



**JENNINGS AMERICAN LEGION HOSPITAL, INC.**  
**SCHEDULE OF OTHER OPERATING EXPENSES BY CATEGORY**  
**FOR THE YEARS ENDED NOVEMBER 15, 1996 AND 1995**

	1996	1995
<b>OTHER OPERATING EXPENSES</b>		
Repairs Expense	\$ 44,839	\$ 44,839
Rental/Lease Expense	181,644	87,883
Maintenance Contracts	179,769	184,243
Utilities Expense	347,548	333,672
Travel Expense	59,243	44,164
Renewal Expense	31,928	47,583
Postage Expense	21,883	28,273
Freight Expense	23,199	23,586
Books and Subscriptions	32,988	38,911
Board Expense	63,825	58,758
Licenses Expense	6,187	3,980
Promotion and Advertising	38,227	25,418
Bank Charges	2,716	2,818
Rates & User Taxes	87,543	88,145
Miscellaneous	<u>3,988</u>	<u>2,082</u>
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>\$ 1,392,852</b>	<b>\$ 1,382,208</b>

**JENNINGS AMERICAN LEGION HOSPITAL, INC.**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT AND CATEGORY**  
**FOR THE YEARS ENDED NOVEMBER 30, 1996 AND 1995**

	1996					1995
	MILWAUKEE	SUFFERED	PULMONARY	OTHER	TOTAL	TOTAL
<b>PATIENT SERVICES</b>						
Nursing Administration	\$ 121,200	\$ 171	\$ 750	\$ 3,944	\$ 4,085	\$ 114,200
Inpatient Case Mix	224,243	36,884	400	3,944	265,471	242,705
ED/Outpatient	607,761	47,380	400	18,470	773,911	714,260
OB/GYN	280,244	88,179	15,171	0	383,594	313,988
Surgery	70,000	7,761	0	343	88,104	84,000
Intensive Care	0	141	0	0	141	0
Operating Room	772,482	78,280	0	28,420	879,182	844,000
Intensive Support	26,844	840	0	0	27,684	28,000
Chiropractic	0	20,841	0	0	20,841	0
Emergency Room	240,441	67,574	758,171	2,717	1,048,903	1,114,187
Out Patient	89,978	2,750	0	11	92,739	93,000
Central Supply	0	1,414	768,111	1,414	839,940	822,000
Pharmacy	109,675	281,261	144,000	66,430	501,366	448,000
IRAC	0	841	0	0	841	0
Transport	0	1,289	0	0	1,289	0
EEG	0	0	13,100	0	13,100	0
Radiology	174,071	175,239	46,000	48,744	464,054	436,000
Medical Supplies	0	18,844	16,000	17,844	52,688	50,000
CAT Scan	0	31	14,600	0	14,631	15,000
Ultrasound	11,000	0	0	0	11,000	10,000
EMR	0	0	14,100	0	14,100	15,000
Respirator	0	1,041	174,000	0	175,041	177,000
Respiratory Therapy	181,000	7,040	1,000	1,000	190,040	187,000
Arthroscopy	0	13,141	0	1,000	14,141	15,000
Speech Therapy	0	0	0	0	0	0
Physical Therapy	0	0	11,000	0	11,000	10,000
Other Therapies	148,000	10,000	4,700	10,111	172,811	167,000
Special Services	11,000	841	1,000	841	13,682	14,000
Medical Records	14,000	5,171	11,000	11,700	41,871	39,000
W & C Unit	0	710	11,000	4,141	16,851	14,000
Quality Assurance	0	0	0	0	0	0
<b>Total Patient Services</b>	<b>3,111,910</b>	<b>761,411</b>	<b>2,266,000</b>	<b>287,281</b>	<b>6,426,602</b>	<b>5,828,000</b>
<b>GENERAL SERVICES</b>						
Energy	171,000	111,961	0	4,971	287,932	240,000
Telephone	11,000	14,170	16,844	160,211	192,225	170,000
Environmental Services	64,000	64,840	16,000	1,910	146,750	140,000
Cleaning & Linen	700	13,171	113,000	0	126,871	124,000
<b>Total General Services</b>	<b>246,700</b>	<b>204,141</b>	<b>135,844</b>	<b>167,092</b>	<b>610,743</b>	<b>574,000</b>
<b>ADMINISTRATIVE SERVICES</b>						
Medical Business	1,000	2,100	0	1,700	4,800	4,000
Accounting	11,000	1,100	0	1,100	13,200	12,000
Public Affairs	11,000	4,100	66,811	19,100	101,011	100,000
Data Processing	11,011	24,000	9,100	11,441	55,552	50,000
Administrative	80,740	15,000	0	0	95,740	100,000
Administrative	138,411	1,000	431,000	174,100	744,511	700,000
Employee Benefits	0	0	0	761,100	761,100	760,000
Insurance	0	0	0	143,000	143,000	140,000
Equipment	0	0	0	768,100	768,100	750,000
Food	0	0	0	76,400	76,400	80,000
Interest	0	0	0	143,100	143,100	140,000
Rent Taxes	0	0	0	168,000	168,000	160,000
<b>Total Administrative Services</b>	<b>311,000</b>	<b>41,000</b>	<b>607,911</b>	<b>2,481,000</b>	<b>3,440,911</b>	<b>3,290,000</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 3,769,610</b>	<b>\$ 1,006,552</b>	<b>\$ 3,509,755</b>	<b>\$ 6,426,602</b>	<b>\$ 13,702,473</b>	<b>\$ 11,692,000</b>

