

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a
SPRINGHILL MEDICAL CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
YEARS ENDED DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report on the Financial Statements and Supplementary Information.....	1-3
Financial Statements	
Statements of Financial Position	4-5
Statements of Operations	6
Statements of Changes in Net Assets.....	7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-31
Supplementary Information	
Schedules of Net Patient Service Revenue.....	33-34
Schedules of Other Operating Revenue.....	35
Schedules of Salaries and Benefits.....	36
Schedules of Medical Supplies and Drugs.....	37
Schedules of Professional Fees.....	38
Schedules of Other Operating Expenses	39
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40-41
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	42-44
Schedule of Expenditures of Federal Awards	45
Notes to Schedule of Expenditures of Federal Awards	46
Schedule of Findings and Questioned Costs	47-51



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758

Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107

Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA
Karlie P. Brister, CPA
P. Trae' O'Pry, CPA, CVA
Brenda J. Lloyd, CPA
Timothy J. Deshotel, CPA
Andrew J. Wynn, CPA

Retired 2015
Bobby G. Lester, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Springhill Medical Services, Inc.
d/b/a Springhill Medical Center
Springhill, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Springhill Medical Services, Inc. d/b/a Springhill Medical Center (the "Hospital", a nonprofit health care entity), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2022 and 2021, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Springhill Medical Services, Inc. d/b/a Springhill Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards



generally accepted in the United States of America. In our opinion, the supplementary information, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023, 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.

Certified Public Accountants
Alexandria, Louisiana

September 25, 2023



SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 11,432,690	\$ 10,468,862
Accounts receivable, net of allowances for uncollectibles (Note 5)	1,699,209	1,417,624
Other receivables	178,192	1,161,041
Estimated third-party payor settlements	415,498	790,078
Assets limited as to use (Note 7)	941,826	255,122
Inventories	477,066	494,288
Prepaid expenses	<u>339,113</u>	<u>356,515</u>
Total current assets	<u>15,483,594</u>	<u>14,943,530</u>
Non-current assets		
Nondepreciable property and equipment (Note 6)	104,056	97,718
Depreciable property and equipment (net) (Note 6)	4,892,854	4,024,667
Capitalized software (net) (Note 6)	<u>5,750</u>	<u>8,750</u>
Total non-current assets	<u>5,002,660</u>	<u>4,131,135</u>
Other assets		
Operating lease, right-of-use asset (net) (Note 10)	109,102	-0-
Investment (Note 8)	<u>67,000</u>	<u>67,000</u>
Total other assets	<u>176,102</u>	<u>67,000</u>
Total assets	<u>\$ 20,662,356</u>	<u>\$ 19,141,665</u>

See accompanying notes to financial statements.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
STATEMENTS OF FINANCIAL POSITION (Continued)
DECEMBER 31,

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 462,941	\$ 1,453,382
Accrued salary and payroll taxes	932,930	701,841
Accrued vacation payable (Note 9)	274,287	291,936
Accrued expenses	68,937	268,388
Current portion of operating lease liabilities	50,971	-0-
Current portion of long-term debt (Note 10)	116,527	170,439
Deferred grant revenue	<u>-0-</u>	<u>1,509,371</u>
Total current liabilities	<u>1,906,593</u>	<u>4,395,357</u>
Long-term liabilities		
Operating lease, right-of-use lease obligations	69,235	-0-
Long-term debt (Note 10)	<u>50,237</u>	<u>201,857</u>
Total liabilities	<u>2,026,065</u>	<u>4,597,214</u>
Net assets		
Net assets without donor restrictions	18,636,291	14,544,451
Net assets with donor restrictions	<u>-0-</u>	<u>-0-</u>
Total net assets	<u>18,636,291</u>	<u>14,544,451</u>
Total liabilities and net assets	\$ <u>20,662,356</u>	\$ <u>19,141,665</u>

See accompanying notes to financial statements.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Revenue, gains, and other support without donor restrictions:		
Net patient service revenue (Note 11)	\$ 21,892,886	\$ 21,380,581
Medicaid managed care supplemental payments	2,540,007	2,188,105
Operating grant revenue (Note 19)	2,112,396	4,071,000
Other operating revenue	<u>1,807,657</u>	<u>2,140,379</u>
 Total revenue, gains, and other support	 <u>28,352,946</u>	 <u>29,780,065</u>
 Expenses		
Salaries	11,789,387	11,681,079
Benefits and payroll taxes	3,022,298	2,697,355
Medical supplies and drugs	2,227,304	2,116,894
Professional fees	2,172,132	1,862,233
Insurance	398,735	418,224
Interest expense	18,472	12,506
Depreciation and amortization	890,650	771,713
Other operating expenses	<u>3,824,257</u>	<u>4,386,341</u>
 Total operating expenses	 <u>24,343,235</u>	 <u>23,946,345</u>
 Excess of revenues, gains, and other support	 4,009,711	 5,833,720
 Other changes in net assets without donor restrictions		
Contribution	52,560	-0-
Gain (loss) on sale of assets	1,043	422,275
Interest income	<u>28,526</u>	<u>26,544</u>
 Increase in net assets without donor restrictions	 \$ <u>4,091,840</u>	 \$ <u>6,282,539</u>

See accompanying notes to financial statements.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions		
Increase in net assets without donor restrictions	\$ 4,091,840	\$ 6,282,539
Net assets, without donor restrictions, beginning of year	<u>14,544,451</u>	<u>8,261,912</u>
Net assets, without donor restrictions, end of year	\$ <u>18,636,291</u>	\$ <u>14,544,451</u>

See accompanying notes to financial statements.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 21,611,301	\$ 22,189,025
Other receipts from operations	6,428,324	3,707,579
Cash payments to employees and for employee-related cost	(14,797,696)	(14,156,721)
Cash payments for other operating expenses	<u>(9,593,717)</u>	<u>(8,377,310)</u>
Net cash provided (used) by operating activities	<u>3,648,212</u>	<u>3,362,573</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(1,693,798)	(1,038,101)
Construction in progress	(6,338)	43,222
Proceeds from sale of property and equipment	(63,996)	456,424
Interest income	<u>28,526</u>	<u>26,544</u>
Net cash provided (used) by investing activities	<u>(1,735,606)</u>	<u>(511,911)</u>
Cash flows from financing activities:		
Proceeds from finance leases	19,000	139,097
Refinance ROU operating leases	(109,102)	-0-
Principal payments on long-term debt	<u>(171,972)</u>	<u>(165,610)</u>
Net cash provided (used) by financing activities	<u>(262,074)</u>	<u>(26,513)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,650,532	2,824,149
Cash, cash equivalents, and restricted cash at beginning of fiscal year	<u>10,723,984</u>	<u>7,899,835</u>
Cash, cash equivalents, and restricted cash at end of fiscal year	\$ <u>12,374,516</u>	\$ <u>10,723,984</u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents at beginning of fiscal year	\$ <u>10,723,984</u>	\$ <u>7,899,835</u>
Cash and cash equivalents at end of fiscal year	\$ 11,432,690	\$ 10,468,862
Restricted cash included in assets whose use is limited at end of fiscal year	<u>941,826</u>	<u>255,122</u>
Cash, cash equivalents, and restricted cash at end of fiscal year	\$ <u>12,374,516</u>	\$ <u>10,723,984</u>

