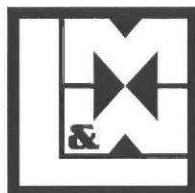


FRANKLIN MEDICAL CENTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
APRIL 30, 2021, 2020, AND 2019



**LESTER, MILLER & WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*



HOSPITAL SERVICE DISTRICT NO. 1  
 OF THE PARISH OF FRANKLIN, STATE OF LOUISIANA  
 d/b/a FRANKLIN MEDICAL CENTER  
 HOSPITAL ENTERPRISE FUND  
 YEARS ENDED APRIL 30, 2021, 2020 AND 2019

TABLE OF CONTENTS

	<u>Page No.</u>
Management's Discussion and Analysis .....	i-vii
Independent Auditors' Report on the Financial Statements and Supplementary Information.....	1-3
Financial Statements	
Statements of Net Position .....	4
Statements of Revenues, Expenses and Changes in Net Position.....	5
Statements of Cash Flows .....	6-7
Notes to Financial Statements .....	8-27
Supplementary Information	
Schedules of Net Patient Service Revenues .....	29-31
Schedules of Other Operating Revenues .....	32
Schedules of Operating Expenses.....	33-35
Schedule of Compensation, Benefits and Other Payments to Administrator .....	36
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37-41

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

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Franklin Parish, State of Louisiana d/b/a Franklin Medical Center (the "Medical Center") provides background information and management's analysis of the Medical Center's financial performance for the fiscal years that ended April 30, 2021, 2020, 2019 and 2018. Please read it in conjunction with the financial statements beginning on page 4 and notes to the financial statements beginning on page 8 in this report.

**Financial Highlights**

Current assets increased by \$18,063,954 or 216.1% for the year ending April 30, 2021 due to an increase in CD's due to CARES Act monies, third-party receivables and IGT receivable at year-end.

Current liabilities increased 121.5% to \$8,254,016, due to an increase in current portion of Medicare Advanced Payments due and Cares Act Unearned Revenue at year-end. Long-term debt increased by \$4,110,153 or 78.9% in FY 2021 to \$9,317,977 due to payments on long-term debt while adding the long-term portion of Medicare Advanced Payments and PPP Loan to notes payable.

The net position increased by \$8,482,232 or 85.6%, which is the excess of revenues over expenses for the year ending April 30, 2021. Net position as of April 30, 2021 was \$18,392,765, up from \$9,910,533 as of April 30, 2020.

Net patient revenue for FY 2021 increased by \$3,546,649 or 12.05%, from \$29,444,015 in FY 2020 due to an increase in outpatient charges in Laboratory, Central Supply and Ortho Clinic. Overall patient days decreased by 138 days to 2,965 for the year ending April 30, 2021.

Expenses for the year ending April 30, 2021 increased by \$3,821,791 or 11.48%. Total expenses for the year ending April 30, 2021 were \$37,100,831, up from \$33,279,040 as of April 30, 2020. The increase was due to an increase in salaries and payroll related benefits and IGT expense during the fiscal year.

**Using this Annual Report**

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

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

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

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



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

Management's Discussion and Analysis (continued)

**Using this Annual Report (Continued)**

**The Statement of Cash Flows**

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

**Franklin Medical Center's Net Position**

The Medical Center's net position is the difference between assets and liabilities reported in the balance sheet. As discussed under the financial highlights section, the Medical Center's net position (inclusive of donated assets) increased by \$8,482,232. The financial highlights section also discusses the changes in assets and liabilities as are shown in the following table.

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

	Years Ended			
	April 30,			
	2021	2020	2019	2018
Total current assets	\$26,421,218	\$ 8,357,264	\$ 7,707,939	\$ 6,669,038
Nondepreciable capital assets	706,815	692,500	753,000	657,500
Depreciable capital assets, net	8,152,576	9,090,519	9,096,767	9,935,536
Limited use assets	592,562	588,557	583,201	816,375
Other non-current assets	91,587	115,991	133,283	158,869
<b>Total assets</b>	<b>\$35,964,758</b>	<b>\$18,844,831</b>	<b>\$18,274,190</b>	<b>\$18,237,318</b>
Total current liabilities	\$ 8,254,016	\$ 3,726,474	\$ 4,174,756	\$ 4,923,808
Long-term debt, net of current maturities	9,317,977	5,207,824	5,201,209	5,493,280
<b>Total liabilities</b>	<b>17,571,993</b>	<b>8,934,298</b>	<b>9,375,965</b>	<b>10,417,088</b>
Net position				
Invested in capital assets, net of related debt	2,905,210	3,339,928	3,527,370	4,014,113
Restricted	200,490	200,490	200,490	200,490
Unrestricted	15,287,065	6,370,115	5,170,365	3,605,627
<b>Total liabilities and net position</b>	<b>\$35,964,758</b>	<b>\$18,844,831</b>	<b>\$18,274,190</b>	<b>\$18,237,318</b>

**Required Financial Statements**

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

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

Management's Discussion and Analysis (continued)

**Required Financial Statements (Continued)**

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

**Financial Analysis of the Hospital**

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

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

Management's Discussion and Analysis (continued)

**Summary of Revenues, Expenses and Changes in Net Position**

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

	Years Ended			
	April 30,			
	2021	2020	2019	2018
Net patient service revenue	\$32,990,664	\$29,444,015	\$28,581,735	\$27,961,309
Other revenue	3,100,566	3,166,013	3,542,038	3,963,251
<b>Total operating revenue</b>	<b>36,091,230</b>	<b>32,610,028</b>	<b>32,123,773</b>	<b>31,924,560</b>
Salaries and employee benefits	18,325,799	16,820,854	16,180,822	16,309,630
Supplies and other	3,184,546	2,800,901	2,772,266	2,307,115
Professional, mgt. and consulting fees	6,378,897	6,447,178	6,039,228	5,420,085
Other expense	7,415,638	5,301,182	5,358,205	5,509,694
Insurance	434,739	518,087	486,544	454,288
Depreciation and amortization	1,361,212	1,390,838	1,345,949	1,402,824
<b>Total operating expenses</b>	<b>37,100,831</b>	<b>33,279,040</b>	<b>32,183,014</b>	<b>31,403,636</b>
Operating income (loss)	(1,009,601)	(669,012)	(59,241)	520,924
Nonoperating income	9,491,833	1,681,320	1,137,236	1,031,442
Changes in net position	8,482,232	1,012,308	1,077,995	1,552,366
Net position - beginning of year	9,910,533	8,898,225	7,820,230	6,267,864
Net position - end of year	<u>\$ 18,392,765</u>	<u>\$ 9,910,533</u>	<u>\$ 8,898,225</u>	<u>\$ 7,820,230</u>

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2021, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts.

