospital operating revenue. Bonds matured on February 15, 2018.
- 3.75% 2015 Hospital revenue bonds, principal payable in annual installments due December 1 of each year, beginning at \$40,000 and increasing in increments of \$2,000- \$3,000 annually. Interest is payable in semi-annual installments. The bonds are collateralized by a pledge of Hospital operating revenue. Bonds mature on December 1, 2024.
- In May 2020, the Hospital received a \$1,674,948 loan under the Small Business Administration's Paycheck Protection Program (the "Program"). Loan proceeds are to be used to cover payroll expenses and certain other overhead expenses as defined by the Program. To the extent the Hospital is able to use the proceeds for qualified expenses, loan proceeds may be forgiven. The Hospital expects the loan to be fully forgiven. Payments on any unforgiven loan proceeds are due monthly beginning ten months from the end of the covered period and bear interest at 1.0%. The loan matures in May, 2022.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 8 - LONG-TERM DEBT (Continued)

- Capital lease obligation with imputed interest rate of 7.15%, collateralized by equipment with a cost of \$43,006 and book value of \$34,405 at June 30, 2020. Principal and interest payments of \$1,330 began July, 2019 and the maturity date is June, 2022.

Scheduled principal and interest repayments on long-term debt and capital lease obligations, excluding the PPP loan are as follows:

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 51,000	11,400	14,300	1,660
2022	1,727,948	9,544	15,390	604
2023	56,000	7,594	-	-
2024	59,000	5,550	-	-
2025	61,000	3,394	-	-
Total	\$ <u>1,954,948</u>	\$ <u>37,482</u>	<u>29,690</u>	\$ <u>2,264</u>

NOTE 9 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The Hospital previously rented space for IOP Services from North Claiborne Hospital Service District No. 1 for \$2,500 per month on an annual renewal lease. During the year ended June 30, 2019, the Hospital Service District entered into a Cooperative Endeavor Agreement to manage and control the property previously leased. See Note 16 for discussion of the Cooperative Endeavor Agreement. All current operating leases are on a short-term renewal basis.

NOTE 10 - 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. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute, psychiatric and outpatient services rendered to Medicare program beneficiaries are paid primarily by prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare bad debts and are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. 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.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate which is adjusted annually based on published market basket updates (inpatient) or adjusted cost-to-charge ratios per annual cost reports (outpatient) as submitted by the Hospital and settle by the Medicaid fiscal intermediary.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health and Hospitals before the settlement amount becomes final. The Hospital does not anticipate significant adverse adjustments on cost reports which remain open.

Home health services are paid by Medicare under a per episode prospective payment system (PPS) and by Medicaid under a PPS per visit method. Commercial and uninsured visits are not significant.

Following is a schedule of patient service revenue at established rates and charges foregone for the years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross patient service charges	\$ 35,225,920	\$ 38,556,669	\$ 39,757,241
Medicaid UPL grants received as grantor	15,939,460	17,884,603	24,400,045
Medicare and Medicaid contractual adjustments	(18,486,168)	(18,627,586)	(19,265,443)
Other third-party payor contractual adjustments	(2,537,438)	(3,145,395)	(5,106,926)
Provision for bad debts	(1,493,905)	(1,551,858)	(1,444,342)
Charity care	-0-	-0-	(11,959)
	<hr/>	<hr/>	<hr/>
Net patient service revenue	\$ <u>28,647,869</u>	\$ <u>33,116,433</u>	\$ <u>38,328,616</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

The Hospital receives a substantial portion of its revenue from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare and Medicaid gross patient charges	\$ 28,499,704	\$ 31,206,159	\$ 32,498,438
Contractual adjustments	<u>(18,486,168)</u>	<u>(18,627,586)</u>	<u>(21,099,806)</u>
Program patient service revenue without Medicaid UPL Intermediary Payments	\$ <u>10,013,536</u>	\$ <u>12,578,573</u>	\$ <u>11,398,632</u>
% of total gross patient charges from Medicare and Medicaid	<u>81%</u>	<u>81%</u>	<u>82%</u>
% of total net patient revenue from Medicare and Medicaid	<u>35%</u>	<u>38%</u>	<u>30%</u>

NOTE 11 - COMPENSATED ABSENCES

As of June 30, 2020, 2019, and 2018, the Hospital has accrued a compensated absence liability of \$420,107, \$339,406, and \$336,000, respectively. The Hospital pays accrued vacation absences upon termination, if proper notice and termination procedures are followed.