See accompanying notes to financial statements.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Noncash investing and financing transactions:		
Finance lease incurred for property and equipment	\$ 19,000	\$ 139,097
Paycheck Protection Program loan forgiveness	\$ -0-	\$ 2,404,300
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 18,472	\$ 12,506
Reconciliation of income from operations to net cash provided by:		
Change in net assets	\$ 4,009,711	\$ 5,833,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	893,650	825,290
(Increase) decrease in:		
Accounts receivable (net)	(281,585)	742,580
Other receivables	982,849	(28,280)
Estimated third-party settlements	374,580	1,065,128
Inventories	17,222	22,423
Prepaid expenses	17,402	37,968
Increase (decrease) in:		
Accounts payable	(990,441)	356,650
Cash overdraft	-0-	(51,730)
Accrued salary and payroll taxes	231,089	58,913
Accrued vacation payable	(17,649)	(76,969)
Accrued expenses	(199,451)	239,769
ROU operating lease	120,206	-0-
Deferred grant revenue	(1,509,371)	65,864
Medicare advance payments	-0-	(3,324,453)
Paycheck Protection Program loan forgiveness	-0-	(2,404,300)
Net cash provided (used) by operating activities	\$ 3,648,212	\$ 3,362,573

See accompanying notes to financial statements.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization

Springhill Medical Services, Inc. d/b/a Springhill Medical Center (the "Hospital") is a Louisiana nonprofit corporation which has received exemption from income taxes as an organization described under section 501(c)(3) of the Internal Revenue Code, as amended. Springhill Medical Center is a fifty-eight-bed facility located in rural northwest Louisiana on the Arkansas border. The current facility was built in 1975 with major expansions made in 1983, 1989, and 1994. On November 17, 2000, Springhill Medical Services, Inc., purchased Springhill Medical Center and became a locally-owned non-profit facility governed by a Board of Directors consisting of ten members.

Nature of Business

Located in Springhill, Louisiana, the Hospital provides inpatient acute hospital services, geriatric psychiatric, outpatient, skilled nursing (through "swing-beds"), emergency services, rural health clinics, physical therapy clinic and home health services (through joint venture) primarily for residents of northwestern Louisiana.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Hospital uses the accrual basis of accounting in accordance with the American Hospital Association recommendations.

Cash and Cash Equivalents

Cash consists primarily of deposits in checking accounts. Cash equivalents are certificates of deposit with original maturities of ninety (90) days or less. Restricted cash is cash held for certain purposes. 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.

Concentrations of Credit Risk

The Hospital provides medical care to patients and grants credit 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. As discussed in Notes 5 and 11, substantial numbers of patients are insured through third-party payor agreements, predominately Medicare and Medicaid. Estimated uncollectible amounts due from patients are generally considered implicit price concessions, presented as a direct reduction to patient service revenue, and not presented separately as provision for bad debts. The provision for bad debts is determined considering historical experience, trends in health coverage, geographical data, and other collection indicators.

As described in Note 3, the Hospital has deposits in one financial institution that exceeded the Federal Depository Insurance Corporation (FDIC) limits. This financial institution has a strong credit rating and management believes that credit risk related to these deposits is minimal.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 11. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenue

Revenues consist primarily of net patient service revenues that are recorded based upon established billing rates less allowances for contractual adjustments. Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payors, including federal and state agencies, managed care health plans, commercial insurance companies, and employers. Estimates of contractual allowances under third-party payor arrangements are based upon the payment terms specified in the related contractual agreements. Third-party payor contractual payment terms are generally based upon predetermined rates per diagnosis, per diem rates, or discounted fee-for-service rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and are routinely modified for provider reimbursement. All health care providers participating in the Medicare and Medicaid programs are required to meet certain financial reporting requirements. Federal regulations require submission of annual cost reports covering medical costs and expenses associated with the services provided by each facility to program beneficiaries. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments.

Advertising Costs

Advertising costs are expensed as incurred. The advertising costs included in other expenses for the years ended December 31, 2022 and 2021, were \$60,304 and \$55,437, respectively.

Inventories

Inventories are stated at the lower of cost determined by the first-in, first-out method, or net realizable value.

Income Taxes

The Hospital is exempt from federal income tax under Section 501(c)(3) of the 1954 Internal Revenue code.

Net Assets

The Hospital classifies net assets into two classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose. These net assets may be used at the discretion of the Hospital's management and the board of directors.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Hospital or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of operations. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Performance Indicator

The performance indicator is excess revenues over expenses, which includes operating income and nonoperating income (expenses). The performance indicator excludes, when present, receipt of donor restricted contributions, net assets released from property acquisitions, and other changes not required to be included within the performance indicator.

Property and Equipment

Property and equipment are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method over their estimated useful lives of determining depreciation for financial reporting and third-party reimbursement.

Land improvements	8 to 20 years
Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 20 years

Expenditures for additions, major renewals and betterments over \$5,000 are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Capitalized Software

The cost of obtaining or developing internal-use software, including external direct costs for materials, services, and directly related payroll costs are capitalized. Amortization begins when the internal-use software is ready for its intended use. The software costs are amortized over the estimated useful lives of the software. The estimated useful lives range from 3-10 years. Cost incurred during the preliminary project stage and post-implementation stage as well as maintenance and training costs are expensed as incurred. Amortization expense related to capitalized software was \$3,000 and \$250 for the years ended December 31, 2022 and 2021, respectively.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

The Hospital's statements of operations distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services – the Hospital's principal activity. Nonexchange or contribution revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, individuals, or private and public organizations. Revenues from grants are recognized when all eligibility requirements, including time requirements, are met. Grants may be restricted for either a specific operating purpose or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Use of Estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in Note 12. Accordingly, certain costs have been allocated among program (healthcare) services, supporting services and fundraising services. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries	Time and effort
Benefits and payroll taxes	Full time equivalent
Medical supplies and drugs	Time and effort
Professional services	Time and effort
Insurance	Time and effort
Depreciation and amortization	Square footage
Interest expense	Time and effort
Other operating expenses	Time and effort

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify, with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At December 31, 2022 and 2021, management is not aware of any liability resulting from environmental matters.

Accounting Pronouncements Adopted

In August 2018, FASB issued ASU 2018-15, "Intangibles - Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." The amendments in ASU 2018-15 determine which implementation costs to capitalize as an asset and which costs to expense. Additionally, these amendments clarify how the capitalized implementation costs should be presented within the financial statements. The Hospital applied the provisions of ASU 2018-15 in fiscal year 2021, which did not have a material impact on the financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet. The Hospital applied the provisions of ASU 2016-02 in fiscal year 2022, which did not have a material impact on the financial statements. The Hospital has elected the "package of practical expedients" which includes the following: to not reassess the lease classification of existing or expired leases under ASC 842 and simply maintain its original classification, to not reevaluate whether expired or existing leases contain a lease per the definition of ASC 842 and to not reassess previously capitalized cost. The Hospital also chose to adopt the practical expedient to not separate non-lease components for equipment leases.

The Hospital determines whether an arrangement is a lease at inception. Operating lease assets are included in Operating lease, right-of-use assets while obligations are included in Operating lease, right-of-use obligations, and other current liabilities in the accompanying balance sheets. Finance lease assets are

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

included in Depreciable property and equipment while obligations are included in Long-term liabilities in the accompanying balance sheets.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Since most leases do not provide an implicit rate, the Hospital uses an incremental borrowing rate based at the commencement date in determining the present value of lease payments unless a stated rate is available. The ROU asset also includes any lease payments made and excludes lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Hospital will exercise the right.

