Financial Statements
September 30, 2020 and 2019

# Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center

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**Independent Auditor's Report**

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, Louisiana

**Report on the Financial Statements**
We have audited the accompanying statements of net position of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), and its component unit, Concordia Hospital Foundation, as of September 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements.

**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 the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center'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 Medical Center'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 opinion.

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

**Other Matters**

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 3 through 7 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 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 Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2021, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center'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 Medical Center's internal control over financial reporting and compliance.

Eide Bailly LLP

Dubuque, Iowa
March 19, 2021

This section of the Medical Center's annual financial report presents background information and management's analysis of the Medical Center's financial performance during the fiscal years ended on September 30, 2020, 2019, and 2018. Please read it in conjunction with the financial statements beginning on page 8 and notes to the financial statements beginning on page 13 in this report.

**Overview of the Financial Statements**

The financial statements are comprised of the statements of net position; statements of revenues, expenses, and changes in net position; and the statements of cash flows. The financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Medical Center's finances.

The Medical Center's financial statements offer short- and long-term information about its activities. The statement of net position includes all of the Medical Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. These statements measure the success of the Medical Center's operations over the past year and can be used to determine whether the Medical Center has successfully recovered all of its costs through its patient service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final statement is the statements of cash flows. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. They also 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 Highlights**

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of the Medical Center and the changes in it. The Medical Center's net position - the difference between assets and liabilities - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Medical Center's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic condition, population growth, and new or changed governmental legislation should also be considered.

- The statement of net position at September 30, 2020 indicates total assets of $74,747,050, total liabilities of $66,850,303, and net position of $7,896,747. The statement of net position at September 30, 2019 indicates total assets of $50,657,500, total liabilities of $45,503,282, and total net position of $5,154,218. The statement of net position at September 30, 2018 indicates total assets of $10,491,186, total liabilities of $4,202,433, and total net position of $6,288,753.

- The statement of revenues, expenses, and changes in net position for the year ended September 30, 2020, indicates total net patient service revenue of $15,097,764, which decreased 4.26% over the previous fiscal year, other operating revenues of $2,465,189, and total operating expenses of $17,898,135, which increased 0.76% over the previous fiscal year, resulting in a loss from operations of $335,182. A net non-operating gain of $213,364 and capital grants and contributions of $2,864,347 brings the increase in net position to $2,742,529.
- The statement of revenues, expenses, and changes in net position for the year ended September 30, 2019, indicates total net patient service revenue of $15,770,274, which decreased 3.09% over the previous fiscal year, other operating revenues of $2,467,175, and total operating expenses of $17,762,254, which decreased 3.57% over the previous fiscal year, resulting in a gain from operations of $475,195. A net non-operating loss of $1,609,730 brings the decrease in net position to $1,134,535.
- The statement of revenues, expenses, and changes in net position for the year ended September 30, 2018, indicates total net patient service revenue of $16,273,158, which increased 0.67% over the previous fiscal year, other operating revenues of $2,336,860, and total operating expenses of $18,419,138, which increased 0.62% over the previous fiscal year, resulting in a gain from operations of $190,880. A net non-operating loss of $33,781 brings the increase in net position to $157,099.
- The Medical Center's current assets exceeded its current liabilities by $9,289,863 at September 30, 2020, providing a current ratio of 2.21. The Medical Center's current liabilities exceeded current assets by $4,051,430 at September 30, 2019, providing a current ratio of 0.68. The Medical Center's current assets exceeded its current liabilities by $3,524,062 at September 30, 2018, providing a current ratio of 2.69.
- The Medical Center's net capital assets at September 30, 2020, 2019, and 2018 were $36,973,893, $10,117,145, and $4,725,159, respectively.
- The Medical Center's net position increased by $2,742,529 from September 30, 2019 to September 30, 2020, while the Medical Center's net position decreased by $1,134,535 from September 30, 2018 to September 30, 2019.

**TABLE 1**
**Condensed Statements of Net Position**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Assets | | | |
| Current Assets | $ 16,954,170 | $ 8,463,225 | $ 5,613,769 |
| Noncurrent Cash and Investments | 875,457 | 12,133,600 | - |
| Capital Assets, Net | 36,973,893 | 10,117,145 | 4,725,159 |
| Other Assets | 19,943,530 | 19,943,530 | 152,258 |
| Total assets | $ 74,747,050 | $ 50,657,500 | $ 10,491,186 |
| Liabilities and Net Position | | | |
| Current Liabilities | $ 7,664,307 | $ 12,514,655 | $ 2,089,707 |
| Noncurrent Liabilities | 59,185,996 | 32,988,627 | 2,112,726 |
| Total liabilities | 66,850,303 | 45,503,282 | 4,202,433 |
| Net Position | | | |
| Net investment in capital assets | 2,527,632 | 2,513,212 | 4,472,655 |
| Unrestricted | 5,369,115 | 2,641,006 | 1,816,098 |
| Total net position | 7,896,747 | 5,154,218 | 6,288,753 |
| Total liabilities and net position | $ 74,747,050 | $ 50,657,500 | $ 10,491,186 |

As can be seen in Table 1, total assets increased by approximately $24,090,000 during fiscal year 2020 and increased by approximately $40,166,000 during fiscal year 2019. These changes were due in large part to changes in construction in progress, assets in connection with the New Market Tax Credits Program and CARES Act Provider Relief and Paycheck Protection Program funds received.

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Operating Revenues | $ 17,562,953 | $ 18,237,449 | $ 18,610,018 |
| Operating Expenses | 17,898,135 | 17,762,254 | 18,419,138 |
| Operating Income (Loss) | (335,182) | 475,195 | 190,880 |
| Nonoperating Revenues (Expenses), Net | 213,364 | (1,609,730) | (33,781) |
| Revenues in Excess of (Less Than) Expenses | (121,818) | (1,134,535) | 157,099 |
| Capital Grants and Contributions | 2,864,347 | - | - |
| Change in Net Position | 2,742,529 | (1,134,535) | 157,099 |
| Net Position, Beginning of Year | 5,154,218 | 6,288,753 | 6,131,654 |
| Net Position, End of Year | $ 7,896,747 | $ 5,154,218 | $ 6,288,753 |

**Operating Revenue**

The Medical Center derives 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 payers, who receive care in the Medical Center's facilities.

Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes medical records revenue, sales tax revenue and home health joint venture payments.

**Capital Assets**

During fiscal year 2020, total net capital assets increased by approximately $26,857,000. This increase was related to increase in construction in progress. Construction in progress increased due to incurring expenses related to the construction of the new replacement hospital.

**Long-term Debt**

The Medical Center's noncurrent portion of long-term debt was approximately $59,186,000 and $32,989,000 at end of fiscal years 2020 and 2019, respectively. The current portion of long-term debt was approximately $70,000 and $8,869,000 for fiscal years 2020 and 2019. At year end the Medical Center owed $76,000 and $112,000 on Certificate of Indebtedness 2012 Series and Series 2019A Revenue Bonds, respectively. The additional debt was incurred through draws on the Series 2019A Revenue Bonds to pay expenditures related to the construction of the new hospital. Concordia Hospital Foundation owed $27,670,000 on debt transactions to access additional funds through the New Market Tax Credits Program. Current portion of long-term debt outstanding represents .09% of the Medical Center's total assets at September 30, 2020, as compared to 17.5% in 2019.