NOTE 12 – RETIREMENT PLANS

Effective January 1, 2007, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to join the plan upon completion of 90 days of continuous full-time employment. Employees are immediately 100% vested on contributions to the plan through a salary reduction agreement.

Effective January 1, 2007, the Hospital sponsors a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). The Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for eligible employees that are actively employed on the last day of each plan year.

Acuff and Associates is the third party administrator of the 457(b) and the 401(a) plans. The Board of Commissioners adopted these plans and may change the terms of the plans to improve administration and can, at their discretion, increase or decrease the contribution percentages.

Employer contributions to the plans totaled \$164,051, 186,282 and \$179,646 for the years ended June 30, 2020, 2019 and 2018, respectively.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 13 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. 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:

Governmental Third-Party Reimbursement Programs (Note 10) - 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 adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare programs, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital. 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.

Professional and General Liability Risk - Effective for claims filed after May 1, 2004, the Hospital discontinued professional and general liability insurance coverage through the Louisiana Hospital Association Trust Fund. The Hospital continues to participate in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage for actual claims (attorney fees are the Hospital's responsibility) per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The Hospital included provision of \$35,000, \$55,000, and \$45,000 at June 30, 2020, 2019, and 2018, respectively, for professional liability losses and legal defense costs not covered by the Louisiana Patient's Compensation Fund. The Hospital is contingently liable for losses and related defense costs from professional liability not underwritten by the Louisiana Patient's Compensation Fund. The Hospital

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 13 – CONTINGENCIES (Continued)

included no provision at June 30, 2020, 2019, and 2018 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

A reconciliation of the changes in the aggregate uninsured professional and general liability is as follows:

	Professional/General Liability		
	2020	2019	2018
Balance, beginning of year	\$ 55,000	\$ 45,000	\$ 40,000
Claim payments	(54,000)	-	(10,456)
Change in estimate	(1,000)	(45,000)	(29,544)
Incurred claims	35,000	55,000	45,000
Balance, end of year	\$ 35,000	\$ 55,000	\$ 45,000

NOTE 14 - GRANT REVENUE

The Hospital recognized operating grant income of approximately \$1,129 and \$34,789 from Medicare during the years ended June 30, 2019 and 2017, respectively, as an incentive for implementing electronic health records (EHR). These amounts are included in noncapital grants. No payment was received in the year ended June 30, 2018. The key component of receiving the EHR incentive payments is “demonstrating meaningful use”, which is meeting a series of objectives that make use of an EHR’s potential related to the improvement of quality, efficiency, and patient safety. The Hospital’s policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management’s best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

Various other grants were received during the year for other uses.

NOTE 15 – UPPER PAYMENT LIMIT (UPL) PROGRAM REVENUES

The Hospital formed collaborations with the State and several hospitals in Louisiana to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy population. The Hospital received grants of \$760,191, \$814,117, and \$808,383 in 2019, 2018 and 2017, respectively under this program. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. The gross income from these grants is included in net patient service revenue and payments to other participating hospitals is shown as Intergovernmental transfers in operating expenses.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 16 – COOPERATIVE ENDEAVOR AGREEMENT

During FYE 2019, the Hospital Service District (HSD 3) entered into a Cooperative Endeavor Agreement with Claiborne Parish Hospital Service District #1 (HSD 1) which consolidated healthcare operations within Claiborne Parish and transferred control and management over facilities owned by HSD 1 to HSD 3. The Hospital's Intensive Outpatient Services program is located in one facility and the other is leased to a medical clinic. The Hospital began receiving monthly rental income from the medical clinic effective March, 2019. In addition, the Hospital received cash of \$208,000 from HSD 1, which was recognized as revenue in FYE 2019.

