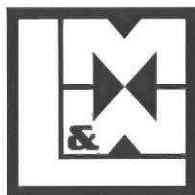


JENNINGS AMERICAN LEGION HOSPITAL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
NOVEMBER 30, 2020 and 2019

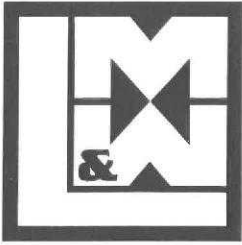


LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JENNINGS AMERICAN LEGION HOSPITAL, INC.
YEARS ENDED NOVEMBER 30, 2020 AND 2019

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LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

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

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

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

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

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

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

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

Retired 2015
Bobby G. Lester, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jennings American Legion Hospital, Inc.
Jennings, Louisiana

We have audited the accompanying financial statements of Jennings American Legion Hospital, Inc. (the "Hospital", a nonprofit health care entity), which comprise the statements of financial position as of November 30, 2020 and 2019, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Alexandria, Louisiana

June 25, 2021



JENNINGS AMERICAN LEGION HOSPITAL, INC.
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30,

ASSETS	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents (Note 3)	\$ 18,436,202	\$ 4,126,703
Net accounts receivable (Note 5)	7,686,376	5,236,884
Estimated third-party payor settlements	4,506,906	3,287,145
Inventories	1,652,335	1,661,135
Prepaid expenses	<u>1,016,638</u>	<u>728,481</u>
Total current assets	<u>33,298,457</u>	<u>15,040,348</u>
Non-current assets		
Nondepreciable property and equipment (Note 7)	1,628,565	1,826,380
Depreciable property and equipment, net (Note 7)	11,432,931	11,660,238
Notes receivable (Note 6)	165,962	452,996
Investments (Note 8)	2,489,425	2,452,414
Assets limited as to use (Note 9)	2,049,185	1,640,059
Other assets	<u>66,194</u>	<u>66,194</u>
Total assets	<u>\$ 51,130,719</u>	<u>\$ 33,138,629</u>

See accompanying notes to financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
STATEMENTS OF FINANCIAL POSITION (Continued)
NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,845,745	\$ 1,245,808
Accrued salary and payroll taxes	896,730	761,430
Accrued vacation payable (Note 10)	890,562	906,515
Estimated third-party payor settlements	236,692	423,841
Current portion of Medicare advance payments (Note 21)	1,666,869	-0-
Current portion of long-term debt (Note 11)	1,423,284	422,237
Deferred grant revenue (Note 20)	6,946,959	-0-
Total current liabilities	<u>13,906,841</u>	<u>3,759,831</u>
Medicare advance payments (Note 21)	3,874,506	-0-
Long-term debt (Note 11)	<u>4,796,852</u>	<u>1,354,374</u>
Total liabilities	<u>22,578,199</u>	<u>5,114,205</u>
Net assets		
Without donor restrictions		
Designated by board for reserves (Note 9)	2,049,185	1,640,059
Undesignated	<u>26,503,335</u>	<u>26,384,365</u>
Total without donor restrictions	28,552,520	28,024,424
With donor restrictions	<u>-0-</u>	<u>-0-</u>
Total net assets	<u>28,552,520</u>	<u>28,024,424</u>
Total liabilities and net assets	\$ <u>51,130,719</u>	\$ <u>33,138,629</u>

See accompanying notes to financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Revenue, gains, and other support without donor restrictions		
Patient service revenue (net of contractual allowances and discounts)	\$ 47,173,774	\$ 48,118,827
Provision for bad debts	<u>(4,222,327)</u>	<u>(2,779,618)</u>
Net patient service revenue (Note 12)	42,951,447	45,339,209
Operating grant revenue	4,810,722	-0-
Other operating revenue	<u>5,299,195</u>	<u>3,867,102</u>
Total revenue, gains, and other support	<u>53,061,364</u>	<u>49,206,311</u>
Operating expenses		
Salaries	23,637,582	21,278,788
Benefits and payroll taxes	4,406,939	4,020,104
Medical supplies and drugs	9,472,208	7,068,429
Professional fees	4,323,289	4,182,683
Interest expense	85,124	105,200
Insurance	773,530	658,772
Depreciation and amortization	1,931,164	1,928,310
Other operating expenses	<u>7,726,774</u>	<u>6,697,022</u>
Total operating expenses	<u>52,356,610</u>	<u>45,939,308</u>
Excess of revenues, gains, and other support	<u>704,754</u>	<u>3,267,003</u>
Other changes in net assets without donor restrictions		
Gain (loss) on sale of assets	(390,223)	(860)
Interest income	<u>213,565</u>	<u>95,664</u>
Increase in net assets without donor restrictions	\$ <u>528,096</u>	\$ <u>3,361,807</u>