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**INDEPENDENT AUDITORS' REPORT**

**COMPLIANCE REPORT BASED ON THE AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors,  
Jefferson American Legion Hospital, Inc.  
Jefferson, Louisiana

We have audited the financial statements of the Jefferson American Legion Hospital, Inc., as of and for the year ended November 30, 1996 and have issued our report thereon dated February 7, 1997.

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

Compliance with laws, regulations, contracts, and grants applicable to the Jefferson American Legion Hospital, Inc. is the responsibility of Jefferson American Legion Hospital, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Jefferson American Legion Hospital, Inc.'s compliance with certain provisions of laws and regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the board of directors, management, and The Office of the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



FREDERICK, NORTON, ROBERT & SCHULTHESS

February 7, 1997

JENNINGS AMERICAN LEGION HOSPITAL, INC.  
 SCHEDULE OF OTHER OPERATING REVENUE  
 FOR THE YEARS ENDED NOVEMBER 30, 1998 AND 1999

	1998	1999
<b>OTHER OPERATING REVENUE:</b>		
Sale of Medical Records	\$ 2,750	\$ 2,594
Telephone & Television	237	354
Employee Meals	18,819	23,000
Voice Mail	1,500	1,556
Land Rental	0	10
Office Rental	25,775	18,975
Lab Service Revenue	68,983	68,750
Sale of Soap	39	418
Miscellaneous Revenue	311	332
Operating Interest Income	1,081	838
V. A. Clinic Revenue	322,279	362,818
Emergency Room Grants	<u>59,316</u>	<u>0</u>
<b>TOTAL OTHER OPERATING REVENUE</b>	<b>\$ <u>455,142</u></b>	<b>\$ <u>741,481</u></b>

DENNIS AMERICAN LUTHER HOSPITAL, INC.  
 SCHEDULE OF ASSETS WHOSE USE IS LIMITED  
 FOR THE YEARS ENDED NOVEMBER 15, 1996 AND 1995

	1996	1995
<b>ASSETS WHOSE USE IS LIMITED</b>		
Restricted by Board of Trustees For Capital Improvements and Expenses:		
Funded Depreciation - Savings	\$ 41,987	\$ 44,621
Funded Depreciation - Asset Acquisition Account	0	3,892
VA Construction - Checking	0	3,088
Medicaid TERRA - Repurchase Agreements	0	389,187
VA Construction- Repurchase Agreements	0	175,251
Funded Depreciation - Repurchase Agreements	1,187,121	41,563
MDH Construction -Checking	3,088	0
Restricted - Treasury Bill	691,214	0
Amount on Deposit with Trustee	483,178	0
Funded Depreciation - Treasury Note	0	998,208
Total	<u>3,115,658</u>	<u>1,803,102</u>
Restricted by Loan Agreement:		
Restricted - Capital Improvements Reserve	<u>18,124</u>	<u>18,183</u>
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>\$ <u>3,133,782</u></b>	<b>\$ <u>1,821,285</u></b>

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## REPORT ON ADDITIONAL INFORMATION

Board of Directors  
Loring American Legion Hospital, Inc.  
Loring, Louisiana

Our report on our audit of the basic financial statements of Loring American Legion Hospital, Inc. for November 28, 1995 and 1996 appear on page one. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Frederick, Norton, Robert & Schultess

February 3, 1997

The consideration of the internal control structure would not necessarily disclose all matters in the internal control process that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We report no material weaknesses.

This report is intended for the information of the Board of Directors, management, and Office of the Legislative Auditor of the State of Louisiana. This is not intended to limit the distribution of this report, which is a matter of public record.

*Frederick, Morton, Robert & Schultze*

FREDERICK, MORTON, ROBERT & SCHULTZE

February 3, 1997



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## INDEPENDENT AUDITORY REPORT

### REPORT ON INTERNAL CONTROL BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Jennings American Legion Hospital, Inc.  
Jennings, Louisiana

We have audited the financial statements of the Jennings American Legion Hospital, Inc., as of and for the year ended November 30, 1998 and have issued our report thereon dated February 7, 1999.

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

The management of Jennings American Legion Hospital, Inc. is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. However, all internal controls, systems or procedures may not prevent or detect errors or irregularities in a timely or regular manner and can be circumvented. Also, projections of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operational policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Jennings American Legion Hospital, Inc. for the year ended November 30, 1998, we obtained an understanding of the internal controls. With respect to the internal controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal controls. Accordingly, we do not express such an opinion.

We noted no matters involving the internal control process and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are of matters coming to our attention relating to significant deficiencies in the design or operation of the internal control process that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in accounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

JENNINGS-AMERICAN LEGION HOSPITAL, INC.  
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

A breach of contract claim has been filed against the Jennings American Legion Hospital, Inc. for \$ 1,688,000.00. The suit arises out of the termination of a contract because of failure on the part of the plaintiff to notify the Hospital in a timely manner of it's insurance carrier. The hospital is vigorously contesting this suit. Counsel feels that hospital has a very good chance of success in this matter. Breach of contract claims are not covered under the Hospital's liability insurance.

STENNIS AMERICAN LEGION HOSPITAL, INC.  
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

On December 3, 1993, the Jennings American Legion Hospital, Inc. adopted SFAS no. 107, "Disclosure about Fair Value of Financial Instruments" which requires the disclosure of the fair market value of off- and on-balance sheet financial instruments. The following summarizes the carrying amounts and estimated fair value of the hospital's financial instruments for which it is practicable to estimate that value as of November 30, 1996.

	Carrying Amount	Estimated Fair Value
Cash	148,210	148,210
Assets whose use is limited	3,150,374	3,150,374
Long-term debt	4,063,159	2,416,000

The following methods and assumptions were used to estimate the fair value of the above financial instruments included above:

Cash and Assets Whose Use is Limited

The carrying amount is assumed to approximate fair value because of the short maturities of these instruments.

Long-Term Debt

The fair value of the hospital's long-term debt is estimated based on the local current rates offered to the hospital for debt of the same maturities.

20. FUNCTIONAL EXPENSES

	11/30/96	11/30/95
Healthcare services	\$ 7,205,766	\$ 7,828,864
General and administrative	5,892,211	6,611,839
Total	\$ 13,097,977	\$ 14,440,703

21. OTHER OFF-BALANCE SHEET RISK

The hospital purchases commercial insurance to reduce the risk of loss due to liability claims and loss due to physical damage to facilities should they occur.

22. LITIGATION

The Jennings American Legion Hospital, Inc. has been sued by an employee over an attack committed by a third person on the grounds of the hospital. This matter is covered by the hospital's liability insurance. Counsel feels that the hospital has a very good chance of success in this matter. The deductible per claim on the policy is \$ 5000.00.