NOTE 17 – CORONAVIRUS 2019 PROGRAM FUNDS

A novel strain of coronavirus surfaced in another country and has spread around the world, resulting in business and social disruption. In March 2020, the novel coronavirus (COVID-19) global pandemic began affecting the Hospital's employees, patients, communities, and operations, as well as the United States economy and financial markets. The Centers for Medicare and Medicaid Services and the Louisiana Department of Health requested the postponement of elective surgeries and other non-essential procedures and medical services from approximately March 19, 2020 until April 27, 2020. While disruption related to the pandemic is expected to be temporary, much of its future impact remains unknown and difficult to predict. There is a likelihood that this pandemic will affect the District's financial performance in fiscal year 2021 and potentially beyond. The related financial impact and duration cannot be reasonably estimated at this time.

During the fourth quarter of the year ended June 30, 2020, the Hospital received approximately \$2,378,000 of accelerated Medicare payments and approximately \$4,510,000 in Provider Relief Fund distributions, both as provided for under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. The Hospital's management will continue to monitor compliance with the terms and conditions of the Provider Relief Fund. These funds are initially recognized as a liability and are recognized as revenue when the applicable conditions are met. The total revenue recognized from these funds for the year ended June 30, 2020 was \$1,769,140. Funds expended under the Provider Relief Fund program will be subject to single audit requirements beginning with the Hospital's June 30, 2021 year-end.

NOTE 18 – OPIOID GRANT PROGRAM

The Hospital has received two grants from the Department of Health and Human Services under the Rural Communities Opioid Response program related to development of an Opioid Treatment Facility, both of which are on a cost reimbursement basis. The initial grant of \$200,000, approved in May, 2019, was a one year grant for planning purposes. To date, \$146,738 has been received from this grant. The second grant has a 3 year project period for program implementation purposes. The initial award from this grant is \$1,000,000 for the budget period September 1, 2019 – August 31, 2022. To date, \$34,568 has been received from this grant.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 19 - CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$56,963, \$39,531, and \$19,470 are included in capital grants and contributions for the years ended June 30, 2020, 2019, and 2018, respectively. Hospital support of operational expenses for the Foundation were \$143, \$10,030, and \$153 during years ended June 30, 2020, 2019, and 2018, respectively.

Following is a summary of net position and results of operations of the Foundation as of June 30, 2020, 2019, and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Limited use assets	\$ <u>94,004</u>	\$ <u>86,029</u>	\$ <u>82,204</u>
LIABILITIES			
Contribution Payable	-	-	20,037
NET POSITION	<u>94,004</u>	<u>86,029</u>	<u>62,167</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ <u>94,004</u></u>	<u>\$ <u>86,029</u></u>	<u>\$ <u>82,204</u></u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUE			
Contributions from third parties	\$ 56,963	\$ 39,531	\$ 19,470
Non-cash contributions from Hospital	143	10,030	153
Interest & gain/loss on investments	<u>17</u>	<u>39</u>	<u>121</u>
Total Revenue	<u>57,123</u>	<u>49,600</u>	<u>19,744</u>
EXPENSES			
Grants to Claiborne Memorial Medical Center	48,867	15,556	63,277
Other expense	281	152	(25)
Administrative expense	<u>-0-</u>	<u>10,030</u>	<u>153</u>
Total Expenses	<u>49,148</u>	<u>25,738</u>	<u>63,405</u>
Increase (decrease) in net position	<u>\$ <u>7,975</u></u>	<u>\$ <u>23,862</u></u>	<u>\$ <u>(43,661)</u></u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 20 – RELATED PARTY TRANSACTIONS

As discussed in Note 9, the Hospital signed a lease agreement with a medical clinic for a portion of the property received in the Cooperative Endeavor Agreement for a monthly rental of \$4,000. The lease term is August 1, 2019 – July 31, 2024. One of the shareholders of the medical clinic is a Hospital board member. The total rent income related to this lease received in the year ended June 30, 2020 was \$44,000.

Future amounts due to the Hospital under the lease agreement are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 48,000
2022	48,000
2023	48,000
2024	48,000
2025	<u>4,000</u>
Total minimum lease income	\$ <u>196,000</u>

There was no compensation paid to board members for the years ended June 30, 2020 or 2019.

NOTE 21 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 17, 2020, which is the date the financial statements were available to be issued, and determined the following disclosures

See Note 17 for a discussion of coronavirus related uncertainties.

In July, 2020, the Hospital received an additional \$1,900,000 in Provider Relief Funds subject to the same requirements as previous amounts received.