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

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

Management's Discussion and Analysis (continued)

Table 3 presents the relative percentages of gross charges billed for patient services for Medicare and Medicaid for the fiscal years ended April 30, 2021, 2020, 2019 and 2018.

**TABLE 3**  
**Medicare & Medicaid Patient Revenue**

	Years ended April 30,			
	2021	2020	2019	2018
Medicare and Medicaid patient charges	\$ 57,937,778	\$ 58,948,548	\$ 62,108,618	\$ 60,673,509
Contractual adjustments	36,096,167	36,383,850	40,219,129	38,735,552
<b>Net Medicare and Medicaid revenue</b>	<b>\$ 21,841,611</b>	<b>\$ 22,564,698</b>	<b>\$ 21,889,489</b>	<b>\$ 21,937,957</b>
Percent of total patient gross charges	67%	70%	73%	74%
Percent of total net patient revenues	66%	77%	77%	78%

**Operating and Financial Performance**

**TABLE 4**  
**Patient Statistics**

	Years ended April 30,			
	2021	2020	2019	2018
<b>Number of patient days</b>				
Medicare acute and rehab care	1,539	1,877	2,308	2,182
Swingbed	180	191	398	407
Medicaid acute and rehab care	667	398	455	481
Other acute and rehab care	579	637	606	587
<b>Total</b>	<b>2,965</b>	<b>3,103</b>	<b>3,767</b>	<b>3,657</b>
<b>Number of patient discharges</b>				
Medicare acute and rehab care	288	387	495	484
Swingbed	26	39	66	61
Medicaid acute and rehab care	149	98	117	121
Other acute and rehab care	99	144	102	117
<b>Total</b>	<b>562</b>	<b>668</b>	<b>780</b>	<b>783</b>
<b>Average length of patient stay</b>				
Medicare acute and rehab care	5.3	4.9	4.7	4.5
Swingbed	6.9	4.9	6.0	6.7
Medicaid acute and rehab care	4.5	4.1	3.9	4.0
Other acute and rehab care	5.8	4.4	5.9	5.0
<b>Average length of stay for acute care</b>	<b>5.2</b>	<b>4.6</b>	<b>4.7</b>	<b>4.5</b>

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

Management's Discussion and Analysis (continued)

**Capital Assets**

**TABLE 5**  
**Land and Depreciable Capital Assets, net**

	April 30			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Nondepreciable Capital Assets				
Land	\$ 657,500	\$ 657,500	\$ 657,500	\$ 657,500
Construction in Progress	49,315	35,000	95,500	-0-
Total Nondepreciable Capital Assets	<u>\$ 706,815</u>	<u>\$ 692,500</u>	<u>\$ 753,000</u>	<u>\$ 657,500</u>
Depreciable Capital Assets				
Building & Equipment	\$ 23,093,912	\$ 23,126,275	\$ 21,953,292	\$ 21,498,838
Leasehold Improvements	2,714,431	2,714,431	2,714,431	2,714,431
Intangibles	1,239,591	1,239,591	1,239,591	1,239,591
Subtotal	27,047,934	27,080,297	25,907,314	25,452,860
Less Accumulated Depr. & Amort.	18,895,358	17,989,778	16,810,547	15,517,324
Total Depreciable Capital Assets, net	<u>\$ 8,152,576</u>	<u>\$ 9,090,519</u>	<u>\$ 9,096,767</u>	<u>\$ 9,935,536</u>

**Long-Term Debt**

Long-term debt at year end consists of one (1) revenue bond, five (5) capital leases, two (2) note payables, which includes the Paycheck Protection Program (PPP) loan. During FY 2021, the Hospital made payments of \$5,640,191 to pay down revenue bonds, capital leases, and note payables. Majority of the payments were due to the refunding of bond Series 2014 & 2015. See Note 9 in the financial statements for additional detail. Long-term debt increased by \$4,110,153 or 78.9% in 2021, due to payments on long-term debt, while adding the Paycheck Protection Program (PPP) loan and the long-term portion of Medicare Advanced Payments.

**Economic Factors Related to Next Year's Budget**

In March 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. Initially the Hospital experienced significant declines in net patient service revenues due to mandatory shutdowns of elective procedures. After the shutdown was lifted, the Hospital's volume has continued to increase towards the levels it experienced in the previous fiscal year. In response to the pandemic, the Hospital has received \$16.9 million in advanced payments, PPP loans, and Cares Act relief funds. Of the \$10,107,747 received in Provider Relief Funds, \$8,258,161 was recognized as non-operating grant revenue in fiscal year 2021, with the remaining \$1,849,586 reported in unearned revenue.

On June 1, 2021 the Small Business Administration forgave the Hospital's Paycheck Protection Program loan of \$2,550,005. This amount will be recorded as grant revenue in fiscal year 2022.

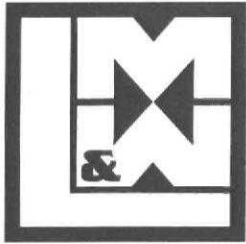
Hospital Service District No. 1  
Of the Parish of Franklin, State of Louisiana  
Franklin Medical Center

Management's Discussion and Analysis (continued)

**Contacting the Hospital's Financial Manager**

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





## **LESTER, MILLER & WELLS**

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Retired 2015  
Bobby G. Lester, CPA

### Independent Auditors' Report

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Franklin, State of Louisiana, d/b/a Franklin Medical Center (the "Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2021, 2020, and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of April 30, 2021, 2020, and 2019, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Franklin Parish Police Jury as of April 30, 2021, 2020, and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.