The Hospital defines a short-term lease as any lease arrangement with a lease term of twelve months or less that does not include an option to purchase the underlying asset. Short-term lease payments are recognized as expense on a straight-line basis over the lease term and variable lease payments in the period in which the obligation is incurred.

NOTE 3 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents which are classified as current assets:

	<u>2022</u>	<u>2021</u>
Checkings and savings	\$ 11,430,340	\$ 10,466,512
Petty cash	<u>2,350</u>	<u>2,350</u>
Total cash and cash equivalents	\$ <u>11,432,690</u>	\$ <u>10,468,862</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposits were not entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name. As of December 31, 2022 and 2021, the Hospital had cash in bank totaling \$13,090,401 and \$10,755,263, respectively, that was secured by \$250,000 FDIC insurance with the remaining balances unsecured.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 - AVAILABILITY AND LIQUIDITY

The following represents the Hospital's financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 11,432,690	\$ 10,468,862
Net accounts receivable	1,699,209	1,417,624
Other receivables	178,192	1,161,041
Assets limited as to use	<u>941,826</u>	<u>255,122</u>
Total financial assets	14,251,917	13,302,649
Less assets held for limited use		
Cash account held for limited use	<u>941,826</u>	<u>255,122</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 13,310,091</u>	<u>\$ 13,047,527</u>

To manage liquidity, the Hospital structures its financial assets to be available as its general expenditures and liabilities come due. One of the financial assets was subject to contractual restrictions. The Hospital anticipates covering its general expenses by collecting sufficient revenues. As of December 31, 2022, the Hospital has sufficient resources to respond to an event of an anticipated liquidity need.

NOTE 5 - ACCOUNTS RECEIVABLE

The Hospital adopted ASC 606 during fiscal year 2020. As a result of that adoption, estimated uncollectible amounts due from patients are generally considered implicit price concessions, presented as a direct reduction to patient service revenue, and not presented separately as provision for bad debts. The provision for bad debts is determined considering historical experience, trends in health coverage, geographical data, and other collection indicators.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

A summary of accounts receivable at December 31 is presented below:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Hospital patients	\$ 2,500,749	\$ 2,566,133	\$ 2,877,957
Estimated allowances for uncollectibles	<u>(1,381,601)</u>	<u>(1,443,868)</u>	<u>(1,075,429)</u>
Net hospital accounts receivable	<u>1,119,148</u>	<u>1,122,265</u>	<u>1,802,528</u>
Clinic patients	1,019,195	929,442	1,513,533
Estimated allowances for uncollectibles	<u>(439,134)</u>	<u>(634,083)</u>	<u>(1,155,857)</u>
Net clinic accounts receivable	<u>580,061</u>	<u>295,359</u>	<u>357,676</u>
Net accounts receivable	\$ <u>1,699,209</u>	\$ <u>1,417,624</u>	\$ <u>2,160,204</u>

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The following is a summary of the mix of receivables from patients and third-party payors at December 31:

	<u>2022</u>	<u>2021</u>
Medicare	32%	26%
Medicaid	27%	23%
Blue Cross	8%	12%
Other third-party payors	30%	29%
Patients	<u>3%</u>	<u>10%</u>
Total	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid, and third-party payor receivables are shown net of contractual allowances.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, and related accumulated depreciation at December 31:

	<u>2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2022</u>
Nondepreciable property and equipment					
Land	\$ 71,308	\$ -0-	\$ -0-	\$ -0-	\$ 71,308
Construction in progress	<u>26,410</u>	<u>1,060,100</u>	<u>-0-</u>	<u>(1,053,762)</u>	<u>32,748</u>
Total nondepreciable property and equipment	\$ <u>97,718</u>	\$ <u>1,060,100</u>	\$ <u>-0-</u>	\$ <u>(1,053,762)</u>	\$ <u>104,056</u>
Depreciable property and equipment					
Buildings and fixtures	\$ 9,275,692	\$ 754,077	\$ 1,635,117	\$ 910,937	\$ 9,305,589
Equipment	<u>7,061,612</u>	<u>162,173</u>	<u>2,540,239</u>	<u>142,825</u>	<u>4,826,371</u>
Total depreciable property and equipment	16,337,304	916,250	4,175,356	1,053,762	14,131,960
Accumulated depreciation and amortization	<u>12,312,637</u>	<u>842,160</u>	<u>3,915,691</u>	<u>-0-</u>	<u>9,239,106</u>
Total depreciable property and equipment, net	\$ <u>4,024,667</u>	\$ <u>74,090</u>	\$ <u>259,665</u>	\$ <u>1,053,762</u>	\$ <u>4,892,854</u>

The following is a summary of property and equipment, and related accumulated depreciation at December 31:

	<u>2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2021</u>
Nondepreciable property and equipment					
Land	\$ 71,308	\$ -0-	\$ -0-	\$ -0-	\$ 71,308
Construction in progress	<u>69,632</u>	<u>43,483</u>	<u>-0-</u>	<u>(86,705)</u>	<u>26,410</u>
Total nondepreciable property and equipment	\$ <u>140,940</u>	\$ <u>43,483</u>	\$ <u>-0-</u>	\$ <u>(86,705)</u>	\$ <u>97,718</u>
Depreciable property and equipment					
Buildings and fixtures	\$ 8,917,059	\$ 271,928	\$ -0-	\$ 86,705	\$ 9,275,692
Equipment	<u>6,566,814</u>	<u>649,331</u>	<u>154,533</u>	<u>-0-</u>	<u>7,061,612</u>
Total depreciable property and equipment	15,483,873	921,259	154,533	86,705	16,337,304
Accumulated depreciation and amortization	<u>11,682,695</u>	<u>740,801</u>	<u>110,859</u>	<u>-0-</u>	<u>12,312,637</u>
Total depreciable property and equipment, net	\$ <u>3,801,178</u>	\$ <u>180,458</u>	\$ <u>43,674</u>	\$ <u>86,705</u>	\$ <u>4,024,667</u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT (Continued)

Accumulated amortization for equipment under finance lease obligations was \$945,012 and \$783,351 at December 31, 2022 and 2021, respectively.

Capitalized Software amortization for cloud-based arrangements was \$3,000 and \$250 at December 31, 2022 and 2021, respectively.

	Estimated Useful Lives	<u>2022</u>	<u>2021</u>
Software	3 -5 years	\$ 30,137	\$ 30,137
Less: Accumulated amortization		<u>24,387</u>	<u>21,387</u>
Capitalized software, net		\$ <u>5,750</u>	\$ <u>8,750</u>

The Hospital had operating and finance leases for equipment with lease terms ranging from 3 years to 6 years.