In July, 2020, the Hospital signed a Facility Affiliation Agreement with Willis Knighton Medical Center under which Willis Knighton will provide support services provided in the agreement as needed, but will not maintain any control over the Hospital.

In November, 2020, the Hospital accepted bids for 2020 Series Hospital Revenue Bonds in the amount of \$1,000,000. The bid that was accepted was for a fixed rate of 20 years at 2.50%, with the option to call at any time with 30 days' notice.

SUPPLEMENTARY FINANCIAL INFORMATION

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Routine services:			
Adult and pediatric	\$ 4,168,726	\$ 4,673,658	\$ 4,179,728
Intensive care unit	1,328,410	1,487,445	1,507,320
Senior care	494,001	1,251,972	1,490,993
IOP services	823,750	770,500	712,175
Swing bed	<u>156,996</u>	<u>228,438</u>	<u>409,689</u>
 Total routine services	 <u>6,971,883</u>	 <u>8,412,013</u>	 <u>8,299,905</u>
Other professional services:			
Operating room			
Inpatient	75,007	96,696	122,780
Outpatient	<u>539,672</u>	<u>691,239</u>	<u>622,221</u>
 Total	 <u>614,679</u>	 <u>787,935</u>	 <u>745,001</u>
Anesthesia			
Inpatient	38,415	54,925	45,370
Outpatient	<u>245,310</u>	<u>285,935</u>	<u>243,295</u>
 Total	 <u>283,725</u>	 <u>340,860</u>	 <u>288,665</u>
Radiology			
Inpatient	1,263,863	1,256,650	1,250,311
Outpatient	<u>4,223,359</u>	<u>4,602,888</u>	<u>4,576,730</u>
 Total	 <u>5,487,222</u>	 <u>5,859,538</u>	 <u>5,827,041</u>
Laboratory			
Inpatient	1,926,261	1,949,932	2,100,346
Outpatient	<u>3,194,081</u>	<u>2,831,497</u>	<u>3,512,735</u>
 Total	 <u>5,120,342</u>	 <u>4,781,429</u>	 <u>5,613,081</u>
Blood			
Inpatient	224,407	263,025	345,601
Outpatient	<u>133,317</u>	<u>164,248</u>	<u>207,633</u>
 Total	 <u>\$ 357,724</u>	 <u>\$ 427,273</u>	 <u>\$ 553,234</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Respiratory therapy			
Inpatient	\$ 2,496,102	\$ 2,666,216	\$ 3,236,391
Outpatient	<u>595,455</u>	<u>550,393</u>	<u>465,702</u>
Total	<u>3,091,557</u>	<u>3,216,609</u>	<u>3,702,093</u>
Physical therapy			
Inpatient	74,085	86,320	124,384
Outpatient	<u>158,410</u>	<u>184,645</u>	<u>143,445</u>
Total	<u>232,495</u>	<u>270,965</u>	<u>267,829</u>
Occupational therapy			
Inpatient	76,335	92,530	124,340
Outpatient	<u>182,290</u>	<u>257,555</u>	<u>175,905</u>
Total	<u>258,625</u>	<u>350,085</u>	<u>300,245</u>
Central supply			
Inpatient	369,927	481,438	448,784
Outpatient	<u>406,793</u>	<u>536,028</u>	<u>458,772</u>
Total	<u>776,720</u>	<u>1,017,466</u>	<u>907,556</u>
Pharmacy			
Inpatient	2,517,962	3,133,021	3,404,172
Outpatient	<u>1,877,605</u>	<u>1,990,143</u>	<u>1,907,904</u>
Total	<u>4,395,567</u>	<u>5,123,164</u>	<u>5,312,076</u>
Outpatient treatment area			
Outpatient	<u>192,570</u>	<u>289,005</u>	<u>227,667</u>
Total	\$ <u>192,570</u>	\$ <u>289,005</u>	\$ <u>227,667</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Emergency room			