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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*Lester, Miller & Wells*

Certified Public Accountants  
Alexandria, Louisiana

November 15, 2021



FRANKLIN MEDICAL CENTER  
STATEMENTS OF NET POSITION  
APRIL 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 3)	\$ 7,155,159	\$ 1,474,310	\$ 1,839,544
Certificates of deposit (Note 3)	10,596,186	1,359,530	1,040,405
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,693,809	1,607,853	2,638,437
Estimated third-party payor settlements	4,013,196	2,739,558	1,166,804
Other receivables	631,718	26,952	26,530
Inventories	1,120,355	1,004,869	843,950
Prepaid expenses	210,795	144,192	152,269
<b>Total Current Assets</b>	<u>26,421,218</u>	<u>8,357,264</u>	<u>7,707,939</u>
<b>Non-Current Assets</b>			
Nondepreciable capital assets (Note 5)	706,815	692,500	753,000
Depreciable capital assets, net (Note 5 and 6)	8,152,576	9,090,519	9,096,767
Notes receivable	91,587	80,427	62,155
Physician practice acquisition	-0-	35,564	71,128
Limited use assets (Note 7)	592,562	588,557	583,201
<b>Total Assets</b>	<u>\$ 35,964,758</u>	<u>\$ 18,844,831</u>	<u>\$ 18,274,190</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,416,076	\$ 1,220,533	\$ 1,062,949
Accrued salary and payroll taxes	719,309	711,196	743,740
Accrued paid time off (Note 8)	545,142	477,210	456,667
Estimated third-party payor settlements	889,572	739,768	1,447,712
Unearned revenue	1,933,903	-0-	-0-
Medicare advance payments	1,236,305	-0-	-0-
Current portion of long-term debt (Note 9)	1,513,709	577,767	463,688
<b>Total Current Liabilities</b>	<u>8,254,016</u>	<u>3,726,474</u>	<u>4,174,756</u>
<b>Long-term Liabilities</b>			
Medicare advance payments	2,985,000	-0-	-0-
Long-term debt, net of current maturities (Note 9)	6,332,977	5,207,824	5,201,209
<b>Total Liabilities</b>	<u>17,571,993</u>	<u>8,934,298</u>	<u>9,375,965</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	2,905,210	3,339,928	3,527,370
Restricted	200,490	200,490	200,490
Unrestricted	15,287,065	6,370,115	5,170,365
<b>Total Net Position</b>	<u>18,392,765</u>	<u>9,910,533</u>	<u>8,898,225</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 35,964,758</u>	<u>\$ 18,844,831</u>	<u>\$ 18,274,190</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>			
Net patient service revenues (Note 10)	\$ 32,990,664	\$ 29,444,015	\$ 28,581,735
Non-restricted contributions	-0-	1,418	-0-
Operating grants	416,320	442,203	625,602
Intergovernmental transfer grants	590,573	739,628	1,845,921
Other operating revenues	<u>2,093,673</u>	<u>1,982,764</u>	<u>1,070,515</u>
 Total Revenues	 <u>36,091,230</u>	 <u>32,610,028</u>	 <u>32,123,773</u>
<b>Expenses</b>			
Salaries	14,997,926	14,143,803	13,776,831
Benefits and payroll taxes	3,327,873	2,677,051	2,403,991
Supplies and drugs	3,184,546	2,800,901	2,772,266
Professional fees	6,378,897	6,447,178	6,039,228
Other expenses	7,415,638	5,301,182	5,358,205
Insurance	434,739	518,087	486,544
Depreciation and amortization	<u>1,361,212</u>	<u>1,390,838</u>	<u>1,345,949</u>
 Total Expenses	 <u>37,100,831</u>	 <u>33,279,040</u>	 <u>32,183,014</u>
 Operating Income (Loss)	 <u>(1,009,601)</u>	 <u>(669,012)</u>	 <u>(59,241)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Provider relief funds	8,258,161	615,617	-0-
Maintenance taxes	1,368,407	1,291,920	1,326,673
Gain (loss) on sale of assets	(69,041)	(27,646)	-0-
Interest income	76,652	29,460	25,614
Interest expense	<u>(142,346)</u>	<u>(228,031)</u>	<u>(215,051)</u>
 Changes in Net Position	 8,482,232	 1,012,308	 1,077,995
 Beginning Net Position	 <u>9,910,533</u>	 <u>8,898,225</u>	 <u>7,820,230</u>
 Ending Net Position	 \$ <u>18,392,765</u>	 \$ <u>9,910,533</u>	 \$ <u>8,898,225</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 35,002,179	\$ 28,193,901	\$ 27,841,393
Other receipts from operations	2,495,800	3,165,591	3,562,483
Cash payments to employees and for employee-related cost	(18,249,754)	(16,832,855)	(16,448,034)
Cash payments for other operating expenses	<u>(17,400,366)</u>	<u>(15,062,606)</u>	<u>(14,978,303)</u>
Net cash provided (used) by operating activities	<u>1,847,859</u>	<u>(535,969)</u>	<u>(22,461)</u>
Cash flows from investing activities:			
Purchase of certificates of deposit	(9,240,661)	(324,481)	(13,469)
Proceeds from certificates of deposit	-0-	-0-	233,174
Loan to physicians	(22,493)	(27,322)	(27,140)
Interest income	<u>76,652</u>	<u>29,460</u>	<u>25,614</u>
Net cash provided (used) by investing activities	<u>(9,186,502)</u>	<u>(322,343)</u>	<u>218,179</u>
Cash flows from non-capital financing activities:			
Proceeds from maintenance taxes	1,368,407	1,291,920	1,326,673
Proceeds from long-term debt	2,550,005	-0-	-0-
Proceeds from provider relief funds	<u>10,192,064</u>	<u>615,617</u>	<u>-0-</u>
Net cash provided (used) by non-capital financing activities	<u>14,110,476</u>	<u>1,907,537</u>	<u>1,326,673</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(549,512)	(649,885)	(384,435)
Proceeds from sales of equipment	89,784	-0-	-0-
Interest expense	(142,346)	(228,031)	(215,051)
Proceeds from revenue bonds	5,151,281	-0-	-0-
Principal payments on long-term debt	<u>(5,640,191)</u>	<u>(536,543)</u>	<u>(422,045)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,090,984)</u>	<u>(1,414,459)</u>	<u>(1,021,531)</u>
Net increase (decrease) in cash and cash equivalents	5,680,849	(365,234)	500,860
Beginning cash and cash equivalents	<u>1,474,310</u>	<u>1,839,544</u>	<u>1,338,684</u>
Ending cash and cash equivalents	\$ <u>7,155,159</u>	\$ <u>1,474,310</u>	\$ <u>1,839,544</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>167,253</u>	\$ <u>220,588</u>	\$ <u>217,965</u>
Equipment acquired through capital lease agreements	\$ <u>-0-</u>	\$ <u>524,515</u>	\$ <u>165,519</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,009,601)	\$ (669,012)	\$ (59,241)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,361,212	1,390,838	1,345,949
Changes in current assets (increase) decrease:			
Accounts receivable	(1,085,956)	1,030,584	(98,737)
Estimated third-party payor settlements	(1,273,638)	(1,572,754)	(311,300)
Other receivables	(604,766)	(422)	(799)
Inventories	(115,486)	(160,919)	(115,838)
Prepaid expenses	(66,603)	8,077	2,102
Changes in current liabilities increase (decrease):			
Accounts payable	195,543	157,584	(208,324)
Accrued salary and payroll taxes	8,113	(32,544)	(216,185)
Accrued paid time off	67,932	20,543	(51,027)
Estimated third-party payor settlements	149,804	(707,944)	(309,061)
Medicare advance payments	<u>4,221,305</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by operating activities	\$ <u>1,847,859</u>	\$ <u>(535,969)</u>	\$ <u>(22,461)</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Cash and Cash Equivalents