**Contacting the Medical Center's Financial Department**

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

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | $ 4,033,438 | $ 1,908,442 |
| Restricted cash for provider relief funds | 4,000,134 | - |
| Restricted cash for debt service | 2,342,940 | 2,329,190 |
| Receivables | | |
| Patient, net of estimated uncollectibles of $1,848,000 in 2020 and $2,599,000 in 2019 | 1,680,893 | 3,071,304 |
| Other receivables | 1,891,571 | 33,284 |
| Estimated third-party payor settlements | 1,346,759 | 566,026 |
| Supplies | 356,434 | 380,541 |
| Prepaid expenses | 1,302,001 | 174,438 |
| Total current assets | 16,954,170 | 8,463,225 |
| Noncurrent Cash and Investments | | |
| Restricted for project | 698,384 | 11,935,881 |
| Restricted for debt related costs | 177,073 | 197,719 |
| Total noncurrent cash and investments | 875,457 | 12,133,600 |
| Capital Assets | | |
| Capital assets not being depreciated | 35,684,469 | 8,644,106 |
| Depreciable capital assets, net of accumulated depreciation | 1,289,424 | 1,473,039 |
| Total capital assets, net | 36,973,893 | 10,117,145 |
| Other Assets | | |
| LHA Trust Fund | 152,258 | 152,258 |
| Note receivable | 19,791,272 | 19,791,272 |
| Total other assets | 19,943,530 | 19,943,530 |
| Total assets | $ 74,747,050 | $ 50,657,500 |

| | 2020 | 2019 |
|---|---|---|
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Current maturities of long-term debt | $ 69,934 | $ 8,869,368 |
| Accounts payable | | |
| Trade | 1,218,008 | 560,279 |
| Construction | 1,271,531 | 2,158,872 |
| Accrued expenses | | |
| Salaries and wages | 333,144 | 301,095 |
| Compensated absences | 459,525 | 458,468 |
| Estimated health claims payable | 277,000 | 130,610 |
| Payroll taxes and other | 35,031 | 35,963 |
| Refundable advance - provider relief funds | 4,000,134 | - |
| Total current liabilities | 7,664,307 | 12,514,655 |
| Noncurrent Liabilities | | |
| Paycheck protection program loan | 1,800,000 | - |
| Long-term debt, less current maturities | 57,385,996 | 32,988,627 |
| Total noncurrent liabilities | 59,185,996 | 32,988,627 |
| Total liabilities | 66,850,303 | 45,503,282 |
| Net Position | | |
| Net investment in capital assets | 2,527,632 | 2,513,212 |
| Unrestricted | 5,369,115 | 2,641,006 |
| Total net position | 7,896,747 | 5,154,218 |
| Total liabilities and net position | $ 74,747,050 | $ 50,657,500 |

| | 2020 | 2019 |
|---|---|---|
| Operating Revenues | | |
| Net patient service revenue (net of provision for bad debts of $2,153,000 in 2020 and $3,020,000 in 2019) | $ 15,097,764 | $ 15,770,274 |
| Sales tax revenue | 698,864 | 682,607 |
| Grant revenue | 87,972 | 24,932 |
| Intergovernmental transfer grant | 1,375,105 | 1,639,355 |
| Other operating revenues | 303,248 | 120,281 |
| Total operating revenues | 17,562,953 | 18,237,449 |
| Operating Expenses | | |
| Salaries and benefits | 9,201,656 | 8,816,485 |
| Supplies and other expenses | 8,444,858 | 8,614,388 |
| Depreciation and amortization | 251,621 | 331,381 |
| Total operating expenses | 17,898,135 | 17,762,254 |
| Operating Income (Loss) | (335,182) | 475,195 |
| Nonoperating Revenues (Expenses) | | |
| Interest expense | (12,789) | (62,291) |
| Debt issuance costs | - | (1,663,329) |
| Investment income | 224,569 | 115,190 |
| Gain on disposal of capital assets | 1,584 | 700 |
| Nonoperating revenues (expenses), net | 213,364 | (1,609,730) |
| Expenses in Excess of Revenues | (121,818) | (1,134,535) |
| Capital Grants and Contributions | 2,864,347 | - |
| Change in Net Position | 2,742,529 | (1,134,535) |
| Net Position, Beginning of Year | 5,154,218 | 6,288,753 |
| Net Position, End of Year | $ 7,896,747 | $ 5,154,218 |

| | 2020 | 2019 |
|---|---|---|
| **Operating Activities** | | |
| Receipts from and on behalf of patients | $ 15,707,442 | $ 15,376,038 |
| Payments to and on behalf of employees | (9,023,092) | (9,052,443) |
| Payments to suppliers and contractors | (9,470,589) | (8,701,506) |
| Other receipts | 606,902 | 2,589,477 |
| Net Cash from (used for) Operating Activities | (2,179,337) | 211,566 |
| **Capital and Related Financing Activities** | | |
| Proceeds from paycheck protection program loan | 1,800,000 | - |
| Proceeds from provider relief funds | 4,000,134 | - |
| Net Cash from Noncapital Financing Activities | 5,800,134 | - |
| **Capital and Related Financing Activities** | | |
| Purchase of capital assets and payment of construction payables | (27,415,706) | (3,564,495) |
| Proceeds from sale of capital assets | 1,584 | 700 |
| Capital grants and contributions | 2,864,347 | - |
| Proceeds from issuance of long-term debt | 24,467,303 | 50,664,722 |
| Principal paid on debt | (8,869,368) | (11,101,070) |
| Interest paid on debt | (12,789) | (62,291) |
| Payment of finance costs | - | (1,663,329) |
| Note receivable | - | (19,791,272) |
| Interest income on note receivable | 107,203 | 107,203 |
| Net Cash from (used for) Capital and Related Financing Activities | (8,857,426) | 14,590,168 |
| **Investing Activities** | | |
| Investment income | 117,366 | 7,987 |
| Net Change in Cash and Cash Equivalents | (5,119,263) | 14,809,721 |
| Cash and Cash Equivalents, Beginning of Year | 16,371,232 | 1,561,511 |
| Cash and Cash Equivalents, End of Year | $ 11,251,969 | $ 16,371,232 |
| **Reconciliation of Cash and Cash Equivalents to the Statements of Net Position** | | |
| Cash and cash equivalents | $ 4,033,438 | $ 1,908,442 |
| Restricted cash for provider relief funds | 4,000,134 | - |
| Restricted cash for debt service | 2,342,940 | 2,329,190 |
| Restricted cash for project | 698,384 | 11,935,881 |
| Restricted cash for debt related costs | 177,073 | 197,719 |
| Total cash and cash equivalents | $ 11,251,969 | $ 16,371,232 |

| | 2020 | 2019 |
|---|---|---|
| Reconciliation of Operating Income to Net Cash from Operating Activities | | |
| Operating income (loss) | $ (335,182) | $ 475,195 |
| Adjustments to reconcile operating income to net cash from (used for) operating activities | | |
| Depreciation and amortization | 251,621 | 331,381 |
| Provision for bad debts | 2,152,833 | 3,019,924 |
| Changes in assets and liabilities | | |
| Receivables | (762,422) | (3,659,089) |
| Estimated third-party payor settlements | (780,733) | 244,929 |
| Other receivables | (1,858,287) | 122,302 |
| Supplies | 24,107 | 63,386 |
| Prepaid expense | (1,127,563) | 28,864 |
| Accounts payable | 77,725 | (179,368) |
| Accrued expenses | 178,564 | (235,958) |
| Net Cash from (used for) Operating Activities | $ (2,179,337) | $ 211,566 |
| Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities | | |
| Accounts payable for construction | $ 1,271,531 | $ 2,158,872 |
| Accounts payable for equipment | $ 554,726 | $ - |
| Supplemental Disclosure of Cash Flow Information | | |
| Amounts paid for capitalized interest | $ 778,749 | $ 753,611 |

## Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Medical Center are described below.

### Reporting Entity

The Medical Center was created by an ordinance of the Concordia Parish Policy Jury on April 26, 1961 and was referred to as the Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center. The Medical Center is a 25-bed critical access hospital that provides inpatient, outpatient, emergency, private physician clinic, rural health clinic, and behavioral health services to patients in Ferriday, Louisiana, and the surrounding area.

The Medical Center is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Policy Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Policy Jury is the financial reporting entity for the Medical Center. Accordingly, the Medical Center was determined to be a component unity of the Concordia Parish Policy Jury based on GASB Statement No. 14.

For financial reporting purposes, the Medical Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability.

### Blended Component Unit

Concordia Hospital Foundation (Foundation) is included as a blended component unit of the Medical Center. The financial statements include only the financial activity of the Medical Center and the Foundation, collectively referred to as the Medical Center.

### Tax Exempt Status

The Foundation is organized as a Louisiana non-profit corporation and has been recognized by the Internal Revenue Service as exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Medical Center is treated as an enterprise fund for accounting purposes. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

**Basis of Presentation**

The statement of net position displays the Medical Center's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories/components:

*Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of debt obligations.

Restricted net position:

<u>Expendable</u> – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

<u>Nonexpendable</u> – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Medical Center.

*Unrestricted net position* consists of net position which does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Medical Center's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

**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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Medical Center considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

**Patient Receivables**

Patient receivables are uncollateralized patient and third-party payor obligations. Unpaid patient receivables are not charged interest on amounts owed. Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

**Supplies**

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

**Noncurrent Cash and Investments**

Noncurrent cash and investments include project funds received by the Foundation to fund project related expenses and amounts restricted for future debt service and debt related costs.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Medical Center for its stated purposes.

**Investment Income**

Interest on cash and deposits is included in nonoperating revenues when earned.

**Capital Assets**

Capital assets acquisitions in excess of $5,000 are capitalized and recorded at cost. Capital assets donated for the Medical Center's operations are recorded as additions to net position at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. Interest expense related to construction projects is capitalized. The estimated useful lives of capital assets are as follows:

| | |
|---|---|
| Land improvements | 5-15 years |
| Buildings and improvements | 5-40 years |
| Equipment | 3-20 years |

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from expenses in excess of revenues. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

**LHA Trust Fund**

The Medical Center participates in the Louisiana Hospital Association (LHA) Self-Insurance Workers' Compensation Trust Fund, which requires the Medical Center to maintain certain deposit levels based on actual historical experience. The purpose of this agreement is to provide a means for participating members of the LHA a means of sharing the cost and administration of workers' compensation and employers' liability insurance by pooling such risk; jointly purchasing such insurance; reducing risk of loss through safety engineering and other loss prevention and control techniques; by providing for the processing and defense of claims brought against such members; and, to create a fund to pay specified losses or expenses incurred by such participating members under the Louisiana Workers' Compensation Law or employers' liability statutes; to purchase reinsurance or excess insurance contracts for the benefit of the Fund from domestic or foreign insurers; to provide essential protection to members; and to affect and return to Participants cost savings in the administration of such a fund, thereby reducing the cost of healthcare to the patient-consumer.

**Notes Receivable**

The Medical Center issued a note receivable to an unrelated third-party in connection with the New Market Tax Credits. The note is repayable over a 25-year period and was issued at an interest rate of 1.00%.

**Debt Issuance Costs**

Debt issuance costs are expensed as incurred and included as a nonoperating activity, similar to interest expense, on the statements of revenues, expenses, and changes in net position.

**Compensated Absences**

The Medical Center's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. The liability for compensated absences is included on the statements of changes in net position. The compensated absences liability has been computed based on rates of pay in effect at September 30, 2020 and 2019.

**Estimated Health Claims Payable**

The Medical Center provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in current liabilities on the statement of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

**Pension**

The Medical Center contributes to a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan as authorized under Internal Revenue Code of 1986, Section 401(a), 402(g), and other Code sections. The plan is intended to be a social security replacement plan. An employee is 100% vested upon entry to the plan with retirement age being 59 ½.

**Operating Revenues and Expenses**

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services – the Medical Center's principal activity, and the costs of providing those services, including depreciation, excluding interest costs. All other revenues and expenses are reported as nonoperating.

**Net Patient Service Revenue**

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

### Charity Care

The Medical Center provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts at less than established rates. Since the Medical Center does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $0 for the years ended September 30, 2020 and 2019 as the Medical Center was unable to identify any patients that qualified for charity care during the years ended September 30, 2020 and 2019. See Note 11 for funds received through grants, which pay part of the cost of charity and uninsured care. Charges for services and supplies furnished to patients who may qualify for charity care but are not documented according to the Medical Center's policy are included in the provision for bad debts.

### Grants and Contributions

The Medical Center may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

## Note 2 - Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

### Medicare

The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most acute care services under a cost methodology with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare Administrative Contractor through the year ended September 30, 2016. Clinic services are paid on a cost basis or fixed fee schedule.

### Medicaid

Inpatient acute 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 Medical Center is reimbursed at a tentative rate for cost-based services with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary.

**Other Payors**

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Medical Center under these agreements may include prospectively determined rates and discounts from established charges.

Concentration of gross revenues by major payor accounted for the following percentages of the Medical Center's patient service revenues for the years ended September 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Medicare | 39% | 39% |
| Medicaid | 28% | 30% |
| Blue Cross | 7% | 7% |
| Other commercial | 21% | 19% |
| Private pay | 5% | 5% |
| Total | 100% | 100% |

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended September 30, 2020 and 2019 decreased by approximately $76,000 and $118,000, respectively, due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and year that are no longer subject to audits, reviews, and investigations.

## Note 3 - Deposits and Investments

Louisiana state statutes authorize the Medical Center to invest in direct obligations of the United States Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

At September 30, 2020 and 2019 the Medical Center's carrying amounts of deposits and investments are as follows:

| | 2020 | 2019 |
|---|---|---|
| Carrying Amount | | |
| Checking and savings accounts | $ 7,149,411 | $ 16,269,956 |
| Certificates of deposit | 102,424 | 101,276 |
| Total deposits | $ 7,251,835 | $ 16,371,232 |

Deposits and investments are reported in the following statements of financial position captions:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 4,033,438 | $ 1,908,442 |
| Restricted for debt service | 2,342,940 | 2,329,190 |
| Restricted for project | 698,384 | 11,935,881 |
| Restricted for debt related costs | 177,073 | 197,719 |
| Total deposits | $ 7,251,835 | $ 16,371,232 |

**Deposits – Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Medical Center's deposits may not be returned to it. Louisiana state statutes require that all deposits of the Medical Center be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Medical Center's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Medical Center's name at September 30, 2020 and 2019.

**Interest Rate Risk**

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Medical Center are:

1. Safety. Safety and preservation of principal in the overall portfolio.
2. Liquidity. Maintaining the necessary liquidity to match expected liabilities.
3. Return. Obtaining a reasonable return.

The Medical Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy.

**Investment Income**

Investment income, primarily interest income, for the years ended September 30, 2020 and 2019 was $224,569 and $115,190.

## Note 4 - Notes Receivable

In connection with the New Market Tax Credit Program (NMTCP) financing, the Medical Center, acting as leverage lender, entered into a leverage loan note receivable arrangement with an unrelated organization totaling $19,791,272. The note bears interest at 1.00% over a 25-year term. The repayment term and the collateral on the note approximate the terms and the collateral of the NMTCP notes payable. Interest income earned on the note receivable is included as a non-operating activity in the statements of revenues, expenses, and changes in net position and as an investing activity in the statements of cash flows as the Medical Center considers this part of its NMTCP financing arrangement.

## Note 5 - Capital Assets

Capital assets activity for the years ended September 30, 2020 and 2019 was as follows:

| | September 30, 2019 Balance | Additions | Retirements | Transfers | September 30, 2020 Balance |
|---|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | | |
| Land | $ 655,017 | $ - | $ - | $ - | $ 655,017 |
| Construction in progress | 7,989,089 | 27,051,260 | - | (10,897) | 35,029,452 |
| Total capital assets not being depreciated | 8,644,106 | $ 27,051,260 | $ - | $ (10,897) | 35,684,469 |
| Capital Assets Being Depreciated | | | | | |
| Land improvements | 143,910 | $ - | $ - | $ - | 143,910 |
| Buildings and fixed equipment | 5,860,311 | - | - | - | 5,860,311 |
| Equipment | 5,944,592 | 68,006 | 6,303 | - | 6,006,295 |
| Total capital assets being depreciated | 11,948,813 | $ 68,006 | $ 6,303 | $ - | 12,010,516 |
| Less Accumulated Depreciation for | | | | | |
| Land improvements | 143,663 | $ 247 | $ - | $ - | 143,910 |
| Buildings and fixed equipment | 4,836,614 | 73,149 | - | - | 4,909,763 |
| Equipment | 5,495,497 | 178,225 | 6,303 | - | 5,667,419 |
| Total accumulated depreciation | 10,475,774 | $ 251,621 | $ 6,303 | $ - | 10,721,092 |
| Total Capital Assets Being Depreciated, Net | 1,473,039 | | | | 1,289,424 |
| Total Capital Assets, Net | $ 10,117,145 | | | | $ 36,973,893 |

| | September 30, 2018 Balance | Additions | Retirements | Transfers | September 30, 2019 Balance |
|---|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | | |
| Land | $ 655,017 | $ - | $ - | $ - | $ 655,017 |
| Construction in progress | 2,433,656 | 5,555,433 | - | - | 7,989,089 |
| Total capital assets not being depreciated | 3,088,673 | $ 5,555,433 | $ - | $ - | 8,644,106 |
| Capital Assets Being Depreciated | | | | | |
| Land improvements | 143,910 | $ - | $ - | $ - | 143,910 |
| Buildings and fixed equipment | 5,860,311 | - | - | - | 5,860,311 |
| Equipment | 5,776,658 | 167,934 | - | - | 5,944,592 |
| Total capital assets being depreciated | 11,780,879 | $ 167,934 | $ - | $ - | 11,948,813 |
| Less Accumulated Depreciation for | | | | | |
| Land improvements | 142,675 | $ 988 | $ - | $ - | 143,663 |
| Buildings and fixed equipment | 4,762,925 | 73,689 | - | - | 4,836,614 |
| Equipment | 5,238,793 | 256,704 | - | - | 5,495,497 |
| Total accumulated depreciation | 10,144,393 | $ 331,381 | $ - | $ - | 10,475,774 |
| Total Capital Assets Being Depreciated, Net | 1,636,486 | | | | 1,473,039 |
| Total Capital Assets, Net | $ 4,725,159 | | | | $ 10,117,145 |

Construction in progress at September 30, 2020 represents costs incurred for a replacement hospital. The estimated cost to complete the replacement hospital is approximately $3,206,000, with construction commitments of $2,555,000 as of September 30, 2020, which will be financed with a USDA Direct Loan of $28,500,000, a USDA Guaranteed Loan of $3,000,000, and a combination of Net Market Tax Credit proceeds, capital outlay grants, and operating funds of the Medical Center.

## Note 6 - Lease Obligations

The Medical Center leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capital leases and others as operating leases. Total lease expense for the years ended September 30, 2020 and 2019 for all operating leases was $146,035 and $68,486. The capitalized leased assets consist of:

| | 2020 | 2019 |
|---|---|---|
| Equipment | $ 108,226 | $ 603,337 |
| Accumulated depreciation | (77,947) | (503,250) |
| Total | $ 30,279 | $ 100,087 |

Minimum future lease payments for capital leases are as follows:

| Years Ending September 30, | Amount |
|---|---|
| 2021 | $ 34,327 |
| 2022 | 2,929 |
| Total minimum lease payments | 37,256 |
| Less interest | (1,423) |
| Present value of minimum lease payments - Note 7 | $ 35,833 |

## Note 7 - Long-Term Debt

The following is a summary of long-term debt, including capital lease obligations, at September 30, 2020 and 2019:

| | September 30, 2019 | Additions | Payments | September 30, 2020 | Due Within One Year |
|---|---|---|---|---|---|
| Series 2012 Bonds | $ 112,000 | $ - | $ (36,000) | $ 76,000 | $ 37,000 |
| Series 2019A Bonds | 5,206,795 | 24,467,303 | - | 29,674,098 | - |
| Bridge Loans | 8,763,313 | - | (8,763,313) | - | - |
| Hope Loan A | 7,006,704 | - | - | 7,006,704 | - |
| Hope Loan B | 2,693,295 | - | - | 2,693,295 | - |
| The Reinvestment Fund A | 10,742,556 | - | - | 10,742,556 | - |
| The Reinvestment Fund B | 4,257,444 | - | - | 4,257,444 | - |
| USB Loan A | 2,042,012 | - | - | 2,042,012 | - |
| USB Loan B | 927,988 | - | - | 927,988 | - |
| Capital Lease Obligations - Note 6 | 105,888 | - | (70,055) | 35,833 | 32,934 |
| | $ 41,857,995 | $ 24,467,303 | $ (8,869,368) | $ 57,455,930 | $ 69,934 |

| | September 30, 2018 | Additions | Payments | September 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|
| Series 2012 Bonds | $ 147,000 | $ - | $ (35,000) | $ 112,000 | $ 36,000 |
| Series 2017 Certificates of Indebtedness | 1,894,839 | 24,615 | (1,919,454) | - | - |
| Series 2019A Bonds | - | 5,206,795 | - | 5,206,795 | - |
| Bridge Loans | - | 17,763,313 | (9,000,000) | 8,763,313 | 8,763,313 |
| Hope Loan A | - | 7,006,704 | - | 7,006,704 | - |
| Hope Loan B | - | 2,693,295 | - | 2,693,295 | - |
| The Reinvestment Fund A | - | 10,742,556 | - | 10,742,556 | - |
| The Reinvestment Fund B | - | 4,257,444 | - | 4,257,444 | - |
| USB Loan A | - | 2,042,012 | - | 2,042,012 | - |
| USB Loan B | - | 927,988 | - | 927,988 | - |
| Capital Lease Obligations - Note 6 | 252,504 | - | (146,616) | 105,888 | 70,055 |
| | $ 2,294,343 | $ 50,664,722 | $ (11,101,070) | $ 41,857,995 | $ 8,869,368 |