**JENNINGS AMERICAN LEGION HOSPITAL, INC.**  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

**14. FUTURE INCOME GUARANTEES**

As part of its physician working practice, the hospital sometimes offers certain physicians incentives in the form of guaranteed minimum income for such physicians for a period of time. The amounts of such payments are not determinable because they are directly affected by the physicians medical practice receipts. The maximum amounts which may be paid in the future under such contracts was calculated at November 30, 1996 to be:

Year Ended November 30	
1997	\$ 291,000
1998	31,000
<b>Total</b>	<b>\$ 322,000</b>

**15. EXTRAORDINARY GAIN: MEDICAL TRUST FUNDS**

Small hospitals with less than 60 beds that have a service area of less than twenty thousand in population are considered to be exempt from the TEFRA Medicaid limitations. As of 11/30/95 the Health Care Finance Administration had not yet approved such exemptions. Funds received through 11/30/95 were recorded correctly in a liability account since the funds were not hospital assets until the Health Care Finance Administration approved such exemptions. During the fiscal year ended 11/30/96 the Health Care Finance Administration approved the exemption from the TEFRA Medicaid limitations. The amount included in extraordinary gain during fiscal year ended was limited to cash received.

**16. RELATED PARTY TRANSACTIONS**

The hospital purchased services from a closely held corporation whose owner is also a director of the hospital in the amounts of \$ 114,244 and \$ 115,342 in 1996 and 1995 respectively. During the fiscal year ended 11/30/96 the hospital purchased insurance from two closely held corporations whose owners are members of the Board of Directors in the amounts of \$ 531,858 and paid \$ 6,800 rent for office space to an individual who is a member of the board of directors.

**17. DEBT FINANCING**

Operating equipment lease expense for the year ended November 30, 1996 and 1995 was \$ 94,447 and \$ 97,483. The minimum rentals for such leases during the same corresponding periods was \$ 94,447 and \$ 94,822. Future minimum lease payments on noncancelable equipment lease in excess of one year are as follows:

For the Fiscal Year Ended November 30, 1997	\$ 94,447
1998	61,476
1999	38,858

**18. ASSETS, NET OF LIABILITIES**

	<u>1996</u>	<u>1995</u>
Cash Accounts	\$ 203,009	\$ 72,778
Repayment Agreements	2,187,521	850,427
Treasury Notes	-	998,230
Treasury Bills	<u>68,214</u>	<u>-</u>
<b>Total</b>	<b>\$ 2,458,754</b>	<b>\$ 1,821,435</b>

JENNINGS-AMERICAN LEGION HOSPITAL, INC.  
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. COMPENSATED ABSENCES

The hospital does not record a provision for accrued sick pay. Accordingly the financial statements do not reflect an expense or the related liability. Work vacation time is accrued at percentage rates. The amount accrued at 11/30/96 and 11/30/99 respectively was \$ 177,642 and \$ 112,165.

8. NET PATIENT REVENUE

Net patient revenues on the financial statements at 11/30/96 and 11/30/99 are stated net of estimated third party contractual adjustments.

9. EMPLOYEE BENEFITS

The hospital offers its employees a retiree health under (RHC) section 119 and purchased annuities under reduced safety agreements under IRC section 400B.

10. ESTIMATED THIRD PARTY PAYOR SETTLEMENTS

RECOVERABLE MEDICARE

Estimated third-party payor settlements (Medicare and Medicaid) - During the billing cycle Medicare and Medicaid patients are billed at normal rates. Each month an estimate is made as to the actual amounts due from the third party based on prior year data reports and Medicare and Medicaid revenues. As payments are received patient accounts are credited and adjustments in amounts in allowance for uncollectibility are recorded. After current data reports are completed and pay schedules updated, differences in estimates are noted. Amounts in this liability account reflect estimated settlement due from the hospital.

11. CONCENTRATION OF CREDIT RISK

The Hospital is located in Jennings, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

As disclosed in note 8, the Hospital had deposits in major financial institutions which exceeded Federal Depository Insurance limits. The financial institutions have a strong monitoring and management behavior that credit risk related to these deposits is minimal.

12. CONSTRUCTION PROGRAMS

Jennings American Legion Hospital, Inc. has entered into a fixed-price construction contract for medical office facilities in the amount of \$ 1,625,625. The remaining balance on this contract at November 30, 1996 was \$ 906,289. At 11/30/96 the earnings on account was \$ 74,452.

13. SCHOLARSHIPS

At November 30, 1996 the hospital projected its scholarship agreement issued for future years as follows:

Year ended	
November 30	
1997	\$ 11,800
1998	12,800
Total	\$ 24,600

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Academy American Legion Hospital, Inc.  
Academy, Louisiana

#### Opinion:

We have audited the accompanying balance sheet of the Academy American Legion Hospital, Inc., Academy, Louisiana as of November 30, 1996 and 1995 and the related statements of operations, changes net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy American Legion Hospital, Inc., Academy, Louisiana as of November 30, 1996 and 1995, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 3, 1997, on our consideration of the Hospital's internal control and a report dated February 7, 1997, on its compliance with laws and regulations.

Frederick, Norton, Robert & Schultness

February 3, 1997

EDWARDS AMERICAN LEGION HOSPITAL, INC.  
 SCHEDULE OF ESTIMATED THIRD-PARTY PAYER SETTLEMENTS  
 FOR THE YEARS ENDED NOVEMBER 30, 1996 AND 1995

	1996	1995
<b>THIRD-PARTY PAYER RECEIVABLES</b>		
Medicare	\$ 0	\$ 0
Medicaid	<u>158,578</u>	<u>168,168</u>
Total Third-Party Payer Receivables	<u>158,578</u>	<u>168,168</u>
<b>THIRD-PARTY PAYER LIABILITIES</b>		
Medicare	<u>(148,179)</u>	<u>(143,789)</u>
Total Third-Party Payer Liabilities	<u>(148,179)</u>	<u>(143,789)</u>
<b>NET ESTIMATED THIRD-PARTY PAYER SETTLEMENTS</b>	<b>\$ <u>10,400</u></b>	<b>\$ <u>(24,621)</u></b>

**MISSISSIPPI AMERICAN LEGION HOSPITAL, INC.**  
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

**3. NOTES PAYABLE**

Notes payable consist of the following at November 30, 1996 and 1995:

	1996	1995
Notes payable due General Electric Capital Corporation, collateralized by real estate, interest at 8.250%	\$ 484,826	\$ 163,240
Notes payable due The Trust Company of Louisiana collateralized by all assets and assigned revenues at 7%	2,452,275	0
Notes payable due Farmer's Home Administration, collateralized by real estate, interest at 8.625%	1,862,802	1,882,558
	4,800,339	1,845,908
Less: Current portion	<u>(111,214)</u>	<u>(105,448)</u>
	<b>\$ 4,689,125</b>	<b>\$ 1,740,460</b>

Aggregate annual principal payments through November 30, 2004 are as follows:

YEAR	
1996	\$ 62,342
1997	152,314
1998	152,317
1999	164,322
2000	174,675
2001	188,325

**4. CAPITAL**

The hospital is a non-profit corporation, organized under the laws of the State of Louisiana, with equity capital stock.

**5. INCOME TAXES**

The hospital is exempt from Federal Income Tax under Section 501(c)(3) of the 1954 Internal Revenue Code.

**6. DEPOSIT AND INVESTMENTS**

	1996	1995
Deposits insured by the FDIC	\$ 197,511	\$ 181,291
Uninsured noncollateralized deposits	\$ 594,362	\$ 702,858
Repurchase agreements which are collateralized and unregistered, with securities held by counterparty, not in hospital's name	\$ 2,197,320	\$ 273,246
Treasury Notes	\$ —	\$ 484,797
Treasury Bills	\$ 414,210	\$ 953,363

Investment securities carried at their cost or amortized cost when appropriate. Carrying value of investments at November 30, 1996 and 1995 approximates market value. All securities are available for sale.



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**FINANCIAL STATEMENTS  
OF THE  
JENNINGS AMERICAN LEGION HOSPITAL, INC.  
JENNINGS, LOUISIANA  
AS OF NOVEMBER 30, 1996 AND NOVEMBER 30, 1995**

**FREDERICK, NORTON, ROBERT & SCHULTRESS**  
CERTIFIED PUBLIC ACCOUNTANTS  
(A PROFESSIONAL CORPORATION)  
345 E. Academy Avenue  
Jennings, Louisiana 70501

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the archivist, or reviewed, unity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 14 1997**

JENNINGS AMERICAN LIBEON HOSPITAL, INC.  
Jennings, Louisiana

BALANCE SHEET  
AS OF NOVEMBER 30, 1996 AND 1995

ASSETS

	1996	1995
<b>CURRENT ASSETS:</b>		
Cash	\$ 148,154	\$ 143,676
Patient Accounts Receivable (net of estimated uncollectible of \$1,031,861 in 1996 and \$1,218,418 in 1995)	2,488,648	2,218,249
Estimated Third-Party Payer Settlements - Medicare & Medicaid	104,978	180,146
Other Receivables	111,942	43,820
Inventories	171,128	116,980
Prepaid expenses	86,571	85,880
<b>Total Current Assets</b>	<u>3,298,201</u>	<u>3,048,631</u>
<b>ASSETS WHOSE USE IS LIMITED:</b>		
By Board of Trustees for Capital Improvements and expansion	3,103,699	1,863,312
By Loan Agreement	18,524	18,100
	<u>3,122,223</u>	<u>1,881,412</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land and Improvements	297,234	279,294
Buildings and Improvements	8,285,289	7,178,800
Movable Equipment	5,836,858	5,566,492
Construction in Progress	912,817	301,819
<b>Total Cost</b>	<u>15,332,400</u>	<u>13,408,819</u>
Less: Accumulated Depreciation	(6,183,682)	(4,884,889)
<b>Total Property, Plant and Equipment</b>	<u>9,148,718</u>	<u>8,523,930</u>
<b>TOTAL ASSETS</b>	<u>\$ 15,467,440</u>	<u>\$ 12,954,000</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Current Portion of Long Term Debt	\$ 71,214	\$ 71,449
Bank Overdraft	43,289	
Accounts Payable	444,264	522,317
Accrued Liabilities	127,642	112,527
Medicaid TRIPA Payable	0	481,483
Estimated Third-Party Payer Settlements - Medicare & Medicaid	318,120	334,288
<b>Total Current Liabilities</b>	<u>1,110,709</u>	<u>1,881,486</u>
<b>LONG TERM DEBT</b>	<u>3,010,345</u>	<u>1,488,451</u>
<b>NET ASSETS - UNRESTRICTED:</b>	<u>19,445,286</u>	<u>9,544,164</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS:</b>	<u>\$ 15,467,440</u>	<u>\$ 12,954,000</u>

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

BENNING AMERICAN LEGION HOSPITAL, INC.  
Baton Rouge, Louisiana

EXHIBIT B

STATEMENT OF OPERATIONS  
FOR THE YEARS ENDED NOVEMBER 30, 1996 AND 1995

	1996	1995
<b>UNRESTRICTED REVENUES, GAINS and OTHER SUPPORT:</b>		
Net Patient Service Revenue	\$ 11,800,097	\$ 11,800,060
Other Revenue	<u>965,242</u>	<u>341,485</u>
Total Revenue, gains and other support	<u>12,765,339</u>	<u>12,141,545</u>
<b>EXPENSES:</b>		
Salaries and Wages	4,284,879	4,177,440
Employee Benefits	793,746	769,785
Supplies	1,821,969	1,880,216
Purchased Services	2,744,148	2,641,825
Physician Fees	783,283	809,974
Bad Debt Expense	662,821	564,889
Depreciation Expense	768,508	731,481
Interest Expense	100,508	29,759
Insurance Expense	149,194	182,224
Other Expenses	<u>967,884</u>	<u>881,586</u>
Total Expenses	<u>12,187,251</u>	<u>11,690,897</u>
Operating Income	<u>578,088</u>	<u>450,648</u>
<b>OTHER INCOME (EXPENSE)</b>		
Unrestricted Donated Income	(3,257)	66,998
Income on Investments Whose Use is Limited by Board:		
For Capital Improvements and Expansion	140,752	126,548
Scholarship Expense	<u>(24,288)</u>	<u>(18,625)</u>
Non-Operating Gains	<u>138,758</u>	<u>189,603</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS, BEFORE EXTRAORDINARY ITEMS</b>	<b>219,617</b>	<b>300,888</b>
<b>EXTRAORDINARY GAIN</b>	<u>832,400</u>	<u>0</u>
<b>INCREASE IN UNRESTRICTED ASSETS</b>	<b>\$ 1,052,017</b>	<b>\$ 300,888</b>

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

JENNINGS AMERICAN LEGION HOSPITAL, INC.  
Jennings, Louisiana

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED NOVEMBER 30, 1996 AND 1995

	1996	1995
<b>UNRESTRICTED NET ASSETS:</b>		
Excess of Revenues Over Expenses	\$ 215,817	\$ 300,888
Extraordinary Gain	<u>682,400</u>	<u>0</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>908,440</b>	<b>300,888</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b><u>9,549,145</u></b>	<b><u>9,248,258</u></b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>10,457,585</u></b>	<b>\$ <u>9,549,146</u></b>

JENNINGS AMERICAN LEONHOSPITAL, INC.  
Jennings, Louisiana

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED NOVEMBER 30, 1998 AND 1999

	1998	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 219,887	\$ 100,000
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Extraordinary Gain	687,400	0
Depreciation	168,330	170,120
(Increase) Decrease in Patient Accounts Receivable	(78,099)	(746,873)
(Increase) Decrease in Net Assets Due from Third-Party Payers	45,168	(136,663)
(Increase) Decrease in Inventory and Other Current Assets	(97,312)	(213)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	183,852	628,472
<b>Net Cash Provided by Operating Activities and Gains and Losses</b>	<u>761,885</u>	<u>179,115</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property and Equipment	(1,527,796)	(2,888,578)
Cash Invested in Assets Where Use is Limited Investments in Construction in Progress	(1,379,136)	131,815
	<u>(2,906,932)</u>	<u>(2,756,763)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(2,125,380)</u>	<u>(844,099)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of Long-Term Debt	(82,911)	(14,816)
Proceeds from New Debt	2,889,889	181,382
<b>Net Cash Provided by Financing Activities</b>	<u>2,417,000</u>	<u>166,567</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>2,564</u>	<u>(89,994)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>141,676</u>	<u>241,266</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 144,240</u>	<u>\$ 151,272</u>

**SUPPLEMENTAL DISCLOSURES:**

- Accounting Methods: Cash Equivalents - the Hospital considers only investments with deposits with well established institutions.
- Income Taxes: During 1998 and 1999 the Hospital paid income of \$ 111,767 and \$ 111,470 respectively.
- Income Taxes: The Hospital is a Tax Exempt Organization under the rules of the IRC of 1954 Section 501 (c)(3).
- Contingencies: During 1998 and 1999 the Hospital capitalized interest on construction in progress in the amounts of \$ 111,678 and \$ 111,470 respectively.

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

**JENNINGS AMERICAN LEGION HOSPITAL, INC.**  
Jennings, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**

**NATURE OF OPERATIONS:**

Jennings American Legion Hospital, Inc. is a not for profit hospital which provides inpatient, outpatient, home health and emergency care services to the general public. The Hospital is located in Jennings, Louisiana and provides services primarily for residents of Southwestern Louisiana. Admitting physicians are primarily practitioners in the local area.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A.  **Basis of Accounting** - The records of the hospital are maintained on the accrual basis of accounting in accordance with American Hospital Association recommendations.
- B.  **Allowance for uncollectibles** - Estimated uncollectible patient accounts receivables are based on the hospital's prior experience with bad debts and estimated contractual allowances and PPO discounts in account receivable balances.
- C.  **Inventories** - Inventories are valued at the lower of cost or market (on the first-in, first-out method).
- D.  **Property, Plant and Equipment** - These assets are stated at cost. The plant and equipment are depreciated on the straight-line method over their estimated useful lives. The following is a schedule of activity in the major land locations:

	<u>11-30-20</u>		<u>Additions</u>		<u>Deletions</u>		<u>11-30-20</u>
Land	\$ 318,000	\$	11,800	\$	-	\$	331,497
Land Improvements	52,397		18,942		-		64,239
Buildings & Improvements	3,178,000		1,125,188		-		4,303,388
Equipment	9,588,493		378,458		-		9,958,951
Construction in progress	390,834		1,448,394		1,062,587		976,837

- E.  **Use of estimates** - The preparation of Jennings American Legion Hospital's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**2. RECEIVABLES**

- A.  **Patient Accounts Receivable** - Patient accounts receivable reflect total amounts due from individuals and third parties.
- B.  **Estimated third-party payor settlements (Medicare and Medicaid)** - During the billing cycle Medicare and Medicaid patients are billed at normal rates. Each month an estimate is made as to the actual amounts due from the third party based on prior year cost reports and Medicare and Medicaid revenues. As payments are received patient accounts are credited and adjustments to amounts in allowance for uncollectibles are recorded. After current cost reports are completed and pay schedules updated, differences in estimates are settled. Amounts in this asset account reflect unimpaired balances due to the hospital.