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



FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

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

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

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

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

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

Patient Accounts Receivable

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

Inventories

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

Income Taxes

The District is a political subdivision and exempt from taxation.

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

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

Net Position

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

Revenue and Expenses

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

Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, individuals, or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either a specific operating purpose or for capital purposes.



FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions (Continued)

Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Use of Estimates

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

Charity Care

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

Risk Management

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

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At April 30, 2021, 2020, and 2019, management is not aware of any liability resulting from environmental matters.

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended April 30, 2021, 2020, and 2019 totaled \$85,808, \$92,013, and \$49,663, respectively.

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Principles

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

Reclassifications

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name as of April 30, 2021, 2020, and 2019.

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

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

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at April 30, 2021, for the Hospital are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash in banks	\$ <u>18,347,207</u>	\$ <u>3,716,011</u>	\$ <u>3,922,457</u>
Insured by FDIC	\$ <u>1,250,537</u>	\$ <u>779,857</u>	\$ <u>779,857</u>
Collateralization by fair market value	\$ <u>17,096,670</u>	\$ <u>2,936,154</u>	\$ <u>3,142,600</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Carrying amount			
Deposits	\$ 1,499,008	\$ 634,766	\$ 697,374
Certificates of deposit	<u>16,844,899</u>	<u>2,787,631</u>	<u>2,765,776</u>
	\$ <u>18,343,907</u>	\$ <u>3,422,397</u>	\$ <u>3,463,150</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 7,155,159	\$ 1,474,310	\$ 1,839,544
Certificates of deposit	10,596,186	1,359,530	1,040,405
Assets whose use is limited	<u>592,562</u>	<u>588,557</u>	<u>583,201</u>
	\$ <u>18,343,907</u>	\$ <u>3,422,397</u>	\$ <u>3,463,150</u>

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Patients	\$ 4,274,009	\$ 3,320,053	\$ 5,133,337
Estimated allowances for uncollectibles	<u>(1,580,200)</u>	<u>(1,712,200)</u>	<u>(2,494,900)</u>
Net accounts receivable	\$ <u>2,693,809</u>	\$ <u>1,607,853</u>	\$ <u>2,638,437</u>

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 4 - ACCOUNTS RECEIVABLE (Continued)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	39%	32%	33%
Medicaid	34%	32%	39%
Commercial and other third-party payors	24%	29%	23%
Patients	<u>3%</u>	<u>7%</u>	<u>5%</u>
 Total	 <u>100%</u>	 <u>100%</u>	 <u>100%</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2021</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>35,000</u>	<u>14,315</u>	<u>-0-</u>	<u>-0-</u>	<u>49,315</u>
Total nondepreciable capital assets	<u>\$ 692,500</u>	<u>\$ 14,315</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 706,815</u>
Depreciable capital assets					
Buildings	\$ 11,082,820	\$ -0-	\$ -0-	\$ -0-	\$ 11,082,820
Leasehold improvements	2,714,431	-0-	-0-	-0-	2,714,431
Furniture and equipment	9,923,906	535,197	567,560	-0-	9,891,543
Property held under capital lease	2,119,549	-0-	-0-	-0-	2,119,549
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	27,080,297	535,197	567,560	-0-	27,047,934
Accumulated depreciation and amortization	<u>17,989,778</u>	<u>1,314,315</u>	<u>408,735</u>	<u>-0-</u>	<u>18,895,358</u>
Total depreciable capital assets, net	<u>\$ 9,090,519</u>	<u>\$ (779,118)</u>	<u>\$ 158,825</u>	<u>\$ -0-</u>	<u>\$ 8,152,576</u>

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 5 - CAPITAL ASSETS (Continued)

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

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 5 - CAPITAL ASSETS (Continued)

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Equipment under capital lease	\$ 2,041,496	\$ 2,119,549	\$ 1,557,281
Accumulated depreciation	<u>1,532,000</u>	<u>1,376,390</u>	<u>1,111,548</u>
Net	\$ <u>509,496</u>	\$ <u>743,159</u>	\$ <u>445,733</u>

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT

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

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

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT (Continued)

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

<u>Cost or Fair Market Value on the Date of Donation</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 27,500	\$ 27,500	\$ 27,500
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
Total	<u>2,058,716</u>	<u>2,058,716</u>	<u>2,058,716</u>
<u>Accumulated Depreciation</u>			
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
Total	<u>2,031,216</u>	<u>2,031,216</u>	<u>2,031,216</u>
Book value of property, plant and equipment	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ 27,500</u>

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

NOTE 7 - LIMITED USE ASSETS

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>By Third Parties</u>			
LHA Trust deposits	\$ 200,490	\$ 200,490	\$ 200,490
<u>By Board</u>			
For capital improvements	<u>392,072</u>	<u>388,067</u>	<u>382,711</u>
	<u>\$ 592,562</u>	<u>\$ 588,557</u>	<u>\$ 583,201</u>

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 8 - PAID TIME OFF

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$545,142, \$477,210 and \$456,667 of vacation pay at April 30, 2021, 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 District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 9 - LONG-TERM DEBT