Scheduled principal and interest payments on long-term debt and capital leases are as follows:

| | Long-Term Debt | | Capital Leases | |
|---|---|---|---|---|
| Years Ending September 30, | Principal | Interest | Principal | Interest |
| 2021 | $ 37,000 | $ 354,901 | $ 32,934 | $ 1,393 |
| 2022 | 39,000 | 959,435 | 2,898 | 30 |
| 2023 | 378,758 | 1,397,434 | - | - |
| 2024 | 514,722 | 944,919 | - | - |
| 2025 | 526,049 | 933,591 | - | - |
| 2026-2030 | 8,009,711 | 4,364,947 | - | - |
| 2031-2035 | 8,851,475 | 3,737,448 | - | - |
| 2036-2040 | 9,535,558 | 3,053,364 | - | - |
| 2041-2045 | 10,281,057 | 2,307,863 | - | - |
| 2046-2050 | 8,690,070 | 1,512,173 | - | - |
| 2051-2055 | 4,866,878 | 914,589 | - | - |
| 2056-2060 | 5,439,056 | 342,410 | - | - |
| 2061 | 250,764 | 875 | - | - |
| Total | $ 57,420,098 | $ 20,823,949 | $ 35,832 | $ 1,423 |

The following are the terms and due dates of the Medical Center's long-term debt at September 30:

- Series 2012 Bonds, at an average interest rate of 2.70%, due in variable semi-annual installments with full repayment at August 22, 2022, collateralized by a pledge and dedication of the Medical Center's excess annual revenues over expenses. The Medical Center had borrowed the full amount of the maximum $300,000 debt at September 30, 2012. Series 2012 Certificates of Indebtedness were issued to provide funds to pay costs of acquiring a building to provide health services and make improvements to existing facilities and to acquire equipment, furnishings and fixtures for said buildings and facilities.

- Series 2017 Certificates of Indebtedness, at an average interest rate of 3.35%, due in variable annual installments due June 1 of each year with full repayment at June 1, 2027, collateralized by a pledge and dedication of the Medical Center's excess annual revenues over expenses, subject to the payment of principal and interest falling due on the Issuer's outstanding Certificates of Indebtedness, Series 2012. The full amount available for the Medical Center's use is $2,500,000. The Medical Center had borrowed $1,894,839 at September 30, 2018. Series 2017 Certificates of Indebtedness were issued to provide funds to pay various architectural and other professional fees pertaining to the construction of a new hospital for the Medical Center, purchasing the land upon which the hospital is to be constructed and paying costs of issuance of the Certificates. This debt was paid off during 2019 in connection with the issuance of the Series 2019A Bonds.

- The Series 2019A Revenue Bonds were approved up to $36,000,000, with the Medical Center using $30,000,000 of interim funding bonds for new construction, which were originated at the start of construction and will be paid in full when the USDA Direct Loan/Bonds are originated post-construction. These bonds will be issued towards the end of construction or post-construction in a separate bond issuance from the interim funding bonds. The remaining $6,000,000 of funds needed for construction will either come from the USDA Guaranteed Loan, New Market Tax Credit funds, and capital outlay grants and operating funds of the Medical Center.

  The $30,000,000 draw down bonds will be advanced as needed throughout the construction project. These bonds will have a variable interest rate that resets monthly and will require monthly interest only payments (to be made from advances from the bond proceeds). The bonds will have a maturity of 24 months to allow for completion of the project and the USDA permanent financing closing. As of September 30, 2020, the Medical Center had drawn down $29,674,098 of the eligible bond proceeds, and the interest rate is currently 1.71%. These bonds were refinanced subsequent to year-end, see Note 16.

- Bridge Loans of $8,881,656.50 were entered into by the Medical Center with Reinvestment Fund, Inc. and Self-Help Federal Credit Union in March 2019. The proceeds of the Bridge Loans and funds of the Medical Center were used to make a leverage loan by the Medical Center to Twain Investment Fund 333, LLC. The Bridge Loans have a term of 12 months, an interest rate of 7.10%, and are paid on a monthly basis. The debt was paid off in 2020.

On March 18, 2019, the Concordia Hospital Foundation entered into a debt transaction to access additional funds through the New Market Tax Credit (NMTC) Program. These funds are being used toward the construction of a new hospital building located in Ferriday, Louisiana. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICI). The tax credits are claimed over a seven-year period and equate to 39% of the QLICI's. The Foundation has partnered with investors, US Bancorp Community Development Corporation; Twain Investment Fund 333, LLC; Hope New Markets 12, LLC (Sub-CDE); The Reinvestment Fund NMTC Fund XLVII, LP (Sub-CDE); and USB Sub-CDE 184, LLC (Sub-CDE) to utilize the NMTC Program.

- Note payable to Hope New Markets 12, LLC (Hope Loan A), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $19,204 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to Hope New Markets 12, LLC (Hope Loan B), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $7,382 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to The Reinvestment Fund New Market Tax Credit Fund XLVII, LP, (The Reinvestment Fund A), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $29,443 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to The Reinvestment Fund New Market Tax Credit Fund XLVII, LP, (The Reinvestment Fund B), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $11,669 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to USBCDE Sub-CDE 184, LLC, (USB Loan A), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $5,597 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to T USBCDE Sub-CDE 184, LLC, (USB Loan B), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $2,543 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

The seven-year compliance period for the NMTCs will end in March 2026, at which time the Foundation anticipates forgiveness of a portion of the outstanding principal balance, which would net approximately $4,000,000 for the Foundation, after fees. Expenses related directly to long-term debt, including interest and other fees that have not been capitalized as part of the replacement facility project are recorded as non-operating interest and financing expense for the years ended September 30, 2020 and 2019.

The future maturities noted above are presented based on the full amortization periods described above, although the NMTC QLICI notes are subject to an early termination in 2026. The note agreements limit additional borrowings, impose certain financial performance covenants, and require the Medical Center and Foundation to maintain certain deposits.

- Capital leases at varying rates of imputed interest of 7.38% to 9.01%, with total monthly payments ranging from $255 to $1,800 until 2022, collateralized by leased equipment.

## Note 8 - Provider Relief Funds

The Medical Center received $3,901,211 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses of June 30, 2021. Unspent funds will be expected to be repaid.

The Medical Center also received $98,923 through the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA) for its rural health clinics to conduct COVID-19 testing. This funding may only be used for conducting COVID-19 testing and related expenses, including building or construction of temporary structures, leasing of properties, and retrofitting facilities as necessary to support COVID-19 testing.

These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities. The terms and conditions are subject to interpretation and future clarification. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As of September 30, 2020, the Medical Center had a liability of $4,000,134, which was included in current liabilities on the accompanying statement of financial position. During the year ended September 30, 2020, the Medical Center did not recognize any revenue.

## Note 9 - Paycheck Protection Program Loan

The Medical Center was granted a $1,800,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Medical Center is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Medical Center has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended September 30, 2020. The Medical Center will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

## Note 10 - Pension Plan

The Medical Center contributes to a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan as authorized under Internal Revenue Code of 1986, Section 401(a) and other Code sections. The Plan is intended to be a Social Security replacement plan. The Plan was restated July 1, 2015, to comply with the requirements of IRS Pre-approved Plan (PPA), pursuant to Revenue Procedure 2011-49. The Plan is administered by an unrelated third-party, Lincoln Financial Group.

An employee is 100% invested upon entry to the Plan with retirement age being age 59½. Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the Plan trustee. The Medical Center contributes 5% of salaries to the Plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was $400,042, $388,490, and $377,549 in 2020, 2019, and 2018, respectively.

The Medical Center restated the Riverland Medical Center Employee 403(b) Plan as of September 1, 2019 to comply with IRS PPA, pursuant to Revenue Procedure 2011-49. The Medical Center does not contribute to this Plan. It is a salary only deferral plan. The Plan is administered by an unrelated third-party, Lincoln Financial Group.

## Note 11 - Intergovernmental Transfer Grant

The Medical Center entered into a cooperative endeavor agreement with a regional 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 the Medical Center's service population subject to the availability of such grant funds. The aggregate IGT grant income is $1,375,105 and $1,639,355 for the fiscal years ended 2020 and 2019, respectively.

## Note 12 - Sales Tax Revenue

During the year ended September 30, 1985, the voters of the Medical Center passed a one-fourth cent sales tax for the operation and maintenance of the Medical Center, which was renewed for an additional ten years in 1995 and 2005. An additional ten-year renewal was approved by voters in November 2014. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee. Sales tax revenue is approximately 3.0% and 4.0%, respectively, of the total revenues in fiscal years 2020 and 2019.

## Note 13 - Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at September 30, 2020 and 2019 was as follows:

| | 2020 | 2019 |
|---|---|---|
| Medicare | 20% | 25% |
| Medicaid | 15% | 18% |
| Commercial and other third-party payors | 32% | 23% |
| Self-pay | 33% | 34% |
| | 100% | 100% |

## Note 14 - Contingencies

### Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, or damage of, assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### Malpractice Insurance

The Medical Center 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 Medical Center is at risk. The fund places no limitations on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability of $100,000 per occurrence and limited the PCF's exposure to $400,000 per occurrence.

The Medical Center's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Medical Center. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Medical Center has included these allocations of income and equity in the trust in its financial statements.

The Medical Center is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

**Litigation, Claims, and Disputes**

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its task under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Medical Center.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

**Workers' Compensation Risk**

The Medical Center participates in the Louisiana Hospital Association Self-Insurance Workers' Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Medical Center may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Medical Center is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The Trust Fund is also a "Grantor Trust" and income and expenses are prorated to member hospitals. The Medical Center included these allocations of income and equity in the Trust in its financial statements.

**Self–Funded Employee Health Insurance Plan**

The Medical Center is self-insured to provide group medical and drug coverage for its employees. The Medical Center entered into an agreement with IMA to be the third-party administrator to administer the Plan. The Plan year runs from November 1 through October 31. The Medical Center funds its losses based on actual claims. The stop-loss insurance contract was executed with an insurance carrier that provides for payment of 100% of claims in excess of $75,000 per year up to specific individual maximums of $1,063,000. A liability is accrued for self-insured employee health claims, including both claims report 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 Medical Center's estimate will change by a material amount in the near term. The following is a summary of changes in the Medical Center's claims liability for the years ended September 30, 2020 and 2019:

| Years Ended June 30, | Beginning Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Liability |
|---|---|---|---|---|
| 2020 | $ 130,610 | $ 747,912 | $ (601,522) | $ 277,000 |
| 2019 | 353,293 | 640,674 | (863,357) | 130,610 |

**COVID-19 Pandemic**

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Medical Center is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Medical Center is not known.

## Note 15 - Condensed Combining Information

Concordia Hospital Foundation (Foundation) was established in 2017 with the general intent to solicit and manage gifts of money and/or property primarily for the benefit of the Medical Center. The following summarizes the combined information for the Medical Center and Foundation, which has been presented as a blended component unit, as of and for the years ended September 30, 2020 and 2019:

Statements of Net Position as of September 30, 2020:

| | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | $ 16,011,435 | $ 942,735 | $ - | $ 16,954,170 |
| Noncurrent cash and investments | - | 875,457 | - | 875,457 |
| Capital assets | 36,331,611 | 642,282 | - | 36,973,893 |
| Other assets | 19,943,530 | 24,097,727 | (24,097,727) | 19,943,530 |
| Total assets | $ 72,286,576 | $ 26,558,201 | $ (24,097,727) | $ 74,747,050 |

| | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Liabilities and Net Position | | | | |
| Current liabilities | $ 7,639,029 | $ 25,278 | $ - | $ 7,664,307 |
| Noncurrent liabilities | 55,613,723 | 27,670,000 | (24,097,727) | 59,185,996 |
| Total liabilities | 63,252,752 | 27,695,278 | (24,097,727) | 66,850,303 |
| Net position | 9,033,824 | (1,137,077) | - | 7,896,747 |
| Total liabilities and net position | $ 72,286,576 | $ 26,558,201 | $ (24,097,727) | $ 74,747,050 |

Statements of Revenue, Expenses, and Changes in Net Position for the year ended September 30, 2020:

| | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Operating revenues | $ 17,562,953 | $ - | $ - | $ 17,562,953 |
| Operating expenses | 17,876,275 | 21,860 | - | 17,898,135 |
| Operating loss | (313,322) | (21,860) | - | (335,182) |
| Nonoperating revenues (expenses) | 213,184 | 180 | - | 213,364 |
| Expenses in Excess of Revenues | (100,138) | (21,680) | - | (121,818) |
| Capital Contributions and Grants | 2,864,347 | - | - | 2,864,347 |
| Change in Net Position | 2,764,209 | (21,680) | - | 2,742,529 |
| Net position, beginning of year | 6,269,615 | (1,115,397) | - | 5,154,218 |
| Net position, end of year | $ 9,033,824 | $ (1,137,077) | $ - | $ 7,896,747 |

Statements of Cash Flows for the year ended September 30, 2020:

| | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Net cash used for operating activities | $ (2,157,477) | $ (21,860) | $ - | $ (2,179,337) |
| Net cash from noncapital financing activities | 5,800,134 | - | - | 5,800,134 |
| Net cash from (used for) capital and related financing activities | 1,455,821 | (10,313,247) | - | (8,857,426) |
| Net cash from investing activities | 117,186 | 180 | - | 117,366 |
| Net change in cash and cash equivalents | 5,215,664 | (10,334,927) | - | (5,119,263) |
| Cash and cash equivalents, beginning of year | 4,218,113 | 12,153,119 | - | 16,371,232 |
| Cash and cash equivalents, end of year | $ 9,433,777 | $ 1,818,192 | $ - | $ 11,251,969 |

Statements of Net Position as of September 30, 2019:

| Assets | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Current assets | $ 8,443,706 | $ 19,519 | $ - | $ 8,463,225 |
| Noncurrent cash and investments | - | 12,133,600 | - | 12,133,600 |
| Capital assets | 9,788,109 | 329,036 | - | 10,117,145 |
| Other assets | 19,943,530 | 14,097,727 | (14,097,727) | 19,943,530 |
| Total assets | $ 38,175,345 | $ 26,579,882 | $ (14,097,727) | $ 50,657,500 |

| Liabilities and Net Position | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Current liabilities | $ 12,489,376 | $ 25,279 | $ - | $ 12,514,655 |
| Noncurrent liabilities | 19,416,354 | 27,670,000 | (14,097,727) | 32,988,627 |
| Total liabilities | 31,905,730 | 27,695,279 | (14,097,727) | 45,503,282 |
| Net position | 6,269,615 | (1,115,397) | - | 5,154,218 |
| Total liabilities and net position | $ 38,175,345 | $ 26,579,882 | $ (14,097,727) | $ 50,657,500 |

Statements of Revenue, Expenses, and Changes in Net Position for the year ended September 30, 2019:

| | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Operating revenues | $ 18,237,449 | $ - | $ - | $ 18,237,449 |
| Operating expenses | 17,761,681 | 573 | - | 17,762,254 |
| Operating income (loss) | 475,768 | (573) | - | 475,195 |
| Nonoperating revenues (expenses) | (494,906) | (1,114,824) | - | (1,609,730) |
| Change in net position | (19,138) | (1,115,397) | - | (1,134,535) |
| Net position, beginning of year | 6,288,753 | - | - | 6,288,753 |
| Net position, end of year | $ 6,269,615 | $ (1,115,397) | $ - | $ 5,154,218 |

Statements of Cash Flows for the year ended September 30, 2019:

| | Riverland Medical Center | Concordia Hospital Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| Net cash from (used for) operating activities | $ 212,139 | $ (573) | $ - | $ 211,566 |
| Net cash from capital and related financing activities | 2,436,584 | 12,153,584 | - | 14,590,168 |
| Net cash from investing activities | 7,879 | 108 | - | 7,987 |
| Net change in cash and cash equivalents | 2,656,602 | 12,153,119 | - | 14,809,721 |
| Cash and cash equivalents, beginning of year | 1,561,511 | - | - | 1,561,511 |
| Cash and cash equivalents, end of year | $ 4,218,113 | $ 12,153,119 | $ - | $ 16,371,232 |

## Note 16 - Subsequent Events

Subsequent to year end, the Series 2019A Bonds that were being used to finance the construction of the replacement hospital were refinanced with Hospital Revenue Bonds (Series 2021A Bonds) up to $28,500,000 and Hospital Revenue Bonds (Series 2021B Bonds) up to $3,000,000. The Series 2021A Bonds have an interest rate of 2.125%, with interest only payments through December 2022. In January 2023, the Medical Center will begin making monthly principal and interest payments through the maturity in December 2060. The Series 2021B Bonds have an interest rate of 4.200%, with interest only payments through December 2022. In January 2023, the Medical Center will begin making monthly principal and interest payments through the maturity in December 2050. See Note 7 for further details.

On February 23, 2021, the Medical Center opened the replacement hospital and is now operating under the business name of Trinity Medical.

Supplementary Information
September 30, 2020 and 2019

# Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center

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**Independent Auditor's Report on Supplementary Information**

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, Louisiana

We have audited the financial statements of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), as of and for the years ended September 30, 2020 and 2019, and our report thereon dated March 19, 2021, which contained an unmodified opinion on those financial statements, appears on pages 1 through 2. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient service revenue, other operating revenues, and operating expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. The supplementary information identified above are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated in all material respects in relation to the basic financial statements as a whole. The schedule of per diem and other compensation paid to board members and schedule of compensation, benefits, and other payments to the Chief Executive Officer, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

Dubuque, Iowa
March 19, 2021


1545 Associates Dr., Ste. 101 | Dubuque, IA 52002-2299 | T 563.556.1790 | F 563.557.7842 | EOE

| | 2020 | 2019 |
|---|---|---|
| Patient Service Revenue | | |
| Adults and pediatrics | $ 3,905,204 | $ 5,112,153 |
| Swing bed | 958,050 | 1,040,400 |
| Intensive care | 156,200 | 128,700 |
| Operating room | 130,747 | 731,218 |
| Recovery room | 30,124 | 134,419 |
| Anesthesia | 11,360 | 121,540 |
| Radiology | 13,274,484 | 14,508,436 |
| Laboratory | 8,997,132 | 9,667,142 |
| Blood bank | 273,632 | 302,430 |
| Respiratory therapy | 4,635,376 | 4,833,665 |
| Physical therapy | 637,629 | 805,460 |
| Occupational therapy | 642,081 | 668,972 |
| Speech therapy | 106,258 | 263,317 |
| EKG and EEG | 663,678 | 697,817 |
| Medical supplies | 1,515,138 | 1,739,971 |
| Pharmacy | 3,792,999 | 3,459,581 |
| Wound care | 401,582 | 6,688 |
| Emergency room | 9,528,963 | 10,782,172 |
| Behavioral health | 602,267 | 1,248,516 |
| Ferriday Clinic | 962,548 | 1,265,966 |
| Living Well Clinic | 440,711 | 615,231 |
| Total patient service revenue* | $ 51,666,163 | $ 58,133,794 |
| *Total Patient Service Revenue - Reclassified | | |
| Inpatient revenue | $ 13,619,018 | $ 15,283,464 |
| Outpatient revenue | 38,047,145 | 42,850,330 |
| Total patient service revenue | 51,666,163 | 58,133,794 |
| Contractual Adjustments | | |
| Medicare | (10,655,122) | (14,919,068) |
| Medicaid | (11,459,052) | (12,560,782) |
| Other | (12,301,392) | (11,863,746) |
| Total contractual adjustments | (34,415,566) | (39,343,596) |
| Net Patient Service Revenue | 17,250,597 | 18,790,198 |
| Provision for Bad Debts | (2,152,833) | (3,019,924) |
| Net Patient Service Revenue (Net of Provision for Bad Debts) | $ 15,097,764 | $ 15,770,274 |

| | 2020 | 2019 |
|---|---|---|
| Other Operating Revenues | | |
| Clinic access payment | $ 235,043 | $ 62,274 |
| Clinic incentives | 14,324 | 17,268 |
| Hospital incentive | 19,232 | 16,659 |
| Medical records | 11,840 | 14,239 |
| Vending machine commissions | 1,606 | 3,164 |
| Other | 21,203 | 6,677 |
| Total Other Operating Revenues | $ 303,248 | $ 120,281 |

| | 2020 | 2019 |
|---|---|---|
| Routine Services | | |
| Salaries and wages | $ 1,817,519 | $ 1,729,849 |
| Supplies and other expenses | 204,859 | 215,414 |
| | 2,022,378 | 1,945,263 |
| Intensive Care Unit | | |
| Salaries and wages | 440,757 | 231,052 |
| Supplies and other expenses | 33,927 | 28,407 |
| | 474,684 | 259,459 |
| Operating Room | | |
| Salaries and wages | 112,170 | 301,382 |
| Supplies and other expenses | 109,629 | 238,922 |
| | 221,799 | 540,304 |
| Anesthesia | | |
| Salaries and wages | 17,590 | 169,421 |
| Supplies and other expenses | 825 | - |
| | 18,415 | 169,421 |
| Radiology | | |
| Salaries and wages | 597,740 | 553,023 |
| Supplies and other expenses | 573,042 | 628,019 |
| | 1,170,782 | 1,181,042 |
| Laboratory | | |
| Salaries and wages | 529,831 | 464,345 |
| Supplies and other expenses | 654,934 | 664,757 |
| | 1,184,765 | 1,129,102 |
| Blood Bank | | |
| Supplies and other expenses | 73,250 | 69,470 |
| Respiratory Therapy | | |
| Salaries and wages | 409,081 | 384,478 |
| Supplies and other expenses | 112,985 | 99,363 |
| | 522,066 | 483,841 |
| Physical Therapy | | |
| Supplies and other expenses | 361,208 | 523,432 |
| Medical Supplies | | |
| Salaries and wages | 128,009 | 118,463 |
| Supplies and other expenses | 16,984 | 11,822 |
| | 144,993 | 130,285 |

| | 2020 | 2019 |
|---|---|---|
| Pharmacy | | |
| Salaries and wages | $ 311,243 | $ 313,537 |
| Supplies and other expenses | 509,353 | 473,913 |
| | 820,596 | 787,450 |
| Wound Care | | |
| Supplies and other expenses | 55,931 | 1,247 |
| Emergency Room | | |
| Salaries and wages | 921,264 | 859,487 |
| Supplies and other expenses | 1,838,810 | 1,517,940 |
| | 2,760,074 | 2,377,427 |
| Behavioral Health | | |
| Salaries and wages | 281,225 | 345,425 |
| Supplies and other expenses | 272,257 | 272,759 |
| | 553,482 | 618,184 |
| Ferriday Clinic | | |
| Salaries and wages | 506,035 | 476,012 |
| Supplies and other expenses | 146,832 | 272,174 |
| | 652,867 | 748,186 |
| Living Well Clinic | | |
| Salaries and wages | 297,642 | 278,301 |
| Supplies and other expenses | 131,274 | 142,708 |
| | 428,916 | 421,009 |
| Medical Records | | |
| Salaries and wages | 202,659 | 194,747 |
| Supplies and other expenses | 53,534 | 67,436 |
| | 256,193 | 262,183 |
| Dietary | | |
| Supplies and other expenses | 319,250 | 329,775 |
| Plant Operation and Maintenance | | |
| Salaries and wages | 118,186 | 97,930 |
| Supplies and other expenses | 564,209 | 522,023 |
| | 682,395 | 619,953 |
| Housekeeping | | |
| Supplies and other expenses | 215,017 | 208,588 |
| Laundry | | |
| Supplies and other expenses | 50,553 | 61,025 |

| | 2020 | 2019 |
|---|---|---|
| Administrative Services | | |
| Salaries and wages | $ 1,248,484 | $ 1,162,050 |
| Supplies and other expenses | 2,146,195 | 2,265,194 |
| | 3,394,679 | 3,427,244 |
| Unassigned Expenses | | |
| Depreciation and amortization | 251,621 | 331,381 |
| Employee benefits | 1,262,221 | 1,136,983 |
| | 1,513,842 | 1,468,364 |
| Total Operating Expenses | $ 17,898,135 | $ 17,762,254 |

| | 2020 | 2019 |
|---|---|---|
| Board Members: | | |
| Mr. Jim Graves | $ 1,000 | $ 1,200 |
| Mr. Fred Butcher | 900 | 800 |
| Mr. Fred Marsalis | 1,000 | 1,100 |
| Mr. James King | 900 | 1,200 |
| Dr. Kevin Ingram | 700 | 1,100 |
| Ms. Cherie Lipsey | 900 | 1,000 |
| Mr. Randy Hoggatt | 900 | 900 |
| Totals | $ 6,300 | $ 7,300 |

| | |
|---|---|
| Agency Head Name: | Sam Ellard |
| Position: | CEO |
| Time Period: | October 1, 2019 to September 30, 2020 |

| Purpose | Amount |
|---|---|
| Salary | $ 215,115 |
| Health insurance | - |
| Retirement (FICA replacement plan) | 10,756 |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | 23,508 |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| Total | $ 249,379 |

| | |
|---|---|
| Agency Head Name: | Sam Ellard |
| Position: | CEO |
| Time Period: | October 1, 2018 to September 30, 2019 |

| Purpose | Amount |
|---|---|
| Salary | $ 169,758 |
| Health insurance | - |
| Retirement (FICA replacement plan) | 8,488 |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | 11,988 |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | 234 |
| Total | $ 190,468 |

Information Provided to Comply with Federal Awards Reports in Accordance with Uniform Guidance
September 30, 2020

# Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, Louisiana

We have audited, 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, the financial statements of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements, and have issued our report thereon dated March 19, 2021.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Medical Center's Responses to Findings**

The Medical Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Medical Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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 result of that testing, and not to provide an opinion on the effectiveness of the Medical Center'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 Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Dubuque, Iowa
March 19, 2021

**Independent Auditor's Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, Louisiana

**Report on Compliance for Its Major Federal Program**
We have audited Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center's (Medical Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Medical Center's major federal program for the year ended September 30, 2020. The Medical Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of each federal award applicable to its federal programs.

**Auditor's Responsibility**
Our responsibility is to express an opinion on the compliance for the Medical Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Medical Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Medical Center's compliance.

**Opinion on Its Major Federal Program**
In our opinion, the Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

**Report on Internal Control over Compliance**
Management of the Medical Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Medical Center's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Medical Center as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Medical Center's basic financial statements. We issued our report thereon dated March 19, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Eide Bailly LLP

Dubuque, Iowa
March 19, 2021

| Federal Grantor/ Pass-through Grantor/Program Title | CFDA Number | Agency Pass-through Number | Program Expenditures |
|---|---|---|---|
| U.S. Department of Agriculture | | | |
| Community Facilities Loans and Grants Cluster | | | |
| Community Facilities Loans and Grants | 10.766 | Not Applicable | $ 29,674,098 |
| Department of Health and Human Services | | | |
| Pass-through program from: | | | |
| Small Rural Hospital Improvement Grant Program - SHIP | 93.301 | Not Applicable | 84,317 |
| Total Federal Funding | | | $ 29,758,415 |

## Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), under programs of the federal government for the year ended September 30, 2020. The information is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

## Note 2 – Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

## Note 3 – Indirect Cost Rate

The Medical Center does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

## Note 4 – Community Facilities Loans and Grants Program (CFDA #10.766)

Expenditures reported in this schedule consist of the beginning balance of the year outstanding loan balance plus advances made on the loan during the year. The outstanding balance at September 30, 2020 was $29,674,098.

## Section I - Summary of Auditor's Results

**FINANCIAL STATEMENTS**

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified | Yes |
| Significant deficiency identified not considered to be material weaknesses | Yes |
| Noncompliance material to financial statements noted? | No |

**FEDERAL AWARDS**

| | |
|---|---|
| Internal control over major programs: | |
| Material weaknesses identified | No |
| Significant deficiency identified not considered to be material weaknesses | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: | No |

**Identification of major programs:**

| Name of Federal Program | CFDA Number |
|---|---|
| Community Facilities Loans and Grants Cluster | |
| Community Facilities Loans and Grants | 10.766 |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B Programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

## Section II - Financial Statement Findings

**2020-001 Preparation of Financial Statements**
**Material Weakness**

**Criteria:** A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements, by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

**Condition:** The Medical Center does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Management also does not have an internal control process in place to estimate third-party payor settlements. As a result, interim and year-end financial statements could be materially misstated. Material adjusting journal entries were proposed and made to the financial statements as part of the audit.

**Cause:** The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP, can be considered costly and ineffective.

**Effect:** The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Medical Center. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. As a result, adjustments or reclassifications of interim financial statement amounts may be necessary. Furthermore, the preparation of the financial statements as part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Medical Center personnel. It is the responsibility of the Medical Center's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Recommendation:** We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally. Management should also incorporate a process for estimating the current year estimated settlements and analyzing settlements for open cost report years.

**Views of Responsive Individuals:** Management agrees with the finding.

## Section II - Financial Statement Findings

**2020-002 Segregation of Duties**
**Significant Deficiency**

**Criteria:** One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

**Condition:** An effective system of internal control will be designed such that duties are performed by different employees, so that no one individual handles transactions from its inception to its completion.

**Cause:** The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

**Effect:** Inadequate segregation of duties could adversely affect the Medical Center's ability to detect and correct unintentional and intentional misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Recommendation:** We realize that with a limited number of office employees, complete segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Medical Center should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances.

**Views of Responsive Individuals:** Management agrees with the finding.

**Section III - Federal Award Findings and Questioned Costs**

None reported.