

FRANKLIN MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
APRIL 30, 2020, 2019 AND 2018



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF FRANKLIN, STATE OF LOUISIANA
 d/b/a FRANKLIN MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED APRIL 30, 2020, 2019 AND 2018

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Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Franklin Parish, State of Louisiana d/b/a Franklin Medical Center (the "Medical Center") provides background information and management's analysis of the Medical Center's financial performance for the fiscal years that ended April 30, 2020, 2019, 2018 and 2017. Please read it in conjunction with the financial statements beginning on page 4 and notes to the financial statements beginning on page 8 in this report.

Financial Highlights

Current assets increased by \$649,325 or 8.4% for the year ending April 30, 2020 due to an increase in estimated third-party payor settlements.

Current liabilities decreased 10.7% to \$3,726,474, due to a decrease in estimated third-party settlements. Long-term debt increased by \$6,615 or 0.1% in FY 2020 to \$5,207,824 due to payments on long-term debt while adding three (3) additions to capital leases and two (2) additions to notes payable.

The net position increased by \$1,012,308 or 11.4%, which is the excess of revenues over expenses for the year ending April 30, 2020. Net position as of April 30, 2020 was \$9,910,553, up from \$8,898,225 as of April 30, 2019.

Net patient revenue for FY 2020 increased by \$862,280 or 3.0%, from \$28,581,735 in FY 2019 due to an increase in overall reimbursement rates. Overall patient days decreased by 664 days to 3,103 for the year ending April 30, 2020.

Expenses for the year ending April 30, 2020 increased by \$1,096,026 or 3.4%. Total expenses for the year ending April 30, 2020 were \$33,279,040, up from \$32,183,014 as of April 30, 2019. The increase was due to an increase in salaries and payroll related benefits and professional fees during the fiscal year.

Using this Annual Report

The Medical Center's financial statements consist of three statements: a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These statements provide information about the Medical Center's activities including resources held by the Medical Center.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

Both statements report information about the Medical Center's resources and its activities that describe the financial results of the fiscal year and the Medical Center's financial position as of the end of the year. They report the Medical Center's net position and changes in them.

Net position is the difference between assets and liabilities. Over time, increases or decreases in the Medical Center's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Medical Center's patient base, measure of the quality of services provided, and local, state, and federal economic factors to assess the overall health of Franklin Medical Center.

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Using this Annual Report (Continued)

The Statement of Cash Flows

The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and capital and non-capital financing activities. It describes sources of cash, uses of cash, and the change in cash balance during the fiscal year.

Franklin Medical Center's Net Position

The Medical Center's net position is the difference between assets and liabilities reported in the balance sheet. As discussed under the financial highlights section, the Medical Center's net position (inclusive of donated assets) increased by \$1,012,308. The financial highlights section also discusses the changes in assets and liabilities as are shown in the following table.

TABLE 1
Condensed Statements of Net Position

	Years Ended			
	April 30,			
	2020	2019	2018	2017
Total current assets	\$ 8,357,264	\$ 7,707,939	\$ 6,669,038	\$ 5,032,691
Nondepreciable capital assets	692,500	753,000	657,500	4,982,288
Depreciable capital assets, net	9,090,519	9,096,767	9,935,536	6,027,192
Limited use assets	588,557	583,201	816,375	812,635
Other non-current assets	115,991	133,283	158,869	228,359
Total assets	\$ 18,844,831	\$ 18,274,190	\$ 18,237,318	\$ 17,083,165
Total current liabilities	\$ 3,726,474	\$ 4,174,756	\$ 4,923,808	\$ 5,571,703
Long-term debt, net of current maturities	5,207,824	5,201,209	5,493,280	5,243,598
Total liabilities	8,934,298	9,375,965	10,417,088	10,815,301
Net position				
Invested in capital assets, net of related debt	3,339,928	3,527,370	4,014,113	4,764,818
Restricted	200,490	200,490	200,490	200,490
Unrestricted	6,370,115	5,170,365	3,605,627	1,302,556
Total liabilities and net position	\$ 18,844,831	\$ 18,274,190	\$ 18,237,318	\$ 17,083,165

Required Financial Statements

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

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Required Financial Statements (Continued)

The Statement of Net Position includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures improvements in the Hospital's operations over the past three years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

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

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Summary of Revenues, Expenses and Changes in Net Position

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended			
	April 30,			
	2020	2019	2018	2017
Net patient service revenue	\$29,444,015	\$28,581,735	\$27,961,309	\$24,178,895
Other revenue	3,166,013	3,542,038	3,963,251	1,949,887
Total operating revenue	32,610,028	32,123,773	31,924,560	26,128,782
Salaries and employee benefits	16,820,854	16,180,822	16,309,630	16,141,651
Supplies and other	2,800,901	2,772,266	2,307,115	1,847,920
Professional, mgt. and consulting fees	6,447,178	6,039,228	5,420,085	4,983,027
Other expense	5,301,182	5,358,205	5,509,694	5,306,657
Insurance	518,087	486,544	454,288	419,876
Depreciation and amortization	1,390,838	1,345,949	1,402,824	1,130,007
Total operating expenses	33,279,040	32,183,014	31,403,636	29,829,138
Operating income (loss)	(669,012)	(59,241)	520,924	(3,700,356)
Nonoperating income	1,681,320	1,137,236	1,031,442	1,021,089
Changes in net position	1,012,308	1,077,995	1,552,366	(2,679,267)
Net position - beginning of year	8,898,225	7,820,230	6,267,864	8,947,131
Net position - end of year	\$ 9,910,533	\$ 8,898,225	\$ 7,820,230	\$ 6,267,864

Sources of Revenue

Operating Revenue

During fiscal year 2020, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts.

A 13 mill property tax was approved for a period of twenty-five years, beginning with the year 2014 and ending with the year 2039, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services.

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Table 3 presents the relative percentages of gross charges billed for patient services for Medicare and Medicaid for the fiscal years ended April 30, 2020, 2019, 2018 and 2017.

TABLE 3
Medicare & Medicaid Patient Revenue

	Years ended April 30,			
	2020	2019	2018	2017
Medicare and Medicaid patient charges	\$ 59,390,751	\$ 62,665,896	\$ 60,673,509	\$ 52,597,312
Contractual adjustments	36,383,850	40,219,129	38,735,552	31,012,726
Net Medicare and Medicaid revenue	\$ 23,006,901	\$ 22,446,767	\$ 21,937,957	\$ 21,584,586
Percent of total patient gross charges	70%	74%	74%	71%
Percent of total net patient revenues	78%	79%	78%	89%

Operating and Financial Performance

TABLE 4
Patient Statistics

	Years ended April 30,			
	2020	2019	2018	2017
Number of patient days				
Medicare acute and rehab care	1,877	2,308	2,182	1,244
Swingbed	191	398	407	159
Medicaid acute and rehab care	398	455	481	507
Other acute and rehab care	637	606	587	540
Total	3,103	3,767	3,657	2,450
Number of patient discharges				
Medicare acute and rehab care	387	495	484	371
Swingbed	39	66	61	21
Medicaid acute and rehab care	98	117	121	150
Other acute and rehab care	144	102	117	87
Total	668	780	783	629
Average length of patient stay				
Medicare acute and rehab care	4.9	4.7	4.5	3.4
Swingbed	4.9	6.0	6.7	7.6
Medicaid acute and rehab care	4.1	3.9	4.0	3.4
Other acute and rehab care	4.4	5.9	5.0	6.2
Average length of stay for acute care	4.6	4.7	4.5	3.8

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Capital Assets

TABLE 5
Land and Depreciable Capital Assets, net

	April 30			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Nondepreciable Capital Assets				
Land	\$ 657,500	\$ 657,500	\$ 657,500	\$ 657,500
Construction in Progress	<u>35,000</u>	<u>95,500</u>	<u>-0-</u>	<u>4,324,788</u>
Total Nondepreciable Capital Assets	<u>\$ 692,500</u>	<u>\$ 753,000</u>	<u>\$ 657,500</u>	<u>\$ 4,982,288</u>
Depreciable Capital Assets				
Building & Equipment	\$ 23,126,275	\$ 21,953,292	\$ 21,498,838	\$ 16,311,377
Leasehold Improvements	2,714,431	2,714,431	2,714,431	2,702,231
Intangibles	<u>1,239,591</u>	<u>1,239,591</u>	<u>1,239,591</u>	<u>1,239,591</u>
Subtotal	27,080,297	25,907,314	25,452,860	20,253,199
Less Accumulated Depr. & Amort.	<u>17,989,778</u>	<u>16,810,547</u>	<u>15,517,324</u>	<u>14,226,007</u>
Total Depreciable Capital Assets, net	<u>\$ 9,090,519</u>	<u>\$ 9,096,767</u>	<u>\$ 9,935,536</u>	<u>\$ 6,027,192</u>

Long-Term Debt

Long-term debt at year end consists of two (2) revenue bonds, eight (8) capital leases, and two (2) note payables. During FY 2020, the Hospital made payments of \$536,543 to pay down revenue bonds, capital leases, and note payables. Long-term debt increased by \$6,615 or 0.1% in 2020, due to payments on long-term debt, while adding three (3) additions to capital leases and two (2) additions to notes payable.

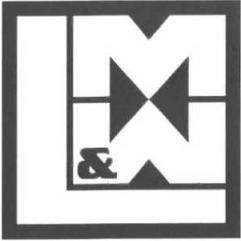
In August 2020 the Hospital issued \$5 million in Limited Tax Revenue Bonds, for the purpose of refinancing the Series 2014 and 2015 bonds, resulting in a lower tax rate.

Economic Factors Related to Next Year's Budget

In March 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. Initially the Hospital experienced significant declines in net patient service revenues due to mandatory shutdowns of elective procedures. After the shutdown was lifted, the Hospital's volume has continued to increase towards the levels it experienced in the previous fiscal year. In response to the pandemic, the Hospital has received \$16.9 million in advanced payments, PPP loans, and Cares Act relief funds.

Contacting the Hospital's Financial Manager

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



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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin, State of Louisiana
Winnsboro, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Franklin, State of Louisiana, Franklin Medical Center (the "Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2020, 2019, and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of April 30, 2020, 2019, and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Franklin Parish Police Jury as of April 30, 2020, 2019, and 2018, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were 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 basic financial statements.



Board of Commissioners
Hospital Service District No. 1
Parish of Franklin, State of Louisiana
Winnsboro, Louisiana
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The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



Certified Public Accountants
Alexandria, Louisiana

December 30, 2020



FRANKLIN MEDICAL CENTER
STATEMENTS OF NET POSITION
APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 1,474,310	\$ 1,839,544	\$ 1,338,684
Certificates of deposit (Note 3)	1,359,530	1,040,405	1,026,936
Accounts receivable, net of allowances for uncollectibles (Note 4)	1,607,853	2,638,437	2,539,700
Estimated third-party payor settlements	2,739,558	1,166,804	855,504
Other receivables	26,952	26,530	25,731
Inventories	1,004,869	843,950	728,112
Prepaid expenses	144,192	152,269	154,371
Total Current Assets	<u>8,357,264</u>	<u>7,707,939</u>	<u>6,669,038</u>
Non-Current Assets			
Nondepreciable capital assets (Note 5)	692,500	753,000	657,500
Depreciable capital assets, net (Note 5 and 6)	9,090,519	9,096,767	9,935,536
Notes receivable	80,427	62,155	52,177
Physician practice acquisition	35,564	71,128	106,692
Limited use assets (Note 7)	588,557	583,201	816,375
Total Assets	<u>\$ 18,844,831</u>	<u>\$ 18,274,190</u>	<u>\$ 18,237,318</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 1,220,533	\$ 1,062,949	\$ 1,271,273
Accrued salary and payroll taxes	711,196	743,740	959,925
Accrued paid time off (Note 8)	477,210	456,667	507,694
Estimated third-party payor settlements	739,768	1,447,712	1,756,773
Current portion of long-term debt (Note 9)	577,767	463,688	428,143
Total Current Liabilities	<u>3,726,474</u>	<u>4,174,756</u>	<u>4,923,808</u>
Long-term debt, net of current maturities (Note 9)	<u>5,207,824</u>	<u>5,201,209</u>	<u>5,493,280</u>
Total Liabilities	<u>8,934,298</u>	<u>9,375,965</u>	<u>10,417,088</u>
Net Position			
Invested in capital assets, net of related debt	3,339,928	3,527,370	4,014,113
Restricted	200,490	200,490	200,490
Unrestricted	6,370,115	5,170,365	3,605,627
Total Net Position	<u>9,910,533</u>	<u>8,898,225</u>	<u>7,820,230</u>
Total Liabilities and Net Position	<u>\$ 18,844,831</u>	<u>\$ 18,274,190</u>	<u>\$ 18,237,318</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues			
Net patient service revenues (Note 10)	\$ 29,444,015	\$ 28,581,735	\$ 27,961,309
Non-restricted contributions	1,418	-0-	9,883
Operating grants	442,203	625,602	628,545
Intergovernmental transfer grants	739,628	1,845,921	2,584,519
Other operating revenues	<u>1,982,764</u>	<u>1,070,515</u>	<u>740,304</u>
 Total Revenues	 <u>32,610,028</u>	 <u>32,123,773</u>	 <u>31,924,560</u>
Expenses			
Salaries	14,143,803	13,776,831	13,428,866
Benefits and payroll taxes	2,677,051	2,403,991	2,880,764
Supplies and drugs	2,800,901	2,772,266	2,307,115
Professional fees	6,447,178	6,039,228	5,420,085
Other expenses	5,301,182	5,358,205	5,509,694
Insurance	518,087	486,544	454,288
Depreciation and amortization	<u>1,390,838</u>	<u>1,345,949</u>	<u>1,402,824</u>
 Total Expenses	 <u>33,279,040</u>	 <u>32,183,014</u>	 <u>31,403,636</u>
 Operating Income (Loss)	 <u>(669,012)</u>	 <u>(59,241)</u>	 <u>520,924</u>
Nonoperating Revenues (Expenses)			
Provider relief funds	615,617	-0-	-0-
Maintenance taxes	1,291,920	1,326,673	1,237,299
Gain (loss) on sale of assets	(27,646)	-0-	-0-
Interest income	29,460	25,614	13,014
Interest expense	<u>(228,031)</u>	<u>(215,051)</u>	<u>(218,871)</u>
 Changes in Net Position	 1,012,308	 1,077,995	 1,552,366
 Beginning Net Position	 <u>8,898,225</u>	 <u>7,820,230</u>	 <u>6,267,864</u>
 Ending Net Position	 \$ <u>9,910,533</u>	 \$ <u>8,898,225</u>	 \$ <u>7,820,230</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 28,193,901	\$ 27,841,393	\$ 27,421,171
Other receipts from operations	3,165,591	3,562,483	3,974,778
Cash payments to employees and for employee-related cost	(16,832,855)	(16,448,034)	(16,331,984)
Cash payments for other operating expenses	<u>(15,062,606)</u>	<u>(14,978,303)</u>	<u>(14,423,822)</u>
Net cash provided (used) by operating activities	<u>(535,969)</u>	<u>(22,461)</u>	<u>640,143</u>
Cash flows from investing activities:			
Purchase of certificates of deposit	(324,481)	(13,469)	(404,522)
Proceeds from certificates of deposit	-0-	233,174	(3,740)
Loan to physicians	(27,322)	(27,140)	(42,184)
Interest income	<u>29,460</u>	<u>25,614</u>	<u>13,014</u>
Net cash provided (used) by investing activities	<u>(322,343)</u>	<u>218,179</u>	<u>(437,432)</u>
Cash flows from non-capital financing activities:			
Proceeds from maintenance taxes	1,291,920	1,326,673	1,237,299
Proceeds from provider relief funds	<u>615,617</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by non-capital financing activities	<u>1,907,537</u>	<u>1,326,673</u>	<u>1,237,299</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(649,885)	(384,435)	(582,184)
interest expense	(228,031)	(215,051)	(218,871)
Proceeds from revenue bonds	-0-	-0-	404,492
Principal payments on long-term debt	<u>(536,543)</u>	<u>(422,045)</u>	<u>(362,753)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,414,459)</u>	<u>(1,021,531)</u>	<u>(759,316)</u>
Net increase (decrease) in cash and cash equivalents	(365,234)	500,860	680,694
Beginning cash and cash equivalents	<u>1,839,544</u>	<u>1,338,684</u>	<u>657,990</u>
Ending cash and cash equivalents	\$ <u><u>1,474,310</u></u>	\$ <u><u>1,839,544</u></u>	\$ <u><u>1,338,684</u></u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>220,588</u>	\$ <u>217,965</u>	\$ <u>220,194</u>
Equipment acquired through capital lease agreements	\$ <u>524,515</u>	\$ <u>165,519</u>	\$ <u>292,522</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (669,012)	\$ (59,241)	\$ 520,924
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,390,838	1,345,949	1,402,824
Changes in current assets (increase) decrease:			
Accounts receivable	1,030,584	(98,737)	(201,097)
Estimated third-party payor settlements	(1,572,754)	(311,300)	(109,994)
Other receivables	(422)	(799)	(601)
Inventories	(160,919)	(115,838)	(161,065)
Prepaid expenses	8,077	2,102	(78,374)
Changes in current liabilities increase (decrease):			
Accounts payable	157,584	(208,324)	(493,201)
Accrued salary and payroll taxes	(32,544)	(216,185)	122,551
Accrued paid time off	20,543	(51,027)	(144,905)
Estimated third-party payor settlements	<u>(707,944)</u>	<u>(309,061)</u>	<u>(216,919)</u>
Net cash provided (used) by operating activities	\$ <u>(535,969)</u>	\$ <u>(22,461)</u>	\$ <u>640,143</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Franklin Parish Hospital Service District No. 1 (the Hospital or the District) was created by an ordinance of the Franklin Parish Police Jury on November 2, 1965.

The District is a political subdivision of the Franklin Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Franklin Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Franklin Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Franklin Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

The hospital facility was originally built by the Franklin Parish Police Jury which issued ad valorem tax bonds to finance its construction. The District leases the hospital facility and some equipment from the Police Jury as explained further in Note 6. All transactions related to the original bonds sold to finance the facility, the related interest expense, and tax revenues for the payment of the bonds are reflected in the financial statements of Franklin Parish Police Jury. The final bond redemption was made during April 1986, thereby eliminating the Police Jury bond indebtedness related to the District.

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), emergency, inpatient acute hospital services, and four rural health clinics.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of ninety (90) days or less. Certificates of deposit with original maturities over 90 days are classified as short-term. 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Franklin Parish residents and grants credit to patients, substantially all of whom are local residents.

The Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District 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 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventories

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

Income Taxes

The District is a political subdivision and exempt from taxation.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Expenditures for additions, major renewals and betterments 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.

Net Position

The Hospital classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Revenue and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Restricted Revenues

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.

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 and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either a specific operating purpose or for capital purposes.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions (Continued)

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.

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 District 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 April 30, 2020, 2019, and 2018, management is not aware of any liability resulting from environmental matters.

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended April 30, 2020, 2019, and 2018 totaled \$92,013, \$49,663, and \$33,716, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Principles

In June 2018, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications. In the previous years, income from maintenance taxes was reported as operating income. The financial statements have been restated to show this income as non-operating.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose, "cash in banks" is comprised of the account balances according to the bank's records.

Custodial Credit Risk – 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. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name as of April 30, 2020, 2019, and 2018.

Concentration of Credit Risks – The Hospital has 86% of its cash and cash equivalents at Franklin State Bank in checking and certificates of deposit.

Interest Rate Risks – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	Franklin State Bank	Winnsboro State Bank	Progressive Bank
Cash in banks	\$ <u>3,188,478</u>	\$ <u>29,857</u>	\$ <u>497,676</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>29,857</u>	\$ <u>250,000</u>
Collateralization by fair market value	\$ <u>2,688,478</u>	\$ <u>-0-</u>	\$ <u>247,676</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Carrying amount			
Deposits	\$ 634,766	\$ 697,374	\$ 510,732
Certificates of deposit	<u>2,787,631</u>	<u>2,765,776</u>	<u>2,671,263</u>
	\$ <u>3,422,397</u>	\$ <u>3,463,150</u>	\$ <u>3,181,995</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 1,474,310	\$ 1,839,544	\$ 1,338,684
Certificates of deposit	1,359,530	1,040,405	1,026,936
Assets whose use is limited	<u>588,557</u>	<u>583,201</u>	<u>816,375</u>
	\$ <u>3,422,397</u>	\$ <u>3,463,150</u>	\$ <u>3,181,995</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at April 30 is presented below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Patients	\$ 3,320,053	\$ 5,133,337	\$ 14,451,452
Estimated allowances for uncollectibles	<u>(1,712,200)</u>	<u>(2,494,900)</u>	<u>(11,911,752)</u>
Net accounts receivable	\$ <u>1,607,853</u>	\$ <u>2,638,437</u>	\$ <u>2,539,700</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 4 - ACCOUNTS RECEIVABLE (Continued)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	32%	33%	32%
Medicaid	32%	39%	41%
Commercial and other third-party payors	29%	23%	22%
Patients	<u>7%</u>	<u>5%</u>	<u>5%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2020</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>95,500</u>	<u>-0-</u>	<u>-0-</u>	<u>(60,500)</u>	<u>35,000</u>
Total nondepreciable capital assets	<u>\$ 753,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (60,500)</u>	<u>\$ 692,500</u>
Depreciable capital assets					
Buildings	\$ 11,079,757	\$ 197,702	\$ 194,639	\$ -0-	\$ 11,082,820
Leasehold improvements	2,714,431	-0-	-0-	-0-	2,714,431
Furniture and equipment	9,341,252	522,154	-0-	60,500	9,923,906
Property held under capital lease	1,532,283	587,266	-0-	-0-	2,119,549
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	25,907,314	1,307,122	194,639	60,500	27,080,297
Accumulated depreciation and amortization	<u>16,810,547</u>	<u>1,346,224</u>	<u>166,993</u>	<u>-0-</u>	<u>17,989,778</u>
Total depreciable capital assets, net	<u>\$ 9,096,767</u>	<u>\$ (39,102)</u>	<u>\$ 27,646</u>	<u>\$ 60,500</u>	<u>\$ 9,090,519</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>-0-</u>	<u>95,500</u>	<u>-0-</u>	<u>-0-</u>	<u>95,500</u>
Total nondepreciable capital assets	\$ <u>657,500</u>	\$ <u>95,500</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>753,000</u>
Depreciable capital assets					
Buildings	\$ 11,042,547	\$ 37,210	\$ -0-	\$ -0-	\$ 11,079,757
Leasehold improvements	2,714,431	-0-	-0-	-0-	2,714,431
Furniture and equipment	9,067,550	273,702	-0-	-0-	9,341,252
Property held under capital lease	1,388,741	165,519	21,977	-0-	1,532,283
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	25,452,860	476,431	21,977	-0-	25,907,314
Accumulated depreciation and amortization	<u>15,517,324</u>	<u>1,293,223</u>	<u>-0-</u>	<u>-0-</u>	<u>16,810,547</u>
Total depreciable capital assets, net	\$ <u>9,935,536</u>	\$ <u>(816,792)</u>	\$ <u>21,977</u>	\$ <u>-0-</u>	\$ <u>9,096,767</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2018</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>4,324,788</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,324,788)</u>	<u>-0-</u>
Total nondepreciable capital assets	<u>\$ 4,982,288</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (4,324,788)</u>	<u>\$ 657,500</u>
Depreciable capital assets					
Buildings	\$ 6,400,538	\$ 317,221	\$ -0-	\$ 4,324,788	\$ 11,042,547
Leasehold improvements	2,702,231	12,200	-0-	-0-	2,714,431
Furniture and equipment	8,814,620	252,930	-0-	-0-	9,067,550
Property held under capital lease	1,096,219	292,522	-0-	-0-	1,388,741
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	20,253,199	874,873	-0-	4,324,788	25,452,860
Accumulated depreciation and amortization	<u>14,226,007</u>	<u>1,291,317</u>	<u>-0-</u>	<u>-0-</u>	<u>15,517,324</u>
Total depreciable capital assets, net	<u>\$ 6,027,192</u>	<u>\$ (416,444)</u>	<u>\$ -0-</u>	<u>\$ 4,324,788</u>	<u>\$ 9,935,536</u>

In the previously issued financial statements, intangibles were classified under other assets on the statement of net position. Additionally, construction in progress was classified under capital assets. In these financial statements, intangibles are classified as depreciable capital assets and construction in progress is classified as nondepreciable assets. The reclassifications impacted the amount considered as invested in capital assets, net of related debt.

A summary of assets held under capital leases, which are included in capital assets at April 30 follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Equipment under capital lease	\$ 2,119,549	\$ 1,557,281	\$ 1,388,741
Accumulated depreciation	<u>1,376,390</u>	<u>1,111,548</u>	<u>998,159</u>
Net	<u>\$ 743,159</u>	<u>\$ 445,733</u>	<u>\$ 390,582</u>

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT

As discussed in Note 1, the hospital facility and original equipment were acquired with the proceeds of ad valorem tax bonds issued by the Franklin Parish Police Jury.

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT (Continued)

Effective September 29, 1992, the Police Jury renewed its lease to the District. The lease has a term of 30 years and may be terminated at any time by mutual consent of both entities. The lease does not call for the District to pay consideration to the Police Jury.

The following property, plant and equipment was acquired by the Police Jury and is reported in the District's financial statements.

Cost or Fair Market Value on the Date of Donation	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 27,500	\$ 27,500	\$ 27,500
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
Total	<u>2,058,716</u>	<u>2,058,716</u>	<u>2,058,716</u>
<u>Accumulated Depreciation</u>			
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
Total	<u>2,031,216</u>	<u>2,031,216</u>	<u>2,031,216</u>
Book value of property, plant and equipment	\$ <u>27,500</u>	\$ <u>27,500</u>	\$ <u>27,500</u>

These assets were obtained in part with funds from a Hill-Burton grant of \$763,844. The Hill-Burton program has the ability to recapture a portion of the depreciated replacement cost of these assets should the facility be closed or not used by a qualified recipient.

NOTE 7 - LIMITED USE ASSETS

The following assets are restricted as to use as designated below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>By Third Parties</u>			
LHA Trust deposits	\$ 200,490	\$ 200,490	\$ 200,490
<u>By Board</u>			
For capital improvements	<u>388,067</u>	<u>382,711</u>	<u>615,885</u>
	\$ <u>588,557</u>	\$ <u>583,201</u>	\$ <u>816,375</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 8 - PAID TIME OFF

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$477,210, \$456,667 and \$507,694 of vacation pay at April 30, 2020, 2019 and 2018. 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 District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt, including capital leases, at April 30, follows:

	<u>2019</u>	<u>Additions</u>	<u>Payments</u>	<u>2020</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 425,380	\$ 524,515	\$ 184,758	\$ 765,137	\$ 214,266
Note payable	-0-	132,722	29,961	102,761	37,047
Revenue bonds, Series 2014	3,002,167	-0-	200,583	2,801,584	200,000
Revenue bonds, Series 2015	<u>2,237,350</u>	<u>-0-</u>	<u>121,241</u>	<u>2,116,109</u>	<u>126,454</u>
Total	\$ <u>5,664,897</u>	\$ <u>657,237</u>	\$ <u>536,543</u>	\$ <u>5,785,591</u>	\$ <u>577,767</u>

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 365,106	\$ 165,519	\$ 105,245	\$ 425,380	\$ 142,447
Revenue bonds, Series 2014	3,202,167	-0-	200,000	3,002,167	200,000
Revenue bonds, Series 2015	<u>2,354,150</u>	<u>-0-</u>	<u>116,800</u>	<u>2,237,350</u>	<u>121,241</u>
Total	\$ <u>5,921,423</u>	\$ <u>165,519</u>	\$ <u>422,045</u>	\$ <u>5,664,897</u>	\$ <u>463,688</u>

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 123,089	\$ 292,522	\$ 50,505	\$ 365,106	\$ 111,343
Revenue bonds, Series 2014	3,402,167	-0-	200,000	3,202,167	200,000
Revenue bonds, Series 2015	<u>2,061,906</u>	<u>404,492</u>	<u>112,248</u>	<u>2,354,150</u>	<u>116,800</u>
Total	\$ <u>5,587,162</u>	\$ <u>697,014</u>	\$ <u>362,753</u>	\$ <u>5,921,423</u>	\$ <u>428,143</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 9 - LONG-TERM DEBT (Continued)

The following are the terms and due dates of the Hospital's long-term debt at April 30, 2020:

- \$4,000,000 Revenue Bond, Series 2014 at 3.5% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments of \$200,000 plus interest, starting March 1, 2015 through March 1, 2034.
- \$3,000,000 Revenue Bond, Series 2015 at 3.9% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments plus interest, starting March 1, 2017 through March 31, 2035. As of April 30, 2020, \$2,574,271 has been used of the total bond allowance, leaving \$425,729 available to borrow.
- EverBank capital lease for X-Ray equipment at rate of imputed interest of 3.379%, with 54 monthly payments of \$2,916 until January 2021, collateralized by leased equipment with a cost of \$143,452 and a book value of \$61,479 at April 30, 2020.
- Stryker Flex Finance capital lease for Orthopedic equipment at rate of imputed interest of 2.3%, with 60 monthly payments of \$1,731 until September 2022, collateralized by leased equipment with a cost of \$98,020 and a book value of \$47,376 at April 30, 2020.
- Stryker Flex Equipment capital lease for Orthopedic equipment at rate of imputed interest of 3.584%, with 60 monthly payments of \$1,535 until September 2022, collateralized by leased equipment with a cost of \$84,183 and a book value of \$39,285 at April 30, 2020.
- Given Imaging capital lease for Gastrointestinal equipment at rate of imputed interest of 8.23%, with 6 monthly payments of \$1,103 followed by 48 monthly payments of \$2,616 until November 2021, collateralized by leased equipment with a cost of \$110,319 and a book value of \$39,732 at April 30, 2020.
- Olympus Financial Services capital lease for Gastro & Colon equipment at a rate of imputed interest of 4%, with 42 monthly payments of \$4,216 until August 2022, collateralized by leased equipment with a cost of \$165,519 and a book value of \$121,719 at April 30, 2020.
- Stryker Flex Equipment capital lease for Orthopedic equipment at rate of imputed interest of 5.5%, with 60 monthly payments of \$2,300 until March 2024, collateralized by leased equipment with a cost of \$98,916 and a book value of \$79,133 at April 30, 2020.
- Stryker Flex Finance capital lease for Orthopedic equipment at rate of imputed interest of 3.164%, with 48 monthly payments of \$2,721 until January 2023, collateralized by leased equipment with a cost of \$114,298 and a book value of \$91,438 at April 30, 2020.
- Marlin Capital Solutions note payable, for purchase of a Viora Cosmetic Laser, at rate of imputed interest of 5.25%, with 84 monthly payments of \$1,202 until April 2026, collateralized by the equipment with a cost of \$84,733 and a book value of \$73,435 at April 30, 2020.
- Zoll Worldwide note payable, for purchase of Defibrillators, at rate of imputed interest of 8.19%, with 17 monthly payments of \$2,399 until April 2021, collateralized by the equipment with a cost of \$47,989 and a book value of \$43,990 at April 30, 2020.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 9 - LONG-TERM DEBT (Continued)

Year Ending April 30,	Long-Term Debt		Capital Lease Obligation		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 326,454	\$ 180,604	\$ 214,266	\$ 30,172	\$ 37,047	\$ 5,012
2022	331,582	168,673	201,221	20,121	11,226	3,202
2023	336,919	156,541	124,994	12,449	11,830	2,598
2024	342,233	144,201	75,022	8,007	14,946	1,866
2025	348,240	131,654	48,775	4,661	13,270	1,158
2026-2030	1,836,221	461,729	100,859	2,040	14,442	444
2031-2035	<u>1,396,044</u>	<u>117,814</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>4,917,693</u>	\$ <u>1,361,216</u>	\$ <u>765,137</u>	\$ <u>77,450</u>	\$ <u>102,761</u>	\$ <u>14,280</u>

The assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense.

NOTE 10 - NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors 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. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$561,392, \$578,271, and \$489,664 for the years ended April 30, 2020, 2019 and 2018, respectively. Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were \$21,681, \$37,650, and \$65,912, for the years ended April 30, 2020, 2019 and 2018, respectively. The benefits related to MDH designation expire on September 30, 2022. Outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through April 30, 2016.

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 District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through April 30, 2014.

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. Blue Cross Blue Shield (BCBS) is the largest commercial provider. BCBS charges were 7.7%, 8.3%, and 9.1% of the total gross charges for the years ended April 30, 2020, 2019 and 2018, respectively.

The following is a summary of the Hospital's net patient revenues for the years ended April 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross charges	\$ 84,365,514	\$ 85,162,723	\$ 81,602,695
Less charges associated with charity patients	<u>81,832</u>	<u>72,438</u>	<u>395,732</u>
Gross patient service revenues	84,283,682	85,090,285	81,206,963
Less deductions from revenue:			
Contractual adjustments	51,898,177	53,653,547	51,396,021
Policy and other discounts	166,647	167,158	(8,746)
Physician supplement revenue	<u>(288,612)</u>	<u>(324,290)</u>	<u>(404,558)</u>
Patient service revenue (net of contractual adjustments and discounts)	32,507,470	31,593,870	30,224,246
Less provision for bad debts	<u>(3,063,455)</u>	<u>(3,012,135)</u>	<u>(2,262,937)</u>
Net patient service revenue less provision for bad debts	\$ <u>29,444,015</u>	\$ <u>28,581,735</u>	\$ <u>27,961,309</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare and Medicaid patient charges	\$ 59,390,751	\$ 62,665,896	\$ 60,673,509
Contractual adjustments	<u>(36,383,850)</u>	<u>(40,219,129)</u>	<u>(38,735,552)</u>
Program patient service revenue	\$ <u>23,006,901</u>	\$ <u>22,446,767</u>	\$ <u>21,937,957</u>
Percent of total gross patient charges	<u>70%</u>	<u>74%</u>	<u>74%</u>
Percent of total net patient revenues	<u>78%</u>	<u>79%</u>	<u>78%</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

The Hospital experienced differences between the amounts initially recorded on its cost report settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in a decrease of \$9,271 and \$77,134 in net patient service revenue for 2020 and 2019, respectively.

NOTE 11 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$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 PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

NOTE 12 - CONTINGENCIES

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

Governmental Third-Party Reimbursement Programs (Note 10) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 12 - CONTINGENCIES (Continued)

Professional Liability Risk (Note 11) - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Professional Liability 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 assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

Worker's Compensation - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Worker'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 assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including the duration and spread of the virus, government quarantine measures, voluntary and precautionary restriction on travel or meetings, the effects on the financial markets, and the effects on the economy overall, all of which are uncertain. The Hospital received and spent \$615,617 in Provider Relief Funds to prevent, prepare for and respond to the coronavirus and as reimbursement to the Hospital for eligible expenses and lost revenues. The Hospital also received additional Provider Relief Funding after year end as discussed in Note 22.

NOTE 13 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. 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 \$80,000 or aggregate claims exceeding \$2,352,277 per plan year. There were no significant changes in insurance coverage from the prior 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 April 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of the year	\$ 396,300	\$ 667,937	\$ 595,143
Plus: Claims incurred and changes in estimate	1,462,713	1,172,197	1,631,940
Less: Claims paid	<u>1,517,963</u>	<u>1,443,834</u>	<u>1,559,146</u>
End of the year	\$ <u>341,050</u>	\$ <u>396,300</u>	\$ <u>667,937</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 14 - PENSION PLAN

The District has a defined contribution pension plan. The plan is administered by Lincoln Financial Group who holds all plan assets. All of the employees over the age of 21 are eligible to participate in the plan. Employees can elect to contribute up to the IRS allowable amount and the District matches the first 3% of the employees' contributions. Employees are vested after 5 years, if they are disabled, or when they reach retirement age (65). Actual contributions made by the District for the years ended April 30, 2020, 2019 and 2018 were \$201,393, \$221,519, and \$194,729. The employees of the District contributed \$431,588, \$376,300, and \$401,716 for the years ended April 30, 2020, 2019 and 2018, respectively.

Effective December 16, 2019, the District began contributing to a qualified defined contribution plan, Franklin Medical Center 401(a) Plan, as authorized under Internal Revenue Code of 1986, Section 401(a). The Plan is intended to be a Social Security replacement plan. All employees who were employed prior to December 16, 2019 were given a one-time option to continue contributing to the Social Security System or enroll in the District's 401(a) Plan. All employees who are hired after December 16, 2019 are required to enroll into the District's 401(a) Plan. Employees are 100% invested upon entry into the Plan with a retirement age being 70 ½. The District's mandatory contribution is 1.3% of employee salaries earned during each pay period. The District under its sole discretion may contribute a discretionary contribution subject to limitations under this Plan. Employee mandatory contributions are equal to 6.2% of salaries earned during each pay period. Actual contributions made by the District for years ended April 30, 2020, 2019, and 2018 were \$128,769, \$-0-, and \$-0-, respectively. The employees of the District contributed \$192,012, \$-0-, and \$-0- for the years ended April 30, 2020, 2019 and 2018, respectively.

NOTE 15 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 2020:

Paul Price Jr.
Greg Kincaid
Nick Poulos
Dr. Jan Hicks
Jessi Young

NOTE 16 - GRANT REVENUE

In 2015 the Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$739,628, \$1,845,921 and \$2,584,519 for fiscal years 2020, 2019 and 2018, respectively. Various other grants were received during the year for other uses.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 17 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operation leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 2020, that have initial or remaining lease terms in excess of one year:

<u>Year Ending April 30,</u>	<u>Amount</u>
2021	\$ 314,054
2022	314,050
2023	307,393
2024	294,070
2025	<u>166,252</u>
Total minimum lease payments	<u>\$ 1,395,819</u>

Total lease expense under noncancelable operating leases for the years ended April 30, 2020, 2019 and 2018, was \$299,729, \$317,000, and \$367,444, respectively.

NOTE 18 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues 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 and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately \$32,000, \$27,000, and \$152,000 for the years ended April 30, 2020, 2019 and 2018, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$23,000, \$123,000, and \$1,040,000 for the years ended April 30, 2020, 2019 and 2018, respectively.

NOTE 19 - AD VALOREM TAXES

The Hospital levies a property tax on all property subject to taxation in the service district. A 13 mill tax is approved for a period of twenty-five years, beginning with the year 2014 and ending with the year 2039, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2020, 2019 AND 2018

NOTE 20 - COMMITMENTS

The Hospital has a software commitment for computer licenses and fees. The payments are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2021	\$ 726,476
2022	479,516
2023	-0-
2024	-0-
2025	<u>-0-</u>
Total future commitment payments	\$ <u>1,205,992</u>

NOTE 21 - INTANGIBLES

The Hospital entered into a cloud-based software agreement for electronic health records. The Hospital incurred expenses of approximately \$1,240,000 before the software was implemented. This amount was capitalized as an intangible asset and will be amortized over the remaining life of the software agreement. The remaining payments will be expensed as incurred since the Hospital did not take possession of the asset.

NOTE 22 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 30, 2020, and determined that no material events occurred that require disclosure, except those noted below. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

In response to the uncertainties surrounding the COVID-19 pandemic, the Hospital received \$4.2 million in advanced Medicare payments on September 17, 2020. The advanced Medicare payments will be recouped through future remittance advices. In May of 2020, the Hospital applied for, and received, approximately \$2.6 million under an SBA loan as part of the Paycheck Protection Plan (PPP Loan). Stipulations of the PPP Loan's forgiveness provision require loan proceeds to be used for payroll and other operating expenses. It is management's intent to use these funds for such purposes. During May, June and July of 2020, the Hospital received approximately \$10.1 million in funding through the Public Health Social Services Emergency Fund as authorized in the Coronavirus Aid, Relief and Economic Securities (CARES) Act. These funds were made available to prevent, prepare for and respond to the coronavirus and reimburse providers for eligible expenses and lost revenues. In August 2020, the Hospital issued \$5 million in Limited Tax Revenue Bonds, Series 2020. The bonds were issued to refinance the Series 2014 and 2015 bonds, resulting in lower interest rates.

SUPPLEMENTARY INFORMATION

FRANKLIN MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Routine Services:			
Adults and pediatric	\$ 1,495,584	\$ 1,782,759	\$ 1,776,083
Intensive care unit	8,380	27,365	78,000
Rehab unit	1,080,232	1,098,243	1,075,135
Swing bed	<u>138,960</u>	<u>326,687</u>	<u>316,800</u>
 Total	 <u>2,723,156</u>	 <u>3,235,054</u>	 <u>3,246,018</u>
Other Professional Services:			
Operating room			
Inpatient	170,859	273,070	145,129
Outpatient	<u>2,814,133</u>	<u>3,606,394</u>	<u>3,581,585</u>
 Total	 <u>2,984,992</u>	 <u>3,879,464</u>	 <u>3,726,714</u>
Recovery room			
Inpatient	12,450	21,075	13,050
Outpatient	<u>271,275</u>	<u>329,175</u>	<u>321,450</u>
 Total	 <u>283,725</u>	 <u>350,250</u>	 <u>334,500</u>
Anesthesia			
Inpatient	1,040	2,060	1,180
Outpatient	<u>16,600</u>	<u>23,240</u>	<u>23,560</u>
 Total	 <u>17,640</u>	 <u>25,300</u>	 <u>24,740</u>
Radiology			
Inpatient	951,847	979,967	980,205
Outpatient	<u>14,310,099</u>	<u>14,491,406</u>	<u>13,171,055</u>
 Total	 <u>15,261,946</u>	 <u>15,471,373</u>	 <u>14,151,260</u>
Laboratory			
Inpatient	656,582	793,846	761,129
Outpatient	<u>9,252,885</u>	<u>8,911,790</u>	<u>8,432,025</u>
 Total	 <u>\$ 9,909,467</u>	 <u>\$ 9,705,636</u>	 <u>\$ 9,193,154</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Blood			
Inpatient	\$ 80,597	\$ 154,000	\$ 165,106
Outpatient	<u>322,994</u>	<u>368,501</u>	<u>326,978</u>
Total	<u>403,591</u>	<u>522,501</u>	<u>492,084</u>
Respiratory care			
Inpatient	2,421,528	2,942,944	2,688,926
Outpatient	<u>2,231,845</u>	<u>2,277,563</u>	<u>2,165,177</u>
Total	<u>4,653,373</u>	<u>5,220,507</u>	<u>4,854,103</u>
Physical therapy			
Inpatient	795,295	848,652	825,840
Outpatient	<u>597,397</u>	<u>588,073</u>	<u>34,052</u>
Total	<u>1,392,692</u>	<u>1,436,725</u>	<u>859,892</u>
EKG			
Inpatient	81,690	91,080	98,135
Outpatient	<u>578,625</u>	<u>645,425</u>	<u>662,220</u>
Total	<u>660,315</u>	<u>736,505</u>	<u>760,355</u>
Central supply			
Inpatient	404,243	591,146	368,053
Outpatient	<u>2,157,167</u>	<u>2,588,310</u>	<u>2,409,049</u>
Total	<u>2,561,410</u>	<u>3,179,456</u>	<u>2,777,102</u>
Pharmacy			
Inpatient	1,819,086	2,355,985	2,449,418
Outpatient	<u>9,815,014</u>	<u>7,993,387</u>	<u>7,600,584</u>
Total	<u>11,634,100</u>	<u>10,349,372</u>	<u>10,050,002</u>
Intensive outpatient program	<u>1,644,163</u>	<u>1,962,235</u>	<u>1,821,438</u>
Emergency room			
Inpatient	1,095,367	1,016,082	1,007,846
Outpatient	<u>14,798,889</u>	<u>12,745,875</u>	<u>13,346,828</u>
Total	\$ <u>15,894,256</u>	\$ <u>13,761,957</u>	\$ <u>14,354,674</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Observation room			
Inpatient	\$ 56,204	\$ 62,298	\$ 48,943
Outpatient	<u>1,044,255</u>	<u>1,005,899</u>	<u>1,242,637</u>
Total	<u>1,100,459</u>	<u>1,068,197</u>	<u>1,291,580</u>
Rural health clinic - outpatient	<u>9,967,468</u>	<u>10,679,048</u>	<u>10,960,158</u>
Ambulance - outpatient	<u>28,024</u>	<u>26,982</u>	<u>25,936</u>
Wound care - outpatient	<u>439,755</u>	<u>563,679</u>	<u>63,171</u>
Orthopedic clinic - outpatient	<u>784,439</u>	<u>390,842</u>	<u>23,921</u>
Urology clinic	<u>1,283,996</u>	<u>1,695,503</u>	<u>1,614,120</u>
Surgery clinic - outpatient	<u>714,657</u>	<u>902,137</u>	<u>977,773</u>
Spa - outpatient	<u>21,890</u>	<u>-0-</u>	<u>-0-</u>
Total Other Professional Services	<u>81,642,358</u>	<u>81,927,669</u>	<u>78,356,677</u>
Gross charges	<u>84,365,514</u>	<u>85,162,723</u>	<u>81,602,695</u>
Less charges associated with charity patients	<u>(81,832)</u>	<u>(72,438)</u>	<u>(395,732)</u>
Gross patient service revenue	84,283,682	85,090,285	81,206,963
Less deductions from revenue:			
Contractual adjustments	51,898,177	53,653,547	51,396,021
Policy and other discounts	166,647	167,158	(8,746)
Physician supplement revenue	<u>(288,612)</u>	<u>(324,290)</u>	<u>(404,558)</u>
Patient service revenue (net of contractual adjustments and discounts)	<u>32,507,470</u>	<u>31,593,870</u>	<u>30,224,246</u>
Less provision for bad debts	<u>(3,063,455)</u>	<u>(3,012,135)</u>	<u>(2,262,937)</u>
Net Patient Service Revenue	\$ <u>29,444,015</u>	\$ <u>28,581,735</u>	\$ <u>27,961,309</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Vending machine commission	\$ 3,601	\$ 4,775	\$ 4,304
Physician office rentals	28,697	42,512	28,068
Medical records abstract fees	27,533	22,999	21,732
340B pharmacy program	1,921,972	931,166	547,361
Miscellaneous revenue	<u>961</u>	<u>69,063</u>	<u>138,839</u>
 Total other operating revenues	 \$ <u>1,982,764</u>	 \$ <u>1,070,515</u>	 \$ <u>740,304</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Personnel	\$ 51,618	\$ 57,470	\$ 100,149
Administration	1,428,287	1,425,155	1,457,931
Plant operations and maintenance	223,559	207,576	212,509
Purchasing	79,670	72,465	71,501
Pharmacy	381,483	360,974	356,883
Nursing administration	275,931	257,375	334,702
Medical records	413,220	266,587	259,077
Nursing services, acute care	1,583,570	1,642,040	1,568,237
Nursing services, intensive care unit	8,231	17,868	89,067
Nursing services, rehab unit	490,681	515,562	442,315
Operating room	520,778	544,068	443,229
Radiology	579,433	561,610	558,379
Laboratory	636,382	683,101	658,791
Respiratory care	558,955	541,526	552,770
Physical therapy	21,732	21,061	-0-
Intensive outpatient program	411,114	308,245	350,274
Wound care	110,506	100,515	2,821
Orthopedic clinic	317,849	109,475	1,775
Emergency room	1,584,267	1,530,592	1,355,836
Rural health clinic	2,669,546	2,657,157	2,656,362
Nurse family partnership	320,057	315,127	316,897
Spa	12,249	-0-	698
Transportation	153,532	122,981	94,841
Urology clinic	601,326	737,418	753,793
Surgery clinic	<u>709,827</u>	<u>720,883</u>	<u>790,029</u>
 Total salaries	 <u>14,143,803</u>	 <u>13,776,831</u>	 <u>13,428,866</u>
 Payroll taxes	 761,355	 938,482	 912,259
Health insurance	1,462,713	1,172,197	1,631,940
Pension plan	330,162	221,519	194,729
Other	<u>122,821</u>	<u>71,793</u>	<u>141,836</u>
 Total benefits	 <u>2,677,051</u>	 <u>2,403,991</u>	 <u>2,880,764</u>
 Total salaries and benefits	 <u>\$ 16,820,854</u>	 <u>\$ 16,180,822</u>	 <u>\$ 16,309,630</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Nursing service	\$ 6,689	\$ 5,163	\$ 20,599
Rehab unit	-0-	-0-	14,716
Operating room	-0-	-0-	11,939
Anesthesiology	106,462	88,707	81,668
Radiology	611,663	610,178	561,067
Laboratory	368,777	376,895	401,187
Respiratory therapy	90,965	137,763	120,900
Physical therapy	466,130	510,956	293,635
EKG	30,098	36,061	36,120
IOP	778	588	588
Pharmacy	52,859	51,279	65,188
Orthopedic clinic	469,536	631,370	134,327
Emergency room	1,353,260	715,826	712,442
Rural health clinic	2,886,570	2,871,032	2,960,299
Urology clinic	857	971	2,486
Surgery clinic	<u>2,534</u>	<u>2,439</u>	<u>2,924</u>
 Total professional fees	 \$ <u>6,447,178</u>	 \$ <u>6,039,228</u>	 \$ <u>5,420,085</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED APRIL 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Miscellaneous service fees	\$ 2,721,872	\$ 2,707,115	\$ 2,777,347
Legal and accounting	42,662	20,963	93,662
Supplies	228,433	198,579	189,502
Minor equipment	46,633	55,223	57,766
Repairs and maintenance	128,990	100,660	81,063
Utilities	371,799	402,611	431,720
Telephone	55,766	68,006	55,522
Travel	50,453	66,929	49,682
Rentals	326,667	433,823	366,134
Education	32,484	68,301	38,755
Dues and subscriptions	982,509	946,637	1,018,639
Recruitment and advertising	132,310	81,145	86,337
Miscellaneous	<u>180,604</u>	<u>208,213</u>	<u>263,565</u>
 Total other expenses	 \$ <u>5,301,182</u>	 \$ <u>5,358,205</u>	 \$ <u>5,509,694</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO ADMINISTRATOR
 YEAR ENDED APRIL 30, 2020

Agency Head Name: Blake Kramer
 Position: Administrator
 Time Period: May 1, 2019 to April 30, 2020

Purpose	Amount
Salary	197,082
Health insurance	5,912
Retirement	10,574
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	3,421
Registration fees	-0-
Conference travel	950
Continuing professional education fees	250
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	1,854
Cell phone	884



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

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Winnsboro, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Franklin ("Franklin Medical Center"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2020, 2019, and 2018, and the related notes to the financial statements, which collectively comprise Franklin Medical Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 30, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Winnsboro, Louisiana
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Franklin Medical Center's Response to Findings

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

Purpose of this Report

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 30, 2020



FRANKLIN MEDICAL CENTER
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

Finding 2020-001 – Third Party Cost Report Settlements

Finding: Management did not record an estimate for the current year Medicare and Medicaid cost report. Therefore, third party receivables and patient services were understated by approximately \$2.3 million.

Recommendation: We recommend making interim estimates and recording a receivable or payable for the current year Medicare and Medicaid cost report settlements.

Response: The CFO compares the estimated effect of current year cost reports on a quarterly basis. Medicare and Medicaid payment amounts were impacted by several changes during the fiscal year, including provider-based billing for some physician clinics and the pandemic shutdown (making RHC cost/visit and outpatient cost to charge ratio go up). Due to these changes, the result of the Hospital's normal cost report calculation for the fourth quarter did not appear reasonable, and the decision was made to wait for the cost report to be completed. Internal financial statements were stamped "preliminary," and potential changes were discussed with the governing body over the course of multiple board meetings in the presence of news media.

Section III. Federal Awards, Findings and Questioned Costs

Not Applicable

Section IV. Management Letter

Not Applicable



FRANKLIN MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2020

Section I. Financial Statement Findings

Finding 2019-001 – Self-Insured Health Insurance

Fiscal Year Initially Reported: April 30, 2019

Finding: Management did not correctly estimate for claims incurred but not paid for employee health insurance. Therefore, liabilities and expenses were overstated by approximately \$582,331.

Recommendation: We recommend reviewing the calculation for employee health insurance to determine that all material items are considered in making a reasonable estimate.

Response: Accounting will obtain monthly utilization reports from the third-party administrator and use that data to record an estimated liability for unpaid claims at least quarterly. The estimate will be implemented by the end of the third quarter.

Resolution: This matter has been resolved.

Section II. Federal Award Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable