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

	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 765,137	\$ -0-	\$ 276,152	\$ 488,985	\$ 170,361
Note payable	102,761	-0-	36,346	66,415	11,226
SBA PPP Loan	-0-	2,550,005	-0-	2,550,005	957,744
Revenue bonds, Series 2020	-0-	5,151,281	410,000	4,741,281	374,378
Revenue bonds, Series 2014	2,801,584	-0-	2,801,584	-0-	-0-
Revenue bonds, Series 2015	<u>2,116,109</u>	<u>-0-</u>	<u>2,116,109</u>	<u>-0-</u>	<u>-0-</u>
<b>Total</b>	<b>\$ <u>5,785,591</u></b>	<b>\$ <u>7,701,286</u></b>	<b>\$ <u>5,640,191</u></b>	<b>\$ <u>7,846,686</u></b>	<b>\$ <u>1,513,709</u></b>

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

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



FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 9 - LONG-TERM DEBT (Continued)

The following are the terms and due dates of the Hospital's long-term debt at April 30, 2021:

- \$4,000,000 Revenue Bond, Series 2014 at 3.5% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments of \$200,000 plus interest, starting March 1, 2015 through March 1, 2034.
- \$3,000,000 Revenue Bond, Series 2015 at 3.9% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments plus interest, starting March 1, 2017 through March 31, 2035.
- Stryker Flex Finance capital lease for Orthopedic equipment at rate of imputed interest of 2.3%, with 60 monthly payments of \$1,731 until September 2022, collateralized by leased equipment with a cost of \$98,020 and a book value of \$27,772 at April 30, 2021.
- Stryker Flex Equipment capital lease for Orthopedic equipment at rate of imputed interest of 3.584%, with 60 monthly payments of \$1,535 until September 2022, collateralized by leased equipment with a cost of \$84,183 and a book value of \$22,449 at April 30, 2021.
- Given Imaging capital lease for Gastrointestinal equipment at rate of imputed interest of 8.23%, with 6 monthly payments of \$1,103 followed by 48 monthly payments of \$2,616 until November 2021, collateralized by leased equipment with a cost of \$110,319 and a book value of \$17,668 at April 30, 2021.
- Olympus Financial Services capital lease for Gastro & Colon equipment at a rate of imputed interest of 4%, with 42 monthly payments of \$4,216 until August 2022, collateralized by leased equipment with a cost of \$165,519 and a book value of \$58,214 at April 30, 2021.
- Stryker Flex Equipment capital lease for Orthopedic equipment at rate of imputed interest of 5.5%, with 60 monthly payments of \$2,300 until March 2024, collateralized by leased equipment with a cost of \$98,916 and a book value of \$59,349 at April 30, 2021.
- Marlin Capital Solutions note payable, for purchase of a Viora Cosmetic Laser, at rate of imputed interest of 5.25%, with 84 monthly payments of \$1,202 until April 2026, collateralized by the equipment with a cost of \$84,733 and a book value of \$56,489 at April 30, 2021.
- Zoll Worldwide note payable, for purchase of Defibrillators, at rate of imputed interest of 8.19%, with 17 monthly payments of \$2,399 until April 2021, collateralized by the equipment with a cost of \$47,989 and a book value of \$34,392 at April 30, 2021.
- Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for employee expenses in the amount of \$2,550,005. The loan repayment originally commenced six months after the loan date of May 1, 2020; however, a 10-month deferment was granted, commencing after the Hospital's 24-week covered period. The Hospital has applied for loan forgiveness through the Small Business Administration. If the loan is not forgiven, then it will be repaid in monthly installments of \$143,508 and interest at 1%.
- \$5,020,000 Revenue Bond, Series 2020 at 2% for the purpose of refunding the Series 2014 and 2015 bonds. The Series 2020 bond is secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments plus interest, starting April 1, 2021 through April 1, 2034.

On August 27, 2020 the Hospital issued \$5,020,000 of revenue bonds for the purpose of refunding \$5,000,000 of then-outstanding 2014 and 2015 revenue bonds. The difference between cash flow required to service the old debt and that required to service the new debt and complete refunding was a savings of \$577,266. The economic gain resulting from the transaction was \$423,956.

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 9 - LONG-TERM DEBT (Continued)

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

<u>Year Ending April 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,343,348	\$ 138,563	\$ 170,361	\$ 18,783
2023	1,978,469	91,911	100,672	12,104
2024	394,323	75,766	69,799	8,007
2025	392,647	67,658	48,775	4,661
2026	393,818	59,544	51,455	1,981
2027-2031	1,896,866	184,500	47,923	59
2032-2036	<u>957,530</u>	<u>23,500</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>7,357,001</u>	\$ <u>641,442</u>	\$ <u>488,985</u>	\$ <u>45,595</u>

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

NOTE 10 - NET PATIENT SERVICE REVENUES

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$509,134, \$561,392, and \$578,271 for the years ended April 30, 2021, 2020 and 2019, respectively. Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were \$49,569, \$21,681, and \$37,650, for the years ended April 30, 2021, 2020 and 2019, respectively. The benefits related to MDH designation expire on September 30, 2022. Outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through April 30, 2017.

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

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

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

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield (BCBS) is the largest commercial provider. BCBS charges were 7.8%, 7.7%, and 8.3% of the total gross charges for the years ended April 30, 2021, 2020 and 2019, respectively.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Gross charges	\$ 86,562,043	\$ 84,365,514	\$ 85,162,723
Less charges associated with charity patients	<u>113,296</u>	<u>81,832</u>	<u>72,438</u>
Gross patient service revenues	86,448,747	84,283,682	85,090,285
Less deductions from revenue:			
Contractual adjustments	52,274,795	51,898,177	53,653,547
Policy and other discounts	207,367	166,647	167,158
Physician supplement revenue	<u>(2,053,001)</u>	<u>(288,612)</u>	<u>(324,290)</u>
Patient service revenue (net of contractual adjustments and discounts)	36,019,586	32,507,470	31,593,870
Less provision for bad debts	<u>(3,028,922)</u>	<u>(3,063,455)</u>	<u>(3,012,135)</u>
Net patient service revenue less provision for bad debts	\$ <u>32,990,664</u>	\$ <u>29,444,015</u>	\$ <u>28,581,735</u>

FRANKLIN MEDICAL CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare and Medicaid patient charges	\$ 57,937,778	\$ 58,948,548	\$ 62,108,618
Contractual adjustments	<u>(36,096,167)</u>	<u>(36,383,850)</u>	<u>(40,219,129)</u>
Program patient service revenue	<u>\$ 21,841,611</u>	<u>\$ 22,564,698</u>	<u>\$ 21,889,489</u>
Percent of total gross patient charges	<u>67%</u>	<u>70%</u>	<u>73%</u>
Percent of total net patient revenues	<u>66%</u>	<u>77%</u>	<u>77%</u>

The Hospital experienced differences between the amounts initially recorded on its cost report settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in a decrease of \$219,854, \$9,271 and \$77,134 in net patient service revenue for 2021, 2020 and 2019, respectively.