Inpatient	\$ 970,292	\$ 1,215,241	\$ 1,103,588
Outpatient	<u>5,542,535</u>	<u>5,461,990</u>	<u>5,651,673</u>
Total	<u>6,512,827</u>	<u>6,677,231</u>	<u>6,755,261</u>
Home health			
Skilled nursing visits	707,850	727,210	697,202
Physical therapy visits	178,875	228,165	219,155
Occupational therapy visits	-0-	1,068	-0-
Aide visits	36,410	29,810	32,670
Medical supplies	<u>6,849</u>	<u>16,843</u>	<u>8,560</u>
Total	<u>929,984</u>	<u>1,003,096</u>	<u>957,587</u>
UPL grant funds received as grantor	<u>15,939,460</u>	<u>17,884,603</u>	<u>24,400,045</u>
Other professional services			
Inpatient	10,032,656	11,295,994	12,306,067
Outpatient	17,291,397	17,845,566	18,193,682
Home health	<u>929,984</u>	<u>1,003,096</u>	<u>957,587</u>
Total other professional services	<u>28,254,037</u>	<u>30,144,656</u>	<u>31,457,336</u>
Gross patient service charges	<u>51,165,380</u>	<u>56,441,272</u>	<u>64,157,286</u>
Contractual adjustments	(21,023,606)	(21,772,981)	(24,372,369)
Provision for bad debts	(1,493,905)	(1,551,858)	(1,444,342)
Charity care	<u>-</u>	<u>-</u>	<u>(11,959)</u>
Total patient service allowances	<u>(22,517,511)</u>	<u>(23,324,839)</u>	<u>(25,828,670)</u>
Net patient service revenue	<u>\$ 28,647,869</u>	<u>\$ 33,116,433</u>	<u>\$ 38,328,616</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cafeteria	\$ 130,063	\$ 165,919	\$ 137,865
Medical records	2,722	2,638	4,928
Vending machines	5,445	7,974	7,422
Rental income	46,000	13,304	3,763
Sales tax revenue	625,423	624,627	643,428
F Purchase discounts	17,019	21,001	28,309
Medicaid Physician IPA	133,412	258,180	333,122
Gain (loss) on asset dispositions	2,500	(995)	(42,888)
Intergovernmental contribution - Claiborne HSD #1	-	208,481	-
Miscellaneous	<u>98,228</u>	<u>42,457</u>	<u>33,478</u>
Total other operating revenue	\$ <u>1,060,812</u>	\$ <u>1,343,586</u>	\$ <u>1,149,427</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Salaries:			
Administrative and general	\$ 1,353,190	\$ 1,197,745	\$ 1,284,746
Plant operations and maintenance	123,440	87,656	95,310
Quality	23,574	39,325	36,822
Housekeeping	176,588	153,437	164,147
Dietary and cafeteria	190,823	189,766	181,654
Nursing administration	57,909	17,891	38,298
Central supply	26,262	88,919	109,476
Pharmacy	282,521	286,144	275,885
Medical records	182,029	217,984	182,971
Nursing services	1,458,023	1,263,837	1,531,695
Intensive OP services	179,716	176,989	254,437
Intensive care unit	682,586	659,979	597,912
Senior care unit	203,160	519,786	459,556
Operating room	219,137	240,343	354,465
Anesthesia	34,012	121,267	1,698
Radiology	317,563	289,828	314,997
Laboratory	553,264	469,927	509,387
Respiratory therapy	304,531	323,621	315,609
Emergency room	991,436	960,507	1,080,749
Home health	208,647	246,438	225,495
Outpatient treatment area	<u>52,949</u>	<u>51,066</u>	<u>50,653</u>
Total salaries	\$ <u>7,621,360</u>	\$ <u>7,602,455</u>	\$ <u>8,065,962</u>