Total lease expense for the year ended December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Operating lease expense:	\$ 68,974	\$ -0-
Finance lease expense		
Amortization of right-of-use assets	\$ 161,661	\$ 155,223
Interest on lease liabilities	<u>4,930</u>	<u>12,751</u>
Total finance lease expense	\$ <u>166,591</u>	\$ <u>167,974</u>

Supplemental cash flow information related to leases as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 47,346	\$ -0-
Operating cash flows for finance leases	4,930	12,751
Financing cash flows for finance leases	171,972	165,610
Right-of- use assets obtained in exchange for lease obligations:		
Operating leases	\$ 120,206	\$ -0-
Finance leases	19,000	139,097

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT (Continued)

Balance sheet information related to leases as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Operating leases:		
Right-of-use assets	\$ 109,102	\$ -0-
Other current liabilities	\$ 50,971	\$ -0-
Operating lease obligations, less current portion	<u>69,235</u>	<u>-0-</u>
Total operating liabilities	<u>\$ 120,206</u>	<u>\$ -0-</u>
Finance leases:		
Property and equipment	\$ <u>1,188,620</u>	\$ <u>1,169,620</u>
Other current liabilities	\$ 116,527	\$ 170,439
Other liabilities	<u>50,237</u>	<u>149,297</u>
Total finance lease liabilities	<u>\$ 166,764</u>	<u>\$ 319,736</u>

The information related to the weighted average remaining lease years and discount rates as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Weighted average remaining lease years:		
Operating leases:	<u>2.82</u>	<u>0.00</u>
Finance leases:	<u>5.08</u>	<u>4.87</u>
Weighted average discount rate:		
Operating leases:	<u>1.85%</u>	<u>0.00%</u>
Finance leases:	<u>0.74%</u>	<u>0.66%</u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 - ASSETS LIMITED AS TO USE

Assets limited as to use are summarized below at December 31:

	<u>2022</u>	<u>2021</u>
Limited by board for matching USDA	\$ 635,616	\$ -0-
Limited by Gilsbar for employee insurance	107,456	107,742
Limited by third party for insurance escrows	193,252	143,208
Limited by foundation	<u>5,502</u>	<u>4,172</u>
 Total assets limited as to use	 \$ <u>941,826</u>	 \$ <u>255,122</u>

NOTE 8 - INVESTMENTS

The Hospital purchased one class N unit (no par value) in a home health company for \$67,000 in August 2004. Subsequently, they entered into an operating agreement with the same company to provide home health services. The Hospital shares in thirty-three percent (33%) of the profits and losses of the branch office located in Springhill, Louisiana. The investment is accounted for using the cost method. Income reported as other revenue was \$8,739 and \$79,688, for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital accrued \$274,287 and \$291,936 of vacation pay at December 31, 2022 and 2021. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31,

	<u>2022</u>	<u>2021</u>
Note payable, maturing September 1, 2022	\$ -0-	\$ 52,560
Finance lease obligations at imputed interest rates from 1.4% to 5.15% collateralized by leased equipment, maturing from 2021-2027	<u>166,764</u>	<u>319,736</u>
Total long-term debt	166,764	372,296
Less current portion of long-term debt	<u>116,527</u>	<u>170,439</u>
Long-term debt net of current maturities	\$ <u><u>50,237</u></u>	\$ <u><u>201,857</u></u>

On April 5, 2020, the Hospital received a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for employee expenses in the amount of \$2,404,300. The loan repayment originally commenced six months after the loan date of April 5, 2020; however, a 10-month deferment was granted, commencing after the Hospital's 24-week covered period. The Hospital has applied for and received loan forgiveness through the Small Business Administration during fiscal year 2021.

Assets and liabilities under finance leases are recorded at the fair value of the asset. The assets are amortized over their estimated useful lives. Amortization of assets under finance leases in the amount of \$161,661 is included in the depreciation expense. Net book value of finance leases is \$243,608 in 2022.

Maturities of lease liabilities for the next five years and thereafter consist of the following:

<u>Year Ending</u> <u>December 31:</u>	<u>Operating</u> <u>Principal</u>	<u>Finance</u> <u>Principal</u>
2023	\$ 50,971	\$ 120,024
2024	54,873	41,272
2025	14,362	4,025
2026	-0-	4,025
2027	<u>-0-</u>	<u>2,348</u>
Total minimum lease payments	120,206	171,694
Less amount representing interest	<u>11,104</u>	<u>4,930</u>
Present value of future minimum lease payments	\$ <u><u>109,102</u></u>	\$ <u><u>166,764</u></u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 - NET PATIENT SERVICE REVENUE

The Hospital's revenues generally relate to contracts with patients in which the Hospital's performance obligations are to provide healthcare services to patients. Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payors (including government programs, managed care, and commercial insurance companies) and include variable consideration for retroactive revenue adjustments due to reviews and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. The Hospital determines the transaction price based on standard charges, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Hospital measures the performance obligation from admission into the Hospital to the point when it is no longer required to provide services to the patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at the point of time, which includes outpatient services, is generally recognized when services are provided to patients and the Hospital does not believe it is required to provide additional services to the patient.

Because all of its performance obligations relate to contracts with duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days of the end of the reporting period.

The Hospital has also elected to apply the practical expedients under FASB ASC 606 for applying a portfolio of contracts with similar characteristics as well as for applying the financing component. The Hospital accounts for the contracts within each portfolio as a collective group, rather than individual contracts. Based on historical collection trends and other analysis, the Hospital has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis. The period of time between the service being provided and the time the patient pays for service is typically one year or less.

The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals. Estimates of contractual adjustments under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. The payment arrangements with third-party payors provide for payments to the Hospital at amounts different from its estimated rates.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 - NET PATIENT SERVICE REVENUE (Continued)

contractual adjustments, discounts, and implicit price concessions. For fiscal years 2022 and 2021, adjustments due to changes in the Hospital's estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior year were not significant. Subsequent changes that are significant and determined to be the result of an adverse change in the patient's ability to pay, determined on a portfolio base, are recorded as bad debt expense.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has provided implicit price concessions to uninsured patients and patients with other uninsured balances. Estimated implicit price concessions are recorded for uninsured accounts, which includes uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage, regardless of the aging of those accounts. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state, and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections as a primary source of information in estimating the collectability of accounts receivable. The Hospital performs a hindsight analysis, utilizing historical accounts receivable collection and write-off data. The Hospital believes its updates to the estimated implicit price concession amounts at the Hospital facility to provide reasonable valuation estimates of the Hospital's revenues and accounts receivable.

The Hospital provides medical services to government program beneficiaries and has agreements with other third-party payors that provide payments at amounts different from established rates. The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these arrangements includes prospectively determined rates per visit, discounts from established charges, and fee schedules.

The Hospital has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, geography, and timing of when revenue is recognized.

Patient service revenue by payor for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Medicare	\$ 14,438,068	\$ 14,147,041
Medicaid	12,093,474	12,286,413
Blue Cross	2,748,546	4,527,299
Commercial	11,422,467	10,281,457
Self-pay	<u>886,634</u>	<u>803,748</u>
Gross patient service revenue	\$ <u>41,589,189</u>	\$ <u>42,045,958</u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 - NET PATIENT SERVICE REVENUE (Continued)

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 care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2015 until September 30, 2024, if not extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$461,007 and \$451,287 for the years ended December 31, 2022 and 2021. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The Hospital is reimbursed 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. As of December 31, 2022, Medicare reports have been audited and final settled with the fiscal intermediary through December 31, 2018.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. As of December 31, 2022, Medicaid reports have been audited and final settled with the fiscal intermediary through December 31, 2016.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act I of 2010, tasked the Louisiana Department of Health (LDH) to create a new system of care. In response, the LDH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, the LDH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network.