NOTE 11 - PROFESSIONAL LIABILITY RISK

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

NOTE 12 - CONTINGENCIES

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

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

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

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 12 - CONTINGENCIES (Continued)

has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

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

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

Professional Liability Risk (Note 11) - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Professional Liability Trust Fund. Should the Fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

Worker's Compensation - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Worker's Compensation Trust Fund. Should the Fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including the duration and spread of the virus, government quarantine measures, voluntary and precautionary restriction on travel or meetings, the effects on the financial markets, and the effects on the economy overall, all of which are uncertain. The Hospital received \$10,107,747 in 2021 from Provider Relief Funds, as described in Note 22, 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, as described in Note 9, in order to continue paying employee salaries during the COVID-19 pandemic. Additionally, the Hospital applied for and received \$4,221,305 in Medicare Advanced Payments, as described in Note 23, in order to increase its cash flow position.



FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 13 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$80,000 or aggregate claims exceeding \$2,352,277 per plan year. There were no significant changes in insurance coverage from the prior year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning of the year	\$ 341,050	\$ 396,300	\$ 667,937
Plus: Claims incurred and changes in estimate	1,936,288	1,462,713	1,172,197
Less: Claims paid	<u>2,077,338</u>	<u>1,517,963</u>	<u>1,443,834</u>
End of the year	\$ <u>200,000</u>	\$ <u>341,050</u>	\$ <u>396,300</u>

NOTE 14 - PENSION PLAN

The Hospital has a defined contribution pension plan. The plan is administered by Lincoln Financial Group who holds all plan assets. All of the employees over the age of 21 are eligible to participate in the plan. Employees can elect to contribute up to the IRS allowable amount and the Hospital matches the first 3% of the employees' contributions. Employees are vested after 5 years, if they are disabled, or when they reach retirement age (65). Actual contributions made by the Hospital for the years ended April 30, 2021, 2020 and 2019 were \$267,145, \$201,393, and \$221,519. The employees of the Hospital contributed \$433,747, \$431,588, and \$376,300 for the years ended April 30, 2021, 2020 and 2019, respectively.

Effective December 16, 2019, the Hospital began contributing to a qualified defined contribution plan, Franklin Medical Center 401(a) Plan, as authorized under Internal Revenue Code of 1986, Section 401(a). The Plan is intended to be a Social Security replacement plan. All employees who were employed prior to December 16, 2019 were given a one-time option to continue contributing to the Social Security System or enroll in the District's 401(a) Plan. All employees who are hired after December 16, 2019 are required to enroll into the District's 401(a) Plan. Employees are 100% invested upon entry into the Plan with a retirement age being 70 ½. The Hospital's mandatory contribution is 1.3% of employee salaries earned during each pay period. The Hospital under its sole discretion may contribute a discretionary contribution subject to limitations under this Plan. Employee mandatory contributions are equal to 6.2% of salaries earned during each pay period. Actual contributions made by the Hospital for years ended April 30, 2021, 2020, and 2019 were \$496,645, \$128,769, and \$-0-, respectively. The employees of the Hospital contributed \$582,098, \$192,012, and \$-0- for the years ended April 30, 2021, 2020 and 2019, respectively.

FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

NOTE 15 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 2021:

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

NOTE 16 - GRANT REVENUE

In 2015 the Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$590,573, \$739,628 and \$1,845,921 for fiscal years 2021, 2020 and 2019, respectively. Various other grants were received during the year for other uses.

NOTE 17 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operation leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 2021, that have initial or remaining lease terms in excess of one year:

<u>Year Ending April 30,</u>	<u>Amount</u>
2022	\$ 510,535
2023	546,917
2024	536,686
2025	469,258
2026	<u>325,736</u>
Total minimum lease payments	\$ <u>2,389,132</u>

Total lease expense under noncancelable operating leases for the years ended April 30, 2021, 2020 and 2019, was \$510,535, \$299,729, and \$317,000, respectively.

FRANKLIN MEDICAL CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED APRIL 30, 2021, 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 costs of caring for charity care patients were approximately \$49,000, \$32,000, and \$28,000 for the years ended April 30, 2021, 2020 and 2019, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$29,000, \$24,000, and \$123,000 for the years ended April 30, 2021, 2020 and 2019, respectively.

NOTE 19 - AD VALOREM TAXES

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

NOTE 20 - COMMITMENTS

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

2022	\$	479,516
2023		-0-
2024		-0-
2025		-0-
2026		-0-
Total future commitment payments	\$	479,516

NOTE 21 - INTANGIBLES

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



FRANKLIN MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2021, 2020 AND 2019

Note 22 - UNEARNED REVENUE

The Hospital received \$10,107,747 and \$605,617 in Provider Relief Funds (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal years ending April 30, 2021 and 2020, respectively. 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 \$8,258,161 and \$615,617 as non-operating grant revenue during fiscal years April 30, 2021 and 2020, respectively. The unrecognized amount of \$1,849,586 is reported in unearned revenue in the accompanying statement of net position. The Hospital will submit a report of healthcare related expenses and lost revenues attributed to coronavirus from inception through June 30, 2021 for Phase 1 distributions and July 1, 2021 through December 31, 2021 for Phase 2 distributions. Funds received in excess of the reported expenses and lost revenue, 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. The difference could be materially different from current estimates.

Note 23 - MEDICARE ADVANCED PAYMENTS

The Hospital applied and received \$4,221,305 in Medicare Advanced Payments during September 2020. The advanced payments are to assist the Hospital due to the coronavirus pandemic. The advanced payments will be collected through future Medicare claims, with \$1,236,305 expected to be collected within one year.

NOTE 24 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 15, 2021, and determined that no material events occurred that require disclosure, except those noted below. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

On June 1, 2021, the Small Business Administration forgave the Hospital's Paycheck Protection Program loan of \$2,550,005 plus accrued interest of \$28,050.

SUPPLEMENTARY INFORMATION

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Routine Services:			
Adults and pediatric	\$ 1,757,799	\$ 1,967,256	\$ 2,359,846
Intensive care unit	(580)	8,380	27,365
Rehab unit	1,090,222	1,077,262	1,094,953
Swing bed	<u>155,525</u>	<u>164,034</u>	<u>398,561</u>
 Total	 <u>3,002,966</u>	 <u>3,216,932</u>	 <u>3,880,725</u>
 Other Professional Services:			
Operating room			
Inpatient	511,824	170,859	273,070
Outpatient	<u>2,429,276</u>	<u>2,814,133</u>	<u>3,606,394</u>
 Total	 <u>2,941,100</u>	 <u>2,984,992</u>	 <u>3,879,464</u>
 Recovery room			
Inpatient	37,950	12,450	21,075
Outpatient	<u>208,500</u>	<u>271,275</u>	<u>329,175</u>
 Total	 <u>246,450</u>	 <u>283,725</u>	 <u>350,250</u>
 Anesthesia			
Inpatient	3,380	1,040	2,060
Outpatient	<u>15,500</u>	<u>16,600</u>	<u>23,240</u>
 Total	 <u>18,880</u>	 <u>17,640</u>	 <u>25,300</u>
 Radiology			
Inpatient	962,558	951,847	979,967
Outpatient	<u>14,563,463</u>	<u>14,310,099</u>	<u>14,491,406</u>
 Total	 <u>15,526,021</u>	 <u>15,261,946</u>	 <u>15,471,373</u>
 Laboratory			
Inpatient	703,734	656,582	793,846
Outpatient	<u>11,952,005</u>	<u>9,252,885</u>	<u>8,911,790</u>
 Total	 <u>\$ 12,655,739</u>	 <u>\$ 9,909,467</u>	 <u>\$ 9,705,636</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Blood			
Inpatient	\$ 76,579	\$ 80,597	\$ 154,000
Outpatient	<u>306,109</u>	<u>322,994</u>	<u>368,501</u>
Total	<u>382,688</u>	<u>403,591</u>	<u>522,501</u>
Respiratory care			
Inpatient	2,081,968	2,421,528	2,942,944
Outpatient	<u>2,381,951</u>	<u>2,231,845</u>	<u>2,277,563</u>
Total	<u>4,463,919</u>	<u>4,653,373</u>	<u>5,220,507</u>
Physical therapy			
Inpatient	996,306	795,295	848,652
Outpatient	<u>767,049</u>	<u>597,397</u>	<u>588,073</u>
Total	<u>1,763,355</u>	<u>1,392,692</u>	<u>1,436,725</u>
EKG			
Inpatient	64,855	81,690	91,080
Outpatient	<u>637,817</u>	<u>578,625</u>	<u>645,425</u>
Total	<u>702,672</u>	<u>660,315</u>	<u>736,505</u>
Central supply			
Inpatient	1,046,327	404,243	591,146
Outpatient	<u>2,587,820</u>	<u>2,157,167</u>	<u>2,588,310</u>
Total	<u>3,634,147</u>	<u>2,561,410</u>	<u>3,179,456</u>
Pharmacy			
Inpatient	1,717,249	1,819,086	2,355,985
Outpatient	<u>9,828,437</u>	<u>9,815,014</u>	<u>7,993,387</u>
Total	<u>11,545,686</u>	<u>11,634,100</u>	<u>10,349,372</u>
Intensive outpatient program	<u>775,489</u>	<u>1,644,163</u>	<u>1,962,235</u>
Emergency room			
Inpatient	967,381	1,095,367	1,016,082
Outpatient	<u>15,153,145</u>	<u>14,798,889</u>	<u>12,745,875</u>
Total	\$ <u>16,120,526</u>	\$ <u>15,894,256</u>	\$ <u>13,761,957</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Observation room			
Inpatient	\$ 49,212	\$ 56,204	\$ 62,298
Outpatient	<u>973,536</u>	<u>1,044,255</u>	<u>1,005,899</u>
Total	<u>1,022,748</u>	<u>1,100,459</u>	<u>1,068,197</u>
Rural health clinic - outpatient	<u>8,593,862</u>	<u>9,473,692</u>	<u>10,033,377</u>
Ambulance - outpatient	<u>19,050</u>	<u>28,024</u>	<u>26,982</u>
Wound care - outpatient	<u>580,052</u>	<u>439,755</u>	<u>563,679</u>
Orthopedic clinic - outpatient	<u>1,831,321</u>	<u>784,439</u>	<u>390,842</u>
Urology clinic	<u>10,037</u>	<u>1,283,996</u>	<u>1,695,503</u>
Surgery clinic - outpatient	<u>642,484</u>	<u>714,657</u>	<u>902,137</u>
Spa - outpatient	<u>82,851</u>	<u>21,890</u>	<u>-0-</u>
Total Other Professional Services	<u>83,559,077</u>	<u>81,148,582</u>	<u>81,281,998</u>
Gross charges	<u>86,562,043</u>	<u>84,365,514</u>	<u>85,162,723</u>
Less charges associated with charity patients	<u>(113,296)</u>	<u>(81,832)</u>	<u>(72,438)</u>
Gross patient service revenue	86,448,747	84,283,682	85,090,285
Less deductions from revenue:			
Contractual adjustments	52,274,795	51,898,177	53,653,547
Policy and other discounts	207,367	166,647	167,158
Physician supplement revenue	<u>(2,053,001)</u>	<u>(288,612)</u>	<u>(324,290)</u>
Patient service revenue (net of contractual adjustments and discounts)	<u>36,019,586</u>	<u>32,507,470</u>	<u>31,593,870</u>
Less provision for bad debts	<u>(3,028,922)</u>	<u>(3,063,455)</u>	<u>(3,012,135)</u>
Net Patient Service Revenue	\$ <u>32,990,664</u>	\$ <u>29,444,015</u>	\$ <u>28,581,735</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Vending machine commission	\$ 1,875	\$ 3,601	\$ 4,775
Physician office rentals	51,405	28,697	42,512
Medical records abstract fees	23,525	27,533	22,999
340B pharmacy program	1,987,822	1,921,972	931,166
Miscellaneous revenue	<u>29,046</u>	<u>961</u>	<u>69,063</u>
 Total other operating revenues	 \$ <u>2,093,673</u>	 \$ <u>1,982,764</u>	 \$ <u>1,070,515</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Personnel	\$ 49,947	\$ 51,618	\$ 57,470
Administration	1,385,108	1,428,287	1,425,155
Plant operations and maintenance	221,575	223,559	207,576
Purchasing	79,633	79,670	72,465
Pharmacy	384,546	381,483	360,974
Nursing administration	259,372	275,931	257,375
Medical records	315,030	413,220	266,587
Nursing services, acute care	1,638,630	1,583,570	1,642,040
Nursing services, intensive care unit	9,204	8,231	17,868
Nursing services, rehab unit	473,233	490,681	515,562
Operating room	531,416	520,778	544,068
Radiology	588,233	579,433	561,610
Laboratory	662,956	636,382	683,101
Respiratory care	562,945	558,955	541,526
Physical therapy	80,216	21,732	21,061
Intensive outpatient program	299,124	411,114	308,245
Wound care	124,468	110,506	100,515
Oncology	58,305	-0-	-0-
Orthopedic clinic	934,191	317,849	109,475
Emergency room	2,048,190	1,584,267	1,530,592
Rural health clinic	3,100,868	2,669,546	2,657,157
Nurse family partnership	323,887	320,057	315,127
Spa	25,241	12,249	-0-
Transportation	119,898	153,532	122,981
Urology clinic	7,684	601,326	737,418
Surgery clinic	714,026	709,827	720,883
	<u>14,997,926</u>	<u>14,143,803</u>	<u>13,776,831</u>
Total salaries			
Payroll taxes	458,455	761,355	938,482
Health insurance	1,936,288	1,462,713	1,172,197
Pension plan	763,790	330,162	221,519
Other	169,340	122,821	71,793
	<u>3,327,873</u>	<u>2,677,051</u>	<u>2,403,991</u>
Total benefits			
Total salaries and benefits	\$ <u>18,325,799</u>	\$ <u>16,820,854</u>	\$ <u>16,180,822</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Nursing service	\$ 34,130	\$ 6,689	\$ 5,163
Anesthesiology	147,046	106,462	88,707
Radiology	642,977	611,663	610,178
Laboratory	708,431	368,777	376,895
Respiratory therapy	48,775	90,965	137,763
Physical therapy	349,501	466,130	510,956
EKG	30,677	30,098	36,061
IOP	871	778	588
Pharmacy	55,726	52,859	51,279
Orthopedic clinic	-0-	469,536	631,370
Emergency room	1,387,075	1,353,260	715,826
Rural health clinic	2,969,104	2,886,290	2,871,032
Urology clinic	1,845	1,137	971
Surgery clinic	<u>2,739</u>	<u>2,534</u>	<u>2,439</u>
 Total professional fees	 \$ <u>6,378,897</u>	 \$ <u>6,447,178</u>	 \$ <u>6,039,228</u>



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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Miscellaneous service fees	\$ 2,705,578	\$ 2,721,872	\$ 2,707,115
Legal and accounting	22,909	42,662	20,963
Supplies	754,028	228,433	198,579
Minor equipment	66,501	46,633	55,223
Repairs and maintenance	103,960	128,990	100,660
Utilities	388,202	371,799	402,611
Telephone	48,760	55,766	68,006
Travel	24,343	50,453	66,929
Rentals	560,912	326,667	433,823
Education	37,190	32,484	68,301
Dues and subscriptions	992,825	982,509	946,637
Recruitment and advertising	252,054	132,310	81,145
Miscellaneous	<u>1,458,376</u>	<u>180,604</u>	<u>208,213</u>
 Total other expenses	 \$ <u>7,415,638</u>	 \$ <u>5,301,182</u>	 \$ <u>5,358,205</u>

FRANKLIN MEDICAL CENTER  
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
 PAYMENTS TO ADMINISTRATOR  
 YEAR ENDED APRIL 30, 2021

Agency Head Name: Blake Kramer  
 Position: Administrator  
 Time Period: May 1, 2020 to April 30, 2021

Purpose	Amount
Salary	209,072
Health insurance	6,272
Retirement	18,666
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	1,294
Registration fees	500
Conference travel	-0-
Continuing professional education fees	2,311
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	1,722
Cell phone	920



## LESTER, MILLER & WELLS

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Retired 2015  
Bobby G. Lester, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Franklin ("Franklin Medical Center"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2021, 2020, and 2019, and the related notes to the financial statements, which collectively comprise Franklin Medical Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 15, 2021.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 and 2021-002 that we consider to be material weaknesses.

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

### **Compliance and Other Matters**

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

### **Franklin Medical Center's Response to Findings**

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

### **Purpose of this Report**

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

This report is intended solely for the information and the use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Lester, Miller & Wells*

Certified Public Accountants  
Alexandria, Louisiana

November 15, 2021



FRANKLIN MEDICAL CENTER  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES  
YEAR ENDED APRIL 30, 2021

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

*Federal Awards* – Not applicable

**Section II. Financial Statement Findings**

**Finding 2021-001 – Third Party Cost Report Settlements**

**Finding:** Management did not record an estimate for the current year Medicare and Medicaid cost report. Therefore, third party receivables and patient services were understated by approximately \$1.2 million.

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

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

**Finding 2021-002 – Financial Close and Reporting**

**Finding:** Management did not record an estimate for the Provider Relief Funds grant revenue. Therefore, grant revenue was understated by approximately \$8.2 million.

**Recommendation:** Management should continue to monitor revenues and expenses related to COVID and calculate Provider Relief Fund grant revenue on an interim basis.

**Response:** Management will record grant revenues when earned.



FRANKLIN MEDICAL CENTER  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES  
YEAR ENDED APRIL 30, 2021

**Section III. Federal Awards, Findings and Questioned Costs**

Not Applicable

**Section IV. Management Letter**

Not Applicable



FRANKLIN MEDICAL CENTER  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED APRIL 30, 2021

**Section I. Financial Statement Findings**

**Finding 2020-001 – Third Party Cost Report Settlements**

**Fiscal Year Initially Reported:** April 30, 2020

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

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

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

**Resolution:** This matter has been partially resolved. While management has made an estimate for the current year Medicare and Medicaid cost report, and recorded a receivable, the amount estimated was materially understated.

**Section II. Federal Award Findings and Questioned Costs**

Not Applicable

**Section III. Management Letter**

Not Applicable