See accompanying notes to financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions		
Increase in net assets without donor restrictions	\$ <u>528,096</u>	\$ <u>3,361,807</u>
Change in net assets without donor restrictions	528,096	3,361,807
Net assets without donor restrictions, beginning of year	<u>28,024,424</u>	<u>24,662,617</u>
Net assets without donor restrictions, end of year	\$ <u><u>28,552,520</u></u>	\$ <u><u>28,024,424</u></u>

See accompanying notes to financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 39,282,194	\$ 44,359,778
Other receipts from operations	22,598,251	3,867,102
Cash payments to employees and for employee-related cost	(27,925,174)	(25,185,026)
Cash payments for other operating expenses	<u>(22,247,493)</u>	<u>(18,803,625)</u>
Net cash provided (used) by operating activities	<u>11,707,778</u>	<u>4,238,229</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,896,266)	(1,090,552)
Loan to physicians	287,034	105,894
Proceeds from investments	(37,011)	277,877
Increase in assets limited to use	(409,126)	(13,992)
Decrease (increase) in other assets	-0-	4,819
Interest income	<u>213,565</u>	<u>95,664</u>
Net cash provided (used) by investing activities	<u>(1,841,804)</u>	<u>(620,290)</u>
Cash flows from financing activities:		
Proceeds from capital leases	657,299	15,057
Proceeds from notes payable	4,240,800	-0-
Principal payments on long-term debt	(454,574)	(406,209)
Line of credit activity, net	<u>-0-</u>	<u>(74,687)</u>
Net cash provided (used) by financing activities	<u>4,443,525</u>	<u>(465,839)</u>
Net increase (decrease) in cash and cash equivalents	14,309,499	3,152,100
Beginning cash and cash equivalents	<u>4,126,703</u>	<u>974,603</u>
Ending cash and cash equivalents	\$ <u>18,436,202</u>	\$ <u>4,126,703</u>

See accompanying notes to financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Noncash investing and financing transactions:		
Property and equipment purchases accrued but not yet paid	\$ <u>-0-</u>	\$ <u>86,430</u>
Capital lease incurred for property and equipment	\$ <u>657,299</u>	\$ <u>15,057</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u>85,124</u>	\$ <u>105,200</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Change in net assets	\$ 704,754	\$ 3,267,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,931,164	1,928,310
(Increase) decrease in:		
Net accounts receivable	(2,449,492)	(1,564,813)
Estimated third-party payor settlements	(1,219,761)	585,382
Inventories	8,800	(668,909)
Prepaid expenses	(288,157)	56,809
Increase (decrease) in:		
Accounts payable	599,938	99,505
Accrued salary and payroll taxes	135,300	(1,331)
Accrued vacation payable	(15,953)	115,197
Estimated third-party payor settlements	(187,149)	421,076
Medicare advance payments	5,541,375	-0-
Deferred grant revenue	<u>6,946,959</u>	<u>-0-</u>
Net cash provided (used) by operating activities	\$ <u>11,707,778</u>	\$ <u>4,238,229</u>

See accompanying notes to financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization

Jennings American Legion Hospital, Inc. (the Hospital) was chartered by the state of Louisiana in 1952. The Hospital is a nonprofit corporation which has received exemption from income taxes as an organization described under section 501(c)(3) of the Internal Revenue Code, as amended.

Nature of Business

Located in Jennings, Louisiana, the Hospital provides inpatient acute hospital services, outpatient, skilled nursing (through "swing-beds"), and emergency services primarily for residents of southwestern Louisiana. The Hospital also operates rural health clinics and physician clinics in the area. Admitting physicians are primarily practitioners in the local area.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of ninety (90) days or less. Certificates of deposit with original maturities over ninety (90) days to one (1) year are classified as short-term investments. Certificates of deposit with original maturities of over one (1) year are classified as long-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Concentrations of Credit Risk

The Hospital provides medical care to patients and grants credit to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. As discussed in Notes 5 and 12, substantial numbers of patients are insured through third-party payor agreements, predominately Medicare and Medicaid. The Hospital's estimate of collectability is based on an analysis of aged accounts receivable to establish an allowance for uncollectible accounts and allowances for contractual adjustments based upon agreements between the Hospital and third-party payors.

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

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

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

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. 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.

Patient Accounts Receivable

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

Inventories

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

Income Taxes

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

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the contribution is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations and change in net assets without donor restrictions as net assets reclassified from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

Land improvements	5 to 50 years
Buildings and improvements	3 to 50 years
Furniture and equipment	3 to 25 years

Expenditures for additions, major renewals and betterments over \$2,000 are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

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

Net Assets

The Hospital classifies net assets into two classifications:

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

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

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

Performance Indicator

The performance indicator is an increase (decrease) in net assets, which represents the Hospital's operating income. The performance indicator excludes, when present, receipt of donor restricted contributions, net assets released from restrictions for property acquisitions, unrealized gains and losses on certain investments held by the Hospital, and other changes not required to be included within the performance indicator.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

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

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in Note 14. Accordingly, certain costs have been allocated among program services, supporting services and fund-raising services. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

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

Advertising Costs

Advertising costs are expensed as incurred. The advertising costs included in other expenses for the years ended November 30, 2020 and 2019, were \$30,715 and \$41,378, respectively.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management

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

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify, with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At November 30, 2020 and 2019, management is not aware of any liability resulting from environmental matters.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance is intended to clarify the principles for recognizing revenue and to develop a common revenue standard for accounting principles generally accepted in the United States of America. The principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance requires improved disclosures to help users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Most industry-specific guidance will be removed from the Codification. In June 2020, the FASB issued Accounting Standard Update 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, postponing the effective date of Update 2014-09 for annual reporting periods beginning after December 15, 2019. The new standard may be applied retrospectively as of the date of initial application. Management is currently assessing the impact the adoption of this standard will have on the financial statements.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet. Differing from previous GAAP, lessees will be required to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The new guidance maintains two classifications of leases, finance leases and operating leases; however, substantially all leases will be required to be recognized on the balance sheet. Accounting by lessors is largely unchanged from previous GAAP. Both qualitative and quantitative disclosures will be required to supplement the amounts recorded in the financial statements. In June 2020, the FASB issued Accounting Standard Update 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*, postponing the effective date of Update 2016-02 for annual reporting periods beginning after December 15, 2021. The new guidance must be adopted using a modified retrospective approach, which includes numerous, optional practical expedients. Management is currently assessing the impact the adoption of this standard will have on the financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	<u>2020</u>	<u>2019</u>
Checking and savings	\$ 8,117,081	\$ 3,315,401
Money market account	10,315,046	808,227
Petty cash	<u>4,075</u>	<u>3,075</u>
Total cash and cash equivalents	\$ <u>18,436,202</u>	\$ <u>4,126,703</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposits were not entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name. As of November 30, 2020 and 2019, the Hospital had deposits of \$9,385,958 and \$679,376 respectively that were unsecured.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 4 - LIQUIDITY AND AVAILABILITY

The following represents the Hospital's financial assets at November 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 18,436,202	\$ 4,126,703
Net accounts receivable	7,686,376	5,236,884
Investments	2,489,425	2,452,414
Assets limited as to use	<u>2,049,185</u>	<u>1,640,059</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 30,661,188</u>	<u>\$ 13,456,060</u>

To manage liquidity, the Hospital structures its financial assets to be available as its general expenditures and liabilities come due. The Hospital has certain board designated assets whose use is limited; however, these amounts could be made available if necessary and have been included above. As part of the Hospital's liquidity management, excess cash is invested in certificates of deposit and money market accounts to generate a return on cash and provide liquidity. As of November 30, 2020, the Hospital has committed lines of credit in the amount of \$2,561,899, which the Hospital could draw upon in the event of an anticipated liquidity need.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies the trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and a provision for bad debts, if necessary. For receivables associated with self-pay patients and for aged third-party payors, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivables balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts or allowance for contractual adjustments.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

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

	<u>2020</u>	<u>2019</u>
Patients	\$ 10,280,056	\$ 6,572,935
Other	<u>685,064</u>	<u>1,103,027</u>
Total	10,965,120	7,675,962
Estimated allowances for uncollectibles	<u>(3,278,744)</u>	<u>(2,439,078)</u>
Net accounts receivable	\$ <u>7,686,376</u>	\$ <u>5,236,884</u>

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

	<u>2020</u>	<u>2019</u>
Medicare	22%	24%
Medicaid	28%	25%
Blue Cross	13%	17%
Other third-party payors	27%	17%
Patients	<u>10%</u>	<u>17%</u>
Total	<u>100%</u>	<u>100%</u>

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

NOTE 6 - NOTES RECEIVABLE

Notes receivable is made up of loans made to physicians to cover sign-on incentives, guarantees and benefits. These notes are amortized according to their respective agreements based upon the physicians' fulfillment of years of service to the Hospital. Amortization of these receivables is expensed in the year earned as physician recruitment expense.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 7 - PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2020</u>
Nondepreciable property and equipment					
Land	\$ 1,526,338	\$ -0-	\$ -0-	\$ -0-	\$ 1,526,338
Construction in progress	<u>300,042</u>	<u>256,347</u>	<u>-0-</u>	<u>(454,162)</u>	<u>102,227</u>
Total nondepreciable property and equipment	<u>\$ 1,826,380</u>	<u>\$ 256,347</u>	<u>\$ -0-</u>	<u>\$ (454,162)</u>	<u>\$ 1,628,565</u>
Depreciable property and equipment					
Land improvements	\$ 703,905	\$ -0-	\$ -0-	\$ -0-	\$ 703,905
Buildings and fixtures	28,584,820	14,052	-0-	-0-	28,598,872
Equipment held under capital lease	1,958,401	657,297	-0-	-0-	2,615,698
Equipment	<u>19,106,329</u>	<u>972,365</u>	<u>1,710,012</u>	<u>454,162</u>	<u>18,822,844</u>
Total depreciable property and equipment	50,353,455	1,643,714	1,710,012	454,162	50,741,319
Less accumulated depreciation	<u>38,693,217</u>	<u>1,931,164</u>	<u>1,315,993</u>	<u>-0-</u>	<u>39,308,388</u>
Total depreciable property and equipment, net	<u>\$ 11,660,238</u>	<u>\$ (287,450)</u>	<u>\$ 394,019</u>	<u>\$ 454,162</u>	<u>\$ 11,432,931</u>
	<u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable property and equipment					
Land	\$ 1,526,338	\$ -0-	\$ -0-	\$ -0-	\$ 1,526,338
Construction in progress	<u>77</u>	<u>572,782</u>	<u>2,644</u>	<u>(270,173)</u>	<u>300,042</u>
Total nondepreciable property and equipment	<u>\$ 1,526,415</u>	<u>\$ 572,782</u>	<u>\$ 2,644</u>	<u>\$ (270,173)</u>	<u>\$ 1,826,380</u>
Depreciable property and equipment					
Land improvements	\$ 703,905	\$ -0-	\$ -0-	\$ -0-	\$ 703,905
Buildings and fixtures	28,370,282	21,991	9,000	201,547	28,584,820
Equipment held under capital lease	1,943,344	15,057	-0-	-0-	1,958,401
Equipment	<u>18,603,185</u>	<u>634,514</u>	<u>199,996</u>	<u>68,626</u>	<u>19,106,329</u>
Total depreciable property and equipment	49,620,716	671,562	208,996	270,173	50,353,455
Less accumulated depreciation	<u>36,821,895</u>	<u>1,928,310</u>	<u>56,988</u>	<u>-0-</u>	<u>38,693,217</u>
Total depreciable property and equipment, net	<u>\$ 12,798,821</u>	<u>\$ (1,256,748)</u>	<u>\$ 152,008</u>	<u>\$ 270,173</u>	<u>\$ 11,660,238</u>

Accumulated amortization for equipment under capital lease obligations was \$963,177 and \$817,521 at November 30, 2020 and 2019, respectively.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 8 - INVESTMENTS

The following summarizes the Hospital's investments at November 30:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 386,664	\$ 380,526
Certificates of deposit account registry service (CDARS)	2,034,361	2,003,488
Marketable equity securities	<u>68,400</u>	<u>68,400</u>
 Total investments	 \$ <u>2,489,425</u>	 \$ <u>2,452,414</u>

Investments, with the exception of marketable equity securities, are stated at cost that approximates market value. The Hospital records registered marketable equity securities under the provisions of the FASB Statement No. 115. These securities are recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices as of the fiscal year end. These securities are considered a Level 1 investment under the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 9 - ASSETS LIMITED AS TO USE

Assets limited to use include assets whose use has been designated by the board of directors for liquid reserves. The board of directors retain control of these assets and may use the funds at their discretion. These assets consist of cash held in money market accounts and CDARS. Assets limited as to use as of November 30, 2020 and 2019 were \$2,049,185 and \$1,640,059, respectively.

NOTE 10 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital accrued \$890,562 and \$906,515 of vacation pay at November 30, 2020 and 2019. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 11 - LONG-TERM DEBT

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

	<u>2019</u>	<u>Additions</u>	<u>Payments</u>	<u>2020</u>	<u>Due Within One Year</u>
Life insurance	\$ 66,194	\$ -0-	\$ -0-	\$ 66,194	\$ -0-
Note payable	746,960	-0-	43,929	703,031	48,145
SBA PPP loan	-0-	4,240,800	-0-	4,240,800	888,518
Capital lease payable	963,457	657,299	410,645	1,210,111	486,621
Line of credit	<u>-0-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>1,776,611</u>	\$ <u>5,898,099</u>	\$ <u>1,454,574</u>	\$ <u>6,220,136</u>	\$ <u>1,423,284</u>

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>	<u>Due Within One Year</u>
Life insurance	\$ 66,194	\$ -0-	\$ -0-	\$ 66,194	\$ -0-
Annuity	5,625	-0-	5,625	-0-	-0-
Note payable	790,697	-0-	43,737	746,960	45,790
Capital lease payable	1,305,247	15,057	356,847	963,457	376,447
Line of credit	<u>74,687</u>	<u>-0-</u>	<u>74,687</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>2,242,450</u>	\$ <u>15,057</u>	\$ <u>480,896</u>	\$ <u>1,776,611</u>	\$ <u>422,237</u>

The following are the terms and due dates of the Hospital's long-term debt at November 30, 2020 and 2019:

- **Note payable** from 2017 at 4.75% interest, with monthly payments of \$6,738 until fiscal year 2022, collateralized by property with a cost of \$1,065,000.
- **Capital lease payable** at varying rates of imputed interest with 0% up to 8.28%, with monthly payments into fiscal year 2025. Capital leases are collateralized by equipment with a cost of \$2,363,668 at November 30, 2020. The book value of the equipment was \$963,177 and \$1,140,491 at November 30, 2020 and 2019, respectively.
- **Line of credit** is with a local banking institution, drawn upon in fiscal year 2020. The line of credit allows for a maximum withdrawal of \$2,651,899 with a fixed interest rate based of 4%, payable monthly.
- **Small Business Administration (SBA) Paycheck Protection Program (PPP)** loan used to pay for employee payroll expenses. The loan repayment originally commenced six months after the loan date, April 9, 2020; however, a 10-month deferment was granted commencing after the Hospital's 24-week covered period. The Hospital applied for loan forgiveness through the SBA. If the loan is not forgiven, then it will be repaid in monthly installments, including principal and interest at 1%.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 11 - LONG-TERM DEBT (Continued)

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

Year Ending November 30:	Long-Term Debt		Capital Lease Payable	
	Principal	Interest	Principal	Interest
2021	\$ 936,663	\$ 98,999	\$ 486,621	\$ 49,012
2022	3,496,938	82,388	406,379	24,676
2023	508,369	648	212,194	7,587
2024	-0-	-0-	56,322	3,004
2025	-0-	-0-	50,456	848
Totals	\$ <u>4,941,970</u>	\$ <u>182,035</u>	\$ <u>1,211,972</u>	\$ <u>85,127</u>

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

NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2015 until September 30, 2022, if not extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$828,000 and \$880,000 for the years ended November 30, 2020 and 2019. Swing bed services are reimbursed based on a prospectively determined rate per patient day.

The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been examined by the Medicare fiscal intermediary through November 30, 2017.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through November 30, 2014.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Beginning in 2015, the Hospital contracted with Louisiana Medicaid managed care organizations (MCO) which paid supplemental payments to maintain access to and provide inpatient and outpatient hospital services to MCO patients. These payments supplement per claim payments by the MCO in the amount of \$2,078,453 for 2020 and \$2,152,441 for 2019, which are included in patient service revenues as Medicaid revenue.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" was the largest commercial payor. BCBS charges are 14.88% and 14.69% of total charges for the years ended November 30, 2020 and 2019, respectively.

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

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

	<u>2020</u>	<u>2019</u>
Gross charges	\$ 122,555,835	\$ 126,338,733
Less charges associated with charity patients	<u>(694,880)</u>	<u>(895,709)</u>
Gross patient service revenue	121,860,955	125,443,024
Less deductions from revenue:		
Contractual adjustments	(73,721,650)	(76,464,727)
Policy and other discounts	<u>(965,531)</u>	<u>(859,470)</u>
Patient service revenue (net of contractual adjustments and discounts)	47,173,774	48,118,827
Less provision for bad debts	<u>(4,222,327)</u>	<u>(2,779,618)</u>
Net patient service revenue	\$ <u>42,951,447</u>	\$ <u>45,339,209</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2020</u>	<u>2019</u>
Medicare and Medicaid patient charges	\$ 77,586,916	\$ 86,148,971
Contractual adjustments	<u>(50,797,977)</u>	<u>(57,124,555)</u>
Program patient service revenue	\$ <u>26,788,939</u>	\$ <u>29,024,416</u>
Percent of total gross charges	<u>63%</u>	<u>68%</u>
Percent of total net patient revenue	<u>62%</u>	<u>64%</u>

The Hospital experiences differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in an increase of \$236,692 and a decrease of \$518,688 in 2020 and 2019, respectively, of net patient service revenue.

NOTE 13 - CONTINGENCIES

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

Governmental Third-Party Reimbursement Programs (Note 12) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

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

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 13 - CONTINGENCIES (Continued)

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk - The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

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

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

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

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including the duration and spread of the virus, government quarantine measures, voluntary and precautionary restriction on travel or meetings, the effects on the financial markets, and the effects on the economy overall, all of which are uncertain. The Hospital received \$11,757,681 in Provider Relief Funds, as described in Note 20, to prevent, prepare for and respond to the coronavirus and as reimbursement to the Hospital for eligible expenses and lost revenues. The Hospital applied and received a Payroll Protection Program (PPP) loan, discussed in Note 11, in order to continue paying employee salaries during the COVID-19 pandemic.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 14 - FUNCTIONAL EXPENSES

The Hospital provides general health care services primarily to residents within its geographical location. Expenses related to providing these services for the years ended November 30 are as follows:

	2020		
	Program Services	General and Administrative	Total
Salaries	\$ 21,797,486	\$ 1,840,096	\$ 23,637,582
Benefits and payroll taxes	3,975,296	431,643	4,406,939
Medical supplies and drugs	9,464,099	8,109	9,472,208
Professional fees	4,301,939	21,350	4,323,289
Interest expense	85,124	-0-	85,124
Insurance	581,507	192,023	773,530
Depreciation and amortization	1,732,237	198,927	1,931,164
Other operating expenses	4,604,612	3,122,162	7,726,774
Total Expenses	\$ 46,542,300	\$ 5,814,310	\$ 52,356,610

	2019		
	Program Services	General and Administrative	Total
Salaries	\$ 19,473,580	\$ 1,805,208	\$ 21,278,788
Benefits and payroll taxes	3,585,347	434,757	4,020,104
Medical supplies and drugs	7,068,165	264	7,068,429
Professional fees	4,161,883	20,800	4,182,683
Interest expense	105,200	-0-	105,200
Insurance	487,220	171,552	658,772
Depreciation and amortization	1,717,619	210,691	1,928,310
Other operating expenses	4,166,718	2,530,304	6,697,022
Total Expenses	\$ 40,765,732	\$ 5,173,576	\$ 45,939,308

NOTE 15 - EMPLOYEE BENEFITS

The Hospital offers its employees a cafeteria plan under IRC section 125 and purchased annuities under reduced salary agreements under IRC section 403(b). The Hospital has a safe harbor 401k plan; the Hospital matches the first 3% of the employees' contributions of deferred compensation, plus 50% of the next 2%. The 401k matching contribution expense for the years ended November 30, 2020 and 2019 was \$640,438 and \$566,590, respectively.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 16 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical and drug coverage for its employees. The Hospital entered into an agreement on July 1, 2017, with a third-party administrator to administer the plan. The third-party administrator is Gilsbar, LLC. The plan year runs from July 1 through June 30. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$100,000 or aggregate claims exceeding \$2,172,802 per plan year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

The following is a summary of changes in the Hospital's claims liability for the years ended November 30:

	<u>2020</u>	<u>2019</u>
Beginning of the year	\$ 298,744	\$ 389,407
Plus: Claims incurred and changes in estimate, net of reinsurance	1,964,042	1,801,357
Less: Claims paid	<u>(2,038,405)</u>	<u>(1,892,020)</u>
End of the year	\$ <u>224,381</u>	\$ <u>298,744</u>

NOTE 17 - OPERATING LEASES

The Hospital is committed under various noncancelable operating leases, all of which are for equipment or buildings. Total lease expense for November 30, 2020 and 2019, respectively, for all noncancelable operating leases was \$641,808 and \$495,150. Future minimum lease payments are as follows:

<u>Year Ending November 30,</u>	<u>Amount</u>
2021	\$ 603,768
2022	518,941
2023	353,033
2024	346,000
2025	341,838
Thereafter	<u>841,962</u>
Total minimum lease payments	\$ <u>3,005,542</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 18 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$694,880 and \$895,709 for the years ended November 30, 2020 and 2019, respectively, at costs of \$247,794 and \$325,859.

NOTE 19 - INCOME TAXES

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and recognize a tax liability if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has concluded that there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. Hospital management believes it is no longer subject to income tax examinations for periods ending prior to December 1, 2015.

NOTE 20 - PROVIDER RELIEF FUNDS

The Hospital received \$11,757,681 in Provider Relief Funds (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal year ending November 30, 2020. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$4,810,722 as operating grant revenue in the fiscal year ending November 30, 2020, based on the information available as of November 30, 2020. The unrecognized amount is reported in deferred revenue in the accompanying statement of net position. The Hospital will submit a report of healthcare related expenses and lost revenues attributable to coronavirus. Funds received in excess of the reported expenses and lost revenues, if any, will be owed to HHS. As a result, the amount recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. This difference could be materially different from current estimates.

NOTE 21 - MEDICARE ADVANCE PAYMENTS

During April 2020, the Hospital received \$5,541,375 from the Centers for Medicare & Medicaid (CMS) under the Accelerated and Advance Payment (AAP) Program. Repayment begins one year after payment was issued at 25 percent of Medicare payments otherwise owed to the Hospital. After eleven months, the recoupment rate will increase to 50 percent for another six months. If the Hospital is unable to repay the total amount of the AAP during this time period (29 months), CMS will require repayment of the remaining outstanding balance with an interest rate of four percent.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2020 AND 2019

NOTE 22 - COMMITMENTS

The Hospital entered into an agreement to purchase equipment, which totaled \$1,100,239 as of November 30, 2020. The Hospital has not made payments for this commitment as of November 30, 2020.

NOTE 23 - LETTER OF INTENT

Jennings American Legion Hospital, Inc. and Lafayette General Health System, Inc. (LGHS) signed a letter of intent to explore a merger. Pursuant to such agreement, LGHS will assume management and operations of the Hospital. LGHS will enter into a multi-year lease of the facilities and equipment with the local American Legion Post. The agreement is expected to be executed in early 2022; however, the agreement is subject to negotiation, due diligence review and various other contingencies and approvals.

NOTE 24 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2021, and determined that no material events occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Routine Services:		
Adults and pediatric	\$ 15,156,491	\$ 16,842,918
Intensive care unit	2,979,737	2,268,174
Swing bed	154,800	379,020
Nursery	<u>1,096,923</u>	<u>1,089,215</u>
 Total Routine Services	 <u>19,387,951</u>	 <u>20,579,327</u>
Other Professional Services:		
Operating room	16,473,001	21,395,480
Anesthesia	1,725,350	2,297,869
Radiology	7,917,766	8,329,140
Radioisotope	677,194	1,051,255
MRI	1,144,978	1,669,849
Laboratory	15,406,496	15,191,214
Cardiac cath lab	9,176,632	10,764,018
Respiratory care	5,943,694	4,692,272
Physical therapy	345,994	315,822
EKG	39,693	94,651
Implantable devices	3,035,761	3,775,011
Pharmacy	14,865,970	14,131,981
Dialysis	448,500	403,700
Cardiac rehab	79,797	283,876
Emergency room	11,689,779	11,205,565
Outpatient clinic	617,290	208,069
OB Jennings clinic	4,589,291	4,607,927
Eunice clinic	2,716,641	1,434,920
Southwest surgery clinic	504,522	815,880
Lake Arthur clinic	897,071	884,490
Family medicine clinic	<u>4,872,464</u>	<u>2,206,417</u>
 Total Other Professional Services	 <u>103,167,884</u>	 <u>105,759,406</u>
 Gross Charges	 \$ <u>122,555,835</u>	 \$ <u>126,338,733</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Less charges associated with charity patients	\$ <u>(694,880)</u>	\$ <u>(895,709)</u>
Gross Patient Service Revenue	121,860,955	125,443,024
Less deductions from revenue:		
Contractual adjustments - Medicare and Medicaid	(51,382,902)	(58,938,270)
Contractual adjustments - Other	(25,002,126)	(21,492,613)
Medicaid managed care supplemental payments	2,078,453	2,152,441
Physician supplemental payments	584,925	1,813,715
Policy and other discounts	<u>(965,531)</u>	<u>(859,470)</u>
Patient service revenue (net of contractual adjustments and discounts)	47,173,774	48,118,827
Less provision for bad debts	<u>(4,222,327)</u>	<u>(2,779,618)</u>
Net Patient Service Revenue	\$ <u>42,951,447</u>	\$ <u>45,339,209</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Cafeteria sales	\$ 114,863	\$ 122,295
Physician office rentals	72,039	72,058
Medical records abstract fees	815	1,044
Outpatient pharmacy revenue	4,611,483	3,167,806
Dietary rehab revenue	101,172	112,505
Contributions	103,903	10,000
Miscellaneous revenue	<u>294,920</u>	<u>381,394</u>
 Total other operating revenue	 \$ <u>5,299,195</u>	 \$ <u>3,867,102</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULES OF SALARIES AND BENEFITS
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Personnel	\$ 167,475	\$ 149,059
Administration	2,476,265	2,433,138
Plant operations and maintenance	211,597	212,857
Housekeeping	588,052	556,264
Dietary	411,230	423,776
Purchasing	113,032	95,791
Nursing administration	824,366	760,430
Medical records	261,439	280,033
Social services	380,838	366,076
Nursing services, acute care	4,353,111	4,068,671
Nursing services, intensive care unit	1,005,266	952,986
Nursing services, nursery	462,253	462,364
Operating room	803,416	965,749
Anesthesiology	36,600	36,500
Radiology	855,402	842,075
Radioisotope	102,505	98,651
MRI	88,253	89,067
Laboratory	1,147,939	1,116,027
Cardiac cath lab	355,255	389,760
Respiratory care	687,643	677,746
Cardiac rehab	117,053	129,767
Emergency room	1,899,772	1,718,046
Outpatient clinic	494,568	453,160
OB Jennings clinic	1,786,598	1,867,791
Eunice clinic	1,118,385	539,527
Southwest surgery clinic	277,174	342,717
Lake Arthur clinic	344,514	380,682
Family medicine clinic	<u>2,267,581</u>	<u>870,078</u>
 Total salaries	 <u>23,637,582</u>	 <u>21,278,788</u>
 Payroll taxes	 1,575,535	 1,423,174
Health insurance	1,974,086	1,811,010
Pension plan	640,438	566,590
Other	<u>216,880</u>	<u>219,330</u>
 Total benefits	 <u>4,406,939</u>	 <u>4,020,104</u>
 Total salaries and benefits	 \$ <u>28,044,521</u>	 \$ <u>25,298,892</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULES OF MEDICAL SUPPLIES AND DRUGS
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Nursing services, acute care	\$ 362,154	\$ 233,695
Nursing services, intensive care unit	57,235	62,958
Nursing services, nursery	24,862	23,474
Obstetrics	67,852	53,595
Operating room	778,096	1,235,521
Anesthesiology	70,660	80,164
Radiology	62,545	77,725
Radioisotope	90,231	122,935
MRI	5,868	7,384
Laboratory	1,357,479	795,931
Cardiac cath lab	550,363	641,170
Respiratory care	85,853	62,690
Central supply	331,666	(363,155)
Implantable devices	533,363	453,326
Pharmacy	2,017,681	1,381,398
Outpatient pharmacy	2,208,906	1,607,572
Cardiac rehab	113	513
Emergency room	133,350	127,654
Outpatient clinic	52,653	52,386
OB Jennings clinic	85,342	93,592
Eunice clinic	185,177	52,620
Southwest surgery clinic	932	368
Lake Arthur clinic	40,183	49,392
Family medicine clinic	212,808	94,774
Administrative support departments	<u>156,836</u>	<u>120,747</u>
 Total medical supplies and drugs	 \$ <u>9,472,208</u>	 \$ <u>7,068,429</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULES OF PROFESSIONAL FEES
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Administration	\$ 200,287	\$ 419,467
Nursing service	174,768	55,614
Intensive care unit	-0-	305
Nursery	59,588	91,536
Operating room	144,866	20,713
Anesthesiology	221,278	10,561
Radiology	19,067	9,088
Laboratory	610,263	478,307
Cardiac cath lab	611,199	622,411
Respiratory therapy	-0-	301
Physical therapy	146,735	125,870
Pharmacy	787,816	1,204,135
Dialysis	108,882	110,009
Cardiac rehab	200	350
Emergency room	1,073,070	840,316
OB Jennings clinic	40,438	64,835
Eunice clinic	35,275	27,241
Southwest surgery clinic	699	8,658
Lake Arthur clinic	16,222	26,000
Family medicine clinic	70,942	65,937
VA clinic	<u>1,694</u>	<u>1,029</u>
 Total professional fees	 \$ <u>4,323,289</u>	 \$ <u>4,182,683</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULES OF OTHER OPERATING EXPENSES
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Purchased services	\$ 1,480,189	\$ 1,025,855
Legal and accounting	69,354	70,195
Supplies	708,437	667,251
Sales tax	740,335	670,405
Repairs and maintenance	1,678,822	1,679,948
Utilities	584,188	621,965
Telephone	63,729	60,136
Travel	55,188	57,608
Rentals	964,864	584,629
Education	12,639	20,854
Dues and subscriptions	266,150	212,094
Recruitment	311,843	315,635
Advertising	30,715	41,378
Scholarships	18,726	11,473
Miscellaneous	<u>741,595</u>	<u>657,596</u>
 Total other operating expenses	 \$ <u>7,726,774</u>	 \$ <u>6,697,022</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF PER DIEM AMOUNTS PAID
TO BOARD MEMBERS
YEARS ENDED NOVEMBER 30,

	<u>2020</u>	<u>2019</u>
Christopher Achee, MD	\$ 12,750	\$ 12,600
Richard Arceneaux	11,550	12,600
Joel Bailey, MD	5,300	5,000
Krystal Baker, MD	-0-	1,000
Lawrence Benoit	3,100	6,000
Carl Benoit	5,500	6,000
Kevin Berken	5,500	5,900
Julie Berry	5,500	6,000
Ella Dartez	5,400	6,000
Samuel Doucet	2,000	-0-
Richard Edwards, MD	500	5,600
Amanda Lacombe, MD	3,300	-0-
Dale Landry	11,550	12,600
Darrell Landry	4,900	5,800
John Louviere, Jr.	-0-	5,300
Arthur Matte	11,550	12,600
Glen McFarlain	5,500	6,000
Horace Naquin, Jr.	5,500	6,000
Richard Oustalet	5,500	6,000
Ronnie Petree	5,500	6,000
James Richert, Jr.	5,500	6,000
Aldes Rozas, MD	3,300	5,700
Michael Sanchez	5,500	500
John Segura, MD	5,400	6,000
	\$ <u>130,100</u>	\$ <u>145,200</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER
YEAR ENDED NOVEMBER 30, 2020

Agency Head Name: Dana Williams
Position: Chief Executive Officer
Time Period: December 1, 2019 through November 30, 2020

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 283,255
Health insurance	20,455
Retirement	9,802
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	12,000
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Cell Phone	812