Beginning in 2015, the Hospital contracted with Louisiana Medicaid managed care organizations (MCO) which paid supplemental payments to maintain access to and provide inpatient and outpatient hospital services to MCO patients. These payments supplement per claim payments by the MCO in the amount of \$2,540,007 for 2022 and \$2,188,105 for 2021, which are included in operating revenues.

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.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's net patient revenue for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Gross charges	\$ 41,589,189	\$ 42,045,958
Less charges associated with charity patients	<u>(287,732)</u>	<u>(176,890)</u>
Gross patient service revenue	41,301,457	41,869,068
Less deductions from revenue:		
Contractual adjustments	(17,260,790)	(16,813,773)
Policy and other discounts	<u>(845,588)</u>	<u>(1,030,744)</u>
Patient service revenue (net of contractual adjustments and discounts)	23,195,079	24,024,551
Less implicit price concessions	<u>(1,302,193)</u>	<u>(2,643,970)</u>
Net patient service revenue	\$ <u>21,892,886</u>	\$ <u>21,380,581</u>

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 revenue for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Medicare and Medicaid patient charges	\$ 26,531,542	\$ 26,433,454
Contractual adjustments	<u>(14,523,262)</u>	<u>(13,692,751)</u>
Program patient service revenue	\$ <u>12,008,280</u>	\$ <u>12,740,703</u>
Percent of total gross charges	<u>64%</u>	<u>63%</u>
Percent of total net patient revenue	<u>55%</u>	<u>60%</u>

The Hospital experiences differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. In fiscal year 2022, there were adjustments resulting in material decreases in cost settlements of \$122,360.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12 - FUNCTIONAL EXPENSES

The Hospital provides general health care services primarily to residents within its geographical location. Expenses related to providing these services for the years ended December 31 are as follows:

	2022			
	Program Services	General and Administrative	Fund Raising	Total
Salaries	\$ 10,414,741	\$ 1,374,646	\$ -0-	\$ 11,789,387
Benefits and payroll taxes	2,640,280	382,018	-0-	3,022,298
Medical supplies and drugs	2,227,304	-0-	-0-	2,227,304
Professional services	2,172,132	-0-	-0-	2,172,132
Insurance	279,784	118,951	-0-	398,735
Depreciation and amortization	797,097	93,553	-0-	890,650
Interest expense	18,472	-0-	-0-	18,472
Other operating expenses	2,136,496	1,686,394	1,367	3,824,257
Total Expenses	<u>\$ 20,686,306</u>	<u>\$ 3,655,562</u>	<u>\$ 1,367</u>	<u>\$ 24,343,235</u>

	2021			
	Program Services	General and Administrative	Fund Raising	Total
Salaries	\$ 10,503,419	\$ 1,177,660	\$ -0-	\$ 11,681,079
Benefits and payroll taxes	2,376,288	321,067	-0-	2,697,355
Medical supplies and drugs	2,116,894	-0-	-0-	2,116,894
Professional services	1,862,233	-0-	-0-	1,862,233
Insurance	320,769	97,455	-0-	418,224
Depreciation and amortization	675,740	95,973	-0-	771,713
Interest expense	12,506	-0-	-0-	12,506
Other operating expenses	2,463,394	1,922,947	-0-	4,386,341
Total Expenses	<u>\$ 20,331,243</u>	<u>\$ 3,615,102</u>	<u>\$ -0-</u>	<u>\$ 23,946,345</u>

NOTE 13 - CONTINGENCIES AND COMMITMENTS

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

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 13 - CONTINGENCIES AND COMMITMENTS (Continued)

Governmental Third-Party Reimbursement Programs (Note 11) - 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 program, 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 determinations. 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 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 Liability Risk - The Hospital participates in the Louisiana Patients Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patients Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Legal action in an attempt to overturn this legislation on constitutional grounds is in process.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice and general liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of all participating hospitals. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations of income as reductions of insurance expense and prepaid insurance.

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

As with many small rural hospitals, most Hospital admissions are from a limited number of local physicians. Should any of these local physicians stop referring patients to the Hospital, the financial impact, which cannot reasonably be determined, could be significant.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 13 - CONTINGENCIES AND COMMITMENTS (Continued)

The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or result from operations.

NOTE 14 - RETIREMENT PLAN

The Springhill Medical Services, Inc. pension plan is a 401k savings plan. The Hospital is the administrator of the plan. Under the terms of the plan, the Hospital matches 100% of the employees' contributions up to 5% of the employees' salaries. Once the matching contributions are made, the Hospital has no further liability. To participate in the plan, employees must be 18 years of age and must have completed one year of service. Employees are fully vested in the Hospital's contributions at the time contributions are submitted. The 401k matching contribution expense for the years ended December 31, 2022 and 2021 was \$355,115 and \$357,075, respectively.

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

During 2014 the Hospital became self-insured to provide group medical and prescription coverage for its employees up to a predetermined stop-loss amount. The Hospital entered into an agreement with a third-party administrator to administer the plan. The third-party administrator is Gilsbar, LLC. The plan year runs from January through December. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$70,000 or aggregate claims exceeding \$1,716,809 per plan year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

The following is a summary of the changes in the Hospital's claims liability for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Beginning of the year	\$ 107,742	\$ 124,809
Plus: Claims incurred and changes in estimate	1,788,745	1,470,857
Less: Claims paid	<u>(1,789,031)</u>	<u>(1,487,924)</u>
End of year	\$ <u>107,456</u>	\$ <u>107,742</u>

NOTE 16 - CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenue or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 16 - CHARITY CARE (Continued)

and related benefits, supplies and other operating expenses. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$287,732 and \$176,890 for the years ended December 31, 2022 and 2021, respectively, at costs of \$168,410 and \$100,605.

NOTE 17 - INCOME TAXES

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and recognize a tax liability if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has concluded that there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. Hospital management believes it is no longer subject to income tax examinations for periods prior to January 1, 2018.

NOTE 18 - GOODWILL

The Hospital elected to implement Accounting Standards Codification 350 (an alternative accounting method available for private companies) and amortize goodwill over 10 years. In fiscal year 2021, Goodwill was removed when the related asset was sold.

NOTE 19 - OPERATING GRANT REVENUE

The Hospital received \$1,209,571 via the American Rescue Plan and \$500,000 in Provider Relief Funds (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal year ending December 31, 2021. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$1,509,371 and \$1,443,507 as operating grant revenue in the fiscal years ending December 31, 2022 and 2021. The unrecognized amount was reported in deferred grant revenue in the accompanying statement of financial position. The Hospital submitted an initial report of healthcare related expenses and lost revenues attributable to coronavirus from inception through December 31, 2021 and additional reports will be submitted as required. Funds received in excess of the reported expenses and lost revenues, if any, may be owed to HHS. As a result, the amount recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. This difference could be materially different from current estimates. During fiscal year ended December 31, 2021, the SBA forgave the PPP loan debt of \$2,404,300 and that forgiveness is recorded as operating grant revenue.

NOTE 20 - MEDICARE ADVANCE PAYMENTS

During April 2020, the Hospital received \$3,324,453 from the Centers for Medicare & Medicaid (CMS) under the Accelerated and Advance Payment (AAP) Program. Repayment begins one year after payment was issued at 25 percent of Medicare payments otherwise owed to the Hospital. The Hospital repaid the total amount of the AAP during fiscal year 2021.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 21 - CHANGE IN METHOD OF ACCOUNTING FOR LEASES

As discussed in Note 2, the Hospital adopted ASU 2016-02, Topic 842, Leases on January 1, 2022. This change in accounting did not result in material changes in net position.

NOTE 22 - SUBSEQUENT EVENTS

Events have been evaluated through September 25, 2023, for subsequent event disclosure and management has determined that no material events occurred that require disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Routine services:		
Adults and pediatric	\$ 2,625,828	\$ 2,968,256
Intensive care unit	-0-	10,500
Swing bed	163,800	177,233
Psychiatric unit	<u>2,791,500</u>	<u>2,756,400</u>
 Total routine services	 <u>5,581,128</u>	 <u>5,912,389</u>
Other professional services:		
Operating room	2,096,638	2,088,184
Anesthesia	59,488	60,712
Radiology	3,703,633	3,562,784
Laboratory	5,006,983	4,945,148
Respiratory care	574,574	735,520
Physical therapy	1,370,514	1,391,598
EKG	328,085	377,050
Central supply	327,896	332,349
Pharmacy	3,444,306	3,126,724
IV therapy	670,572	680,695
Emergency room	7,584,557	7,244,013
Covid	344,285	1,145,056
Observation room	1,213,476	1,038,278
Hospital based physicians	1,539,489	1,682,991
Doctors Clinic	5,412,994	4,644,187
North Webster Medical Clinic	1,867,063	1,693,577
Homer Medical Clinic	-0-	503,246
Butler-Abshire Medical Clinic	-0-	427,892
Bradley Medical Clinic	<u>463,508</u>	<u>453,565</u>
 Total other professional services	 <u>36,008,061</u>	 <u>36,133,569</u>
 Gross charges	 \$ <u>41,589,189</u>	 \$ <u>42,045,958</u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Less charges associated with charity patients	\$ <u>(287,732)</u>	\$ <u>(176,890)</u>
Gross patient service revenue	41,301,457	41,869,068
Less deductions from revenue:		
Contractual adjustments - Medicare and Medicaid	(14,523,262)	(13,692,751)
Contractual adjustments - Other	(2,737,528)	(3,121,022)
Policy and other discounts	<u>(845,588)</u>	<u>(1,030,744)</u>
Patient service revenue (net of contractual adjustments and discounts)	23,195,079	24,024,551
Less implicit price concessions:	<u>(1,302,193)</u>	<u>(2,643,970)</u>
Net patient service revenue	\$ <u><u>21,892,886</u></u>	\$ <u><u>21,380,581</u></u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Cafeteria sales	\$ 84,731	\$ 70,428
Community care fees	89,041	63,283
Flawless	12,664	-0-
Home health joint venture	8,739	79,688
Physician office rentals	27,840	33,873
340B pharmacy revenue	1,343,949	1,420,218
Vending revenue	4,242	4,314
Caravan ACO	205,660	420,546
Miscellaneous revenue	<u>30,791</u>	<u>48,029</u>
 Total other operating revenue	 \$ <u>1,807,657</u>	 \$ <u>2,140,379</u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULES OF SALARIES AND BENEFITS
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Administration	\$ 1,505,835	\$ 1,367,564
Plant operations and maintenance	167,686	155,756
Laundry	783	2,763
Housekeeping	251,090	244,115
Dietary	203,014	211,749
Central supply	111,470	100,796
Pharmacy	265,402	355,625
Nursing administration	583,101	484,106
Medical records	347,385	352,147
Nursing services, acute care	1,128,204	1,198,438
Nursing services, psych	790,473	812,550
Operating room	219,880	233,333
Radiology	569,698	548,193
Laboratory	606,621	516,923
Respiratory care	202,620	179,073
Physical therapy	322,097	333,426
Doctors Clinic	2,921,488	2,535,233
North Webster Medical Clinic	546,938	480,101
Homer Medical Clinic	-0-	317,179
Butler-Abshire Medical Clinic	-0-	222,318
Bradley Medical Clinic	209,617	191,581
Emergency room	829,677	799,276
Covid	-0-	38,634
Senior Friends	-0-	200
Flawless	<u>6,308</u>	<u>-0-</u>
 Total salaries	 <u>11,789,387</u>	 <u>11,681,079</u>
 Payroll taxes	 827,017	 835,029
Health insurance	1,734,700	1,409,945
Pension plan	355,115	357,075
Workers compensation	64,301	83,498
Other	<u>41,165</u>	<u>11,808</u>
 Total benefits	 <u>3,022,298</u>	 <u>2,697,355</u>
 Total salaries and benefits	 \$ <u><u>14,811,685</u></u>	 \$ <u><u>14,378,434</u></u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULES OF MEDICAL SUPPLIES AND DRUGS
YEARS ENDED DECEMBER 31,

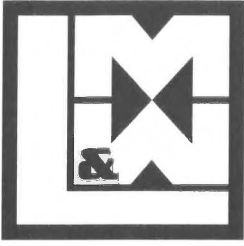
	<u>2022</u>	<u>2021</u>
Nursing services, acute care	\$ 154,259	\$ 176,860
Nursing services, psych	5,483	9,304
Operating room	30,650	41,490
Anesthesiology	904	840
Radiology	90,806	83,385
Laboratory	911,594	864,064
Respiratory care	15,482	40,248
Physical therapy	3,055	785
EKG	666	588
Pharmacy	737,762	652,981
Doctors Clinic	152,076	130,135
North Webster Medical Clinic	59,987	52,068
Homer Medical Clinic	-0-	7,686
Butler-Abshire Medical Clinic	-0-	5,882
Bradley Medical Clinic	21,154	17,609
Emergency room	39,236	32,969
Flawless	<u>4,190</u>	<u>-0-</u>
 Total medical supplies and drugs	 \$ <u><u>2,227,304</u></u>	 \$ <u><u>2,116,894</u></u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULES OF PROFESSIONAL FEES
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Nursing services, acute care	\$ 136,246	\$ 75,472
Nursing services, psych	170,175	121,941
Anesthesiology	137,440	141,584
Radiology	124,435	112,783
Laboratory	24,315	12,224
Physical therapy	46,876	20,877
Pharmacy	25,182	28,900
Doctors Clinic	428,017	252,759
North Webster Medical Clinic	29,259	21,138
Homer Medical Clinic	-0-	16,324
Butler-Abshire Medical Clinic	-0-	13,566
Bradley Medical Clinic	12,034	8,690
Emergency room	1,031,426	1,001,072
Hospitalist	2,399	33,663
Senior Friends	1,254	1,240
Flawless	<u>3,074</u>	<u>-0-</u>
 Total professional fees	 \$ <u>2,172,132</u>	 \$ <u>1,862,233</u>

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULES OF OTHER OPERATING EXPENSES
YEARS ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Administration	\$ 628,032	\$ 666,160
Miscellaneous purchased services	536,369	1,061,670
Supplies	570,878	606,361
Repairs and maintenance	297,984	323,042
Utilities	406,639	346,274
Telephone	28,407	77,114
Travel	28,097	70,556
Rentals	126,202	227,956
Education	46,006	18,696
Advertising	60,304	55,437
Dues and subscriptions	258,490	228,035
Sales and property taxes	336,322	298,700
340B pharmacy	451,178	364,710
Foundation	1,367	-0-
Miscellaneous expense	<u>47,982</u>	<u>41,630</u>
 Total other operating expenses	 \$ <u>3,824,257</u>	 \$ <u>4,386,341</u>



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758

Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107

Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA
Karlie P. Brister, CPA
P. Trae' O'Pry, CPA, CVA
Brenda J. Lloyd, CPA
Timothy J. Deshotel, CPA
Andrew J. Wynn, CPA
Retired 2015
Bobby G. Lester, CPA

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

Board of Directors
Springhill Medical Services, Inc.
d/b/a Springhill Medical Center
Springhill, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Springhill Medical Center (the "Hospital", a nonprofit health care entity), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies

described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003, to be significant deficiencies.

Report on Compliance and Other Matters

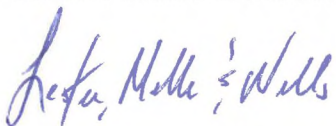
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance described in the accompanying schedule of findings and questioned costs as item 2022-004.

Springhill Medical Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

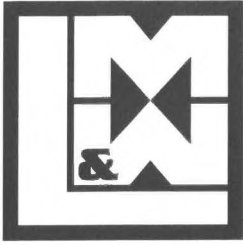
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Alexandria, Louisiana

September 25, 2023





LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758

Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107

Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA
Karlie P. Brister, CPA
P. Trae' O'Pry, CPA, CVA

Brenda J. Lloyd, CPA
Timothy J. Deshotel, CPA
Andrew J. Wynn, CPA

Retired 2015
Bobby G. Lester, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Springhill Medical Services, Inc
d/b/a Springhill Medical Center
Springhill, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Springhill Medical Center's (the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2022. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Alexandria, Louisiana

September 25, 2023



SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Federal Grantor/Program Name/ Pass-Through Grantor</u>	<u>Assistance Listing</u>	<u>Contract Period</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund and American Rescue Plan Rural	93.498	07/01/2021-12/31/2021	\$ 1,212,307
U.S. Department of Health and Human Services COVID-19 Vaccine Confidence Rural Health Clinics	93.912		148,587
U.S. Department of Health and Human Services COVID-19 Testing for Rural Health Clinics	93.697		300,000
U.S. Department of Health and Human Services COVID-19 Small Rural Hospital Improvement Program Passed-through Louisiana Hospital Association	93.301		255,337
U.S. Department of Health and Human Services Delta Region Community Health Systems Development Program Passed-through Delta Regional Authority	90.201		<u>26,250</u>
Total Expenditures of Federal Awards			\$ <u><u>1,942,481</u></u>

See accompanying notes to schedule of expenditures of federal awards.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Springhill Medical Center (Hospital) under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

NOTE B – Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Indirect Cost Rate

The Hospital has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – Subrecipients

The Hospital had no subrecipients in 2022.

NOTE E – COVID-19 Awards

During the prior fiscal year, the U.S. Department of Health and Human Services (HHS) began providing COVID-19 related funding under Assistance Listing Number 93.498. The funds are to be utilized to offset eligible COVID-19 expenditures and lost revenues related to COVID-19 as defined in the program regulations. The Hospital recognized amounts received as the program requirements were met as shown in the table below. The schedule includes \$403,924 received from HHS between January 1, 2021 and December 31, 2022. The amounts expended are reported in the SEFA according to HHS periods of availability (also known as the "period of performance").

Fiscal Year	COVID-19 Awards *	Amount Recognized as Revenue	Amount Reported as Unearned Revenue	Amount Reported on the SEFA
2021	\$ 1,722,180	\$ 1,656,316	\$ 1,509,371	\$ 4,602,268
2022	\$ 403,924	\$ 1,512,307	\$ -0-	\$ 1,916,231

*All COVID-19 Awards, plus \$2,936 of interest income earned on Provider Relief Funds

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified opinion on financial statements prepared in accordance with generally accepted accounting principles (GAAP)

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – Yes

Management letter issued – No

Federal Awards –

- Material weaknesses identified – No
- Significant deficiencies identified – None reported
- Type of auditor's report issued on compliance for major programs – Unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Identification of Major Programs:
 - Assistance Listing # 93.498 Department of Health and Human Services
COVID-19 Provider Relief Fund
- Dollar threshold to distinguish between Type A and Type B Programs - \$750,000
- Auditee qualified as a low-risk auditee – No

Section II. Financial Statement Findings

Current Year Material Weaknesses

FINDING 2022-001 - Estimate of Third-party Payor Settlements

Fiscal Year Initially Reported: December 31, 2018

Criteria: An estimate of the current year Medicare and Medicaid cost reports should be made and recorded.

Condition: Management did not calculate and record an estimate for the current year Medicare and Louisiana Medicaid cost report settlement.

Cause: Management determined that the cost outweighed the benefit of preparing an interim estimate and elected not to prepare a current year cost report estimate.

Effect: This caused the revenues and current assets to be understated by approximately \$283,000.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

FINDING 2022-001 - Estimate of Third-party Payor Settlements (Continued)

Recommendation: We recommend calculating an estimate for the current year Medicare and Medicaid cost reports and recording the results on an interim basis.

Management Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end.

Current Year Significant Deficiencies

FINDING 2022-002 - Reconciliations and Maintenance of Schedules

Fiscal Year Initially Reported: December 31, 2019

Criteria: Reconciliations of subsidiary schedules should be prepared on a monthly basis.

Condition: Timely reconciliations of bank balances and subsidiary ledgers were not performed.

Cause: Management changeover in current and prior years cost the Hospital institutional knowledge concerning the preparation of the reconciliations on a timely basis.

Effect: The lack of timely reconciliations and maintenance of schedules can result in misstatements in the interim financial statements.

Recommendation: We recommend maintaining monthly schedules and perform timely reconciliations of subsidiary ledgers and bank balances.

Management Response: It is the intent of management to maintain monthly schedules and perform timely reconciliations of subsidiary ledgers and bank balances.

FINDING 2022-003 - Segregation of Duties

Fiscal Year Initially Reported: December 31, 2018

Criteria: There should be a complete segregation of duties in all accounting, recording and custody functions.

Condition: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording, and custody functions.

Cause: The Hospital is small and unable to hire enough staff to completely segregate duties.

Effect: This could enable fraud or errors to occur more easily than if duties were segregated properly.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

FINDING 2022-003 - Segregation of Duties (Continued)

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Management Response: Areas noted will be reviewed and further segregation of duties will be implemented where supervision and review by management will be increased.

Current Year Compliance

FINDING 2022-004 - Timely Filing of Financial Statements

Criteria: Pursuant to state law (LA R.S. 24:513 A(1)(b)(iv)) financial statements are to be filed with the Louisiana Legislative Auditor's Office within six months of an entity's fiscal year end.

Condition: Springhill Medical Services, Inc. did not file its December 31, 2022 financial statements with the Louisiana Legislative Auditor's Office by the required deadline.

Cause: The Hospital was required to report Statewide Agreed Upon Procedures (first time engagement) and a Single Audit for federal awards received and / or expended in fiscal year 2022. These additional engagements required more time to compile data and complete the engagements.

Effect: The Hospital was not in compliance with LA R.S. 24:513 A(1)(b)(iv).

Management Response: An extension was requested and granted by the Louisiana Legislative Auditor's Office. The extension will expire September 30, 2023.

Section III. Federal Awards, Findings and Questioned Costs

None reported

Section IV. Management Letter

None Reported

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I. Financial Statement Findings

Prior Year Material Weakness

FINDING 2021-001 - Estimate of Third-party Payor Settlements

Fiscal Year Initially Reported: December 31, 2018

Criteria: An estimate of the current year Medicare and Medicaid cost reports should be made and recorded.

Condition: Management did not calculate and record an estimate for the current year Medicare and Louisiana Medicaid cost report settlement.

Cause: Management determined that the cost outweighed the benefit of preparing an interim estimate and elected not to prepare a current year cost report estimate.

Effect: This caused the revenues and current assets to be understated by approximately \$437,000.

Recommendation: We recommend calculating an estimate for the current year Medicare and Medicaid cost reports and recording the results on an interim basis.

Management Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end.

Current Status: Not resolved. See 2022-001

Prior Year Significant Deficiencies

FINDING 2021-002 - Reconciliations and Maintenance of Schedules

Fiscal Year Initially Reported: December 31, 2019

Criteria: Reconciliations of subsidiary schedules should be prepared on a monthly basis.

Condition: Timely reconciliations of bank balances and subsidiary ledgers were not performed.

Cause: Management changeover in current and prior years cost the Hospital institutional knowledge concerning the preparation of the reconciliations on a timely basis.

Effect: The lack of timely reconciliations and maintenance of schedules can result in misstatements in the interim financial statements.

Recommendation: We recommend maintaining monthly schedules and perform timely reconciliations of subsidiary ledgers and bank balances.

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a SPRINGHILL MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

FINDING 2021-002 - Reconciliations and Maintenance of Schedules (Continued)

Management Response: It is the intent of management to maintain monthly schedules and perform timely reconciliations of subsidiary ledgers and bank balances.

Current Status: Partially resolved. See 2022-002

FINDING 2021-003 - Segregation of Duties

Fiscal Year Initially Reported: December 31, 2018

Criteria: There should be a complete segregation of duties in all accounting, recording and custody functions.

Condition: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording, and custody functions.

Cause: The Hospital is small and unable to hire enough staff to completely segregate duties.

Effect: This could enable fraud or errors to occur more easily than if duties were segregated properly.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Management Response: Areas noted will be reviewed and further segregation of duties will be implemented where supervision and review by management will be increased.

Current Status: Not resolved. See 2022-003

Section II. Federal Awards, Findings, and Questioned Costs

None reported

Section III. Management Letter

None reported



2001 Doctors Drive
Springhill, Louisiana 71075
(318) 539-1000 (v)
(318) 539-4085 (f)
www.smccare.com

September 25, 2023

Legislative Audit Advisory Council
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Springhill Medical Services, Inc.
FYE 12/31/2022 Financial Statement Audit
Management Corrective Action Plan

Dear Council Members:

Management has taken the following action in response to the findings of our auditors, Lester, Miller & Wells, CPAs for the fiscal year ended December 31, 2022.

Finding 2022-001 – Estimates of Third-party Payor Settlements

Position(s) of Agency Personnel taking correction action:
Chief Executive Officer

Corrective Action:

Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end.

Finding 2022-002 – Reconciliations and Maintenance of Schedules

Position(s) of Agency Personnel taking correction action:
Chief Financial Officer

Corrective Action:

Management will maintain monthly schedules and perform timely reconciliations of subsidiary ledgers.

Finding 2022-003 – Segregation of Duties

Position(s) of Agency Personnel taking correction action:
Chief Financial Officer

**SMC
Doctors Clinic**
401 11th St NE
Springhill, LA 71075
(318) 539-1701

**North Webster
Medical Clinic**
106 Tri-State Dr.
Sarepta, LA 71071
(318) 994-2266

**Bradley
Medical Clinic**
409 Woodruff Dr.
Bradley, AR 71826
(870) 894-3366

**Springhill
Physical Therapy**
206 Reynolds St.
Springhill, LA 71075
(318) 539-4006

FOLLOW US
on Social Media:
  

Legislative Audit Advisory Council
September 25, 2023
Page Two

Corrective Action:

Management will review areas noted, further segregation of duties will be implemented with additional supervision and review by management.

Finding 2022-004 – Timely Filing of Financial Statements

Position(s) of Agency Personnel taking correction action:
Chief Financial Officer

Corrective Action:

Management will ensure that financial statements are submitted in accordance with LA R.S. 24:513 A(1)(b)(iv) in future years.

If you should require additional information please call (318) 539-1003.

Sincerely,



Pete Johnson
Chief Executive Officer

SPRINGHILL MEDICAL SERVICES, INC.
d/b/a
SPRINGHILL MEDICAL CENTER

INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEARS ENDED
DECEMBER 31, 2022



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758

Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107

Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA
Karlie P. Brister, CPA
P. Trae' O'Pry, CPA, CVA

Brenda J. Lloyd, CPA
Timothy J. Deshotel, CPA
Andrew J. Wynn, CPA

Retired 2015
Bobby G. Lester, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Of Springhill Medical Services, Inc.
d/b/a Springhill Medical Center
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of Springhill Medical Services, Inc. d/b/a Springhill Medical Center (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exceptions: There were 36 exceptions found as a result of these procedures. Springhill Medical Center did not have policies for 5 out of 12 policies required.

Management Response: Policies will be reviewed and updated or new policies created.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on*



the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Exceptions: The board did not meet for two (2) of twelve (12) monthly meetings. However, Springhill Medical Center's bylaws states the Board is only required to meet quarterly. No exceptions were found as a result of these procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain, and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: No exceptions were found as a result of these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to



employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that

- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Exceptions: Three exceptions were found as result of these procedures. Employees responsible for collecting cash do share cash drawers at both deposit sites, and one receipt was not deposited within one business day of receipt.

Management Response: CFO will review current procedures and revise as feasible.



5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Exceptions: No exceptions were found as a result of these procedures.



6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exceptions: Five exceptions were found as a result of these procedures. One item tested did not have original itemized receipt. Two items tested did not have written documentation of business purpose. Two items tested did not have documentation of individuals participating in meals.

Management Response: CFO will review and update applicable policies and provide education to staff.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;



- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: Three exceptions were found as a result of these procedures. One travel reimbursement did not have original itemized receipt. Two travel reimbursements did not include the names of participating individuals.

Management Response: Management will review and update applicable policies and provide education to staff.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law;
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exceptions: No exceptions were found as a result of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.



- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Exceptions: No exceptions were found as a result of these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Exceptions: No exceptions were found as a result of these procedures.



11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Exceptions: The above procedures were not applicable.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: Two exceptions were found as a result of these procedures. Springhill Medical Center did not post fraud notice on premises and website.

Management Response: The Hospital posed fraud notice on website and premises after being aware of the requirement in FY 2023.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.



- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Exceptions: We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Exceptions: One exception were found as a result of these procedures. The Hospital did not post sexual harassment policy and complaint procedure on its website.

Management Response: The Hospital posted sexual harassment policy on their intranet. Once the Hospital was aware of requirement the Hospital posted the sexual harassment policy on their main website.

We were engaged by the Hospital and LLA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the



Board of Directors
of Springhill Medical Services, Inc.
d/b/a Springhill Medical Center
and the Louisiana Legislative Auditor

expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Certified Public Accountants
Alexandria, Louisiana

September 25, 2023