Benefits and payroll taxes:			
Payroll taxes	\$ 556,954	\$ 572,107	\$ 568,578
Health insurance	834,927	671,802	975,092
Other benefits	<u>377,184</u>	<u>394,982</u>	<u>374,288</u>
Total benefits and payroll taxes	\$ <u>1,769,065</u>	\$ <u>1,638,891</u>	\$ <u>1,917,958</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SUPPLIES AND DRUGS
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Administration	\$ 539,836	\$ 484,397	\$ 556,170
Housekeeping	98,598	106,836	106,591
Maintenance	7,738	5,620	10,253
Dietary	213,795	244,415	265,867
Medical records	19,758	28,674	4,868
Adults and pediatrics	152,237	116,732	116,891
Infection control	-	3,085	-
Intensive care unit	64,975	75,407	77,375
Intensive outpatient program	2,059	1,928	1,292
Emergency room	61,102	74,663	72,107
Operating room	46,641	65,885	69,614
Anesthesiology	315	271	5
Radiology	16,867	23,094	21,970
Laboratory	414,155	357,764	481,431
Blood	76,904	116,620	86,447
Physical therapy	575	507	2,045
Occupational therapy	680	152	202
Central supply	2,543	4,643	3,390
Respiratory therapy	32,363	65,484	49,323
Pharmacy	413,950	478,522	549,733
Outpatient treatment area	6,865	6,190	6,621
Quality	166	264	1,908
Home health	26,110	6,643	4,187
Senior care	1,047	3,191	3,740
	<u> </u>	<u> </u>	<u> </u>
Total supplies and drugs	\$ <u>2,199,279</u>	\$ <u>2,270,987</u>	\$ <u>2,492,030</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating room	\$ -	\$ 5,000	\$ 350
Anesthesiology	50,171	-	-
Laboratory	142,829	105,413	83,272
Respiratory therapy	2,430	2,010	3,620
Physical therapy	124,519	142,894	141,675
Occupational therapy	127,717	169,789	134,703
Speech therapy	-	1,975	5,120
Pharmacy	29,727	42,466	36,490
Intensive care unit	-	-	22,581
Emergency room	1,256,794	1,189,380	1,073,902
Outpatient treatment area	67,817	104,353	85,023
Intensive OP services	39,000	54,500	30,528
Home health	57,375	78,533	70,210
Senior care	52,969	110,338	141,929
Dietary	28,425	21,073	16,562
Medical records	50,708	76,299	42,730
Med Surg unit	-	5,000	3,600
Quality	40,002	9,709	-
Administration	<u>134,271</u>	<u>143,098</u>	<u>85,583</u>
 Total professional fees	 \$ <u>2,204,754</u>	 \$ <u>2,261,830</u>	 \$ <u>1,977,878</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Legal and accounting	\$ 223,965	\$ 210,168	\$ 227,798
Repairs and maintenance	480,406	509,131	461,024
Utilities	278,839	271,111	313,270
Telephone	61,878	87,613	156,726
Travel	23,503	14,838	23,121
Rentals	253,728	267,100	272,600
License, inspection and membership fees	104,535	135,605	80,122
Education	8,050	34,664	34,412
Postage	30,470	27,394	27,224
Public relations	53,335	55,563	27,672
Miscellaneous	<u>135,938</u>	<u>114,644</u>	<u>80,292</u>
 Total other expenses	 \$ <u>1,654,647</u>	 \$ <u>1,727,831</u>	 \$ <u>1,704,261</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PER DIEM AND
OTHER COMPENSATION PAID TO HOSPITAL BOARD MEMBERS
YEARS ENDED JUNE 30, 2020, 2019, AND 2018

	----- TERM -----		Compensation 2020
	<u>BEGAN</u>	<u>ENDING</u>	
Commissioners:			
Mr. Mark Alan Brown	Sept. 2015	Dec. 2022	None
Ms. Beverlee Kilgore	Sept. 2015	Dec. 2022	None
Mayor Xanthe Seals	Jan. 2019	Dec. 2023	None
Dr. Sam Abshire	Oct. 2015	Dec. 2020	None
Dr. Mark Haynes	Oct. 2015	Dec. 2020	None
Ms. Angela Kennedy	Jan. 2018	Dec. 2022	None
Mr. Sherman E. Brown	Oct. 2017	Dec. 2023	None
Mr. Kevin Gray	Jan. 2019	Dec. 2023	None
Mr. Albert L. Faulk	Sept. 2017	Dec. 2020	None

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2020

RISK COVERED	COVERAGE	PERIOD
Directors & Officers Liability	\$2,000,000	08/17/19-08/17/20
Commercial Insurance Package	Damage to Covered Property	\$45,613,115 8/17/19 - 8/17/20
	Time Element Loss	Included 8/17/19 - 8/17/20
	Expediting Expense	\$ 2,500,000 8/17/19 - 8/17/20
Physician & Surgeons Prof. Liability	LHA Physicians Trust Per Occurrence	\$100,000 1/29/20 - 1/29/21
	LHA Physicians Trust Annual Aggregate	\$300,000 1/29/20 - 1/29/21
	LA Patients Comp Fund	\$400,000 1/29/20 - 1/29/21
Commercial Automobile	Each Accident	\$1,000,000 8/17/19 - 8/17/20
Crime Policy	Employee Theft	\$500,000 11/1/18 - 11/1/21
	ERISA	\$500,000 11/1/18 - 11/1/21
	Computer Crime	\$500,000 11/1/18 - 11/1/21
	Funds Transfer Fraud	\$500,000 11/1/18 - 11/1/21
ER Physicians Liability	Each Medical Incident	\$1,000,000 3/1/20- 2/28/21
	Aggregate	\$3,000,000 3/1/20- 2/28/21
Senior Care General Liability	General Aggregate Limit	\$1,000,000 4/1/20 - 3/31/21
	Products / Completed Operations	Included 4/1/20 - 3/31/21
	Personal & Advertising Injury Limit	\$1,000,000 4/1/20 - 3/31/21
	Each Occurrence Limit	\$1,000,000 4/1/20 - 3/31/21
	Damage to Premises Rented	\$50,000 4/1/20 - 3/31/21
Patient's Compensation Fund	\$125,000	3/1/20- 2/28/21

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2020

Agency Head: Tina Haynes, CEO

Salary	140,774
Benefits – retirement	7,039
Travel	2,189

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

1900 NORTH 18TH STREET, SUITE 300
MONROE, LOUISIANA 71201
318-388-3108 PHONE • 318-323-4266 FAX

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

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

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 combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 17, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses: 2020-01 and 2020-02.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The 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. We did not audit the Hospital's response 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 17, 2020

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – No

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

2020-01 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective. The CFO has extensive accounting knowledge and will work closely with the auditors in the preparation of the financial statements and will review the statements prior to issuance.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Section II. Financial Statement Findings (Continued)

2020-02 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations of the operating account were not being reconciled to the general ledger cash accounts. Because the variance involved both prior and current year activity, Hospital personnel were unable to determine the cause of the variance. There was also no independent review of the bank reconciliations once prepared.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting. Each bank reconciliation should be independently reviewed by a member of management and the review documented.

Response: The CFO is implementing new reconciliation procedures on this account and will see that reconciliations are independently reviewed prior to monthly financial statements being prepared.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Section II. Financial Statement Findings

2019-01 - Revenues

Finding: The postings of various revenue items were misclassified during fiscal year 2019. This led to cost report receivables and other accounts being over or understated on an interim basis as well as at year end. The failure to share and seek documentation as to proper classification among management and the accounting staff contributed to these misclassifications.

Recommendation: Original correspondence from Medicare and Medicaid should be maintained in respective files for ease in locating documentation. Copies should be timely provided to relevant staff (top management plus payment information to accounting, billing information to the billing supervisor, etc.) with the routing tree on the original document. Training of staff to question unlabeled or questionable receipts will aid in mitigating the risk of future misclassifications.

Response: Entity was without a CFO for majority of the year. Newly hired CFO will institute procedures to verify that management and staff receive requisite documentation in a timely manner. Original correspondence will be maintained in files that are easily accessed by relevant staff. Staff will be trained to question unidentified receipts.

Current status: Resolved.

2018-02 - Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective.

Current status: Not resolved – See finding 2020-01.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Section II. Financial Statement Findings (Continued)

2019-03 - General Accounting

Finding: It was noted that certain detail schedules supporting balance sheet accounts had not been reconciled to the general ledger at year-end including home health and cost report related receivables, fixed asset and equity accounts. This required several adjusting entries to correct the general ledger balances to accurately reflect the activity.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all detail information is reconciled to the general ledger on a monthly basis to insure proper financial reporting.

Response: Management is implementing review procedures to see that all detail information is reconciled prior to monthly financial statements being prepared. Improvements have been noted, but additional work is needed.

Current status: Resolved.

2019-04 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations were not being reconciled to the general ledger cash accounts. The primary variance was due to outstanding checks not properly being properly cleared from the reconciliation. Lack of independent review led to bank reconciliations not being agreed to general ledger accounts.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting.

Response: Newly hired CFO is implementing new reconciliation procedures to see that all bank accounts are reconciled and reconciliations are independently reviewed prior to monthly financial statements being prepared.

Current status: Not resolved – See finding 2020-02.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable