

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE**

HOMER, LOUISIANA

JUNE 30, 2021, 2020, AND 2019

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE
TOWN OF HOMER, STATE OF LOUISIANA
YEARS ENDED JUNE 30, 2021, 2020 AND 2019**

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Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

This section of Claiborne Parish Hospital Service District #3 d/b/a/ Claiborne Memorial Medical Center and Affiliate's (Hospital's) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years that ended on June 30, 2021, 2020, and 2019. Please read it in conjunction with the financial statements in this report.

Overview of the Financial Statements

The 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.

Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position

The Balance Sheets include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. It 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. The Statements of Revenues, Expenses, and Changes in Net Position report all of the revenues and expenses when the underlying transactions occur, regardless of when cash is received or paid. These statements measure the performance of the Hospital's operations during the years provided 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.

Statements of Cash Flows

These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provide information as to sources and uses of cash as well as the change in the cash balance during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheets on page 4. Total net position increased during fiscal year 2021 by \$3,558,000 (36.44%) as reflected on the statements of revenues, expenses, and changes in net position. Total net position increased during fiscal year 2020 by \$252,000 (2.65%).

Hospital Operations and Significant Events

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through "swing beds"), home health, and inpatient psychiatric services to patients from Claiborne and surrounding parishes and counties. The hospital facility is licensed for 47 patient beds and has a state-of-the art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

The Hospital previously received two grants from the Department of Health and Human Services under the Rural Communities Opioid Response program related to development of an Opioid Treatment Facility, both of which are on a cost reimbursement basis. The initial grant of \$200,000 for planning purposes was completed in the current year. The second grant has a 3 year project period for program implementation purposes. The initial award from this grant is \$1,000,000 for the budget period September 1, 2019 – August 31, 2022. To date, \$508,919 has been received from this grant.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Hospital Operations and Significant Events (Continued)

The 10 bed Care Recovery Clinic opened in March, 2021 and is being operated within the hospital.

Financially the hospital has weathered the loss of revenue due to the Covid-19 pandemic and has offset much of the lost revenue through Care Act payments and two Paycheck Protection Program (PPP) loans. The Hospital received funds primarily in the form of provider relief payments and Medicare advance payments. The total stimulus funds received (excluding PPP loans) were \$13,803,000 of which \$2,803,000 is recognized as revenue in FY 2021 and \$1,769,000 was recognized as revenue in FY 2020. The first PPP loan of \$1,675,000 received in FY 2020 was fully forgiven in 2021. The second PPP loan of \$1,608,619 received in FY 2021 is also expected to be forgiven. All stimulus funds will be recognized as revenue when conditions for use are met. Since the hospital was able to reopen services, patient volume increased quickly, and revenue is now at approximately pre-covid levels.

During the year ended June 30, 2021, the hospital purchased three local primary health care clinics. Two of the clinics are in the process of being accredited as Rural Health Clinics which provides increased reimbursement rates for Medicare and Medicaid services.

Financial Highlights

- The Hospital's total assets increased by \$16,787,000 or approximately 82.5% during fiscal year (FY) 2021. Significant changes include an increase of \$4,790,000 in cash and short-term investments primarily due to COVID-19 funds received not yet utilized. Additionally, there was a \$2,005,000 increase in net patient receivables and an \$8,060,000 increase in the receivable from acting as grantor of UPL payments for eight hospitals. There is also an increase in the liability for payment to the other hospitals of \$7,731,000 included in accounts payable at year-end. These funds are received to provide adequate and essential medically necessary healthcare services to low income or indigent patients. The Hospital's net receivable from these payments at June 30, 2021 was \$379,000 as compared to a net payable of \$50,000 at June 30, 2020. Overall liabilities increased \$13,229,000, due the UPL payment liability mentioned above as well as additional COVID-19 funds not yet utilized. The Hospital also borrowed \$1,000,000 in FY 2021 for replacement of the hospital roof. Of this, \$980,000 remained as of June 30, 2021. The Hospital's total assets increased by \$5,316,000 or approximately 35.5% during fiscal year (FY) 2020. Significant changes included an increase of \$7,318,000 in cash and short-term investments primarily due to COVID-19 funds received not yet utilized as of 6/30/20. This was partially offset by a \$1,031,000 decrease in net patient receivables and a \$1,354,000 decrease in the receivable from acting as grantor of UPL payments for eight hospitals as well as \$572,000 depreciation of capital assets. There is also a decrease in the liability for payment to the other hospitals of \$1,987,000 included in accounts payable at year-end.
- Net patient revenues (exclusive of \$20,829,000 total UPL payments received as discussed above) increased by \$3,709,000 or approximately 29.2% in FY 2021 compared to a decrease of \$2,523,000 or 16.5% in fiscal year 2020. The most significant increases were in laboratory, respiratory therapy, and pharmacy charges due to increased patient volume and treatment of Covid patients.
- Total 2021 operating expenses (exclusive of UPL grant payments made) increased \$3,339,000 or 20.51%, compared to a 29.2% increase in net patient revenues of \$3,709,000. Total operating expenses decreased \$65,000 (.4%) in fiscal year 2020. Primary 2021 increases were in salaries, most of which was attributable to the new rural health clinics, and supplies and drugs due to increased drug and infection control costs associated with Covid-19 as well as increased software costs.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Financial Analysis of the Hospital

The Balance Sheet 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 it. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Governance of the hospital has been transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution which requires the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center. The vote on the ½ cent sales tax took place in March, 2015, and passed with a 93% approval. The hospital received approximately \$686,000 and \$626,000 in sales tax collections for FY 2021 and 2020, respectively, which are included in other operating revenue.

TABLE 1
Condensed Balance Sheets (In thousands)

	June 30,			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total current assets	\$ 29,000	\$ 13,803	\$ 8,504	\$ 8,012
Limited use assets (non current)	1,185	1,112	1,107	1,081
Other assets	393	-	-	-
Property, plant and equipment	6,498	5,374	5,362	5,912
Total assets	<u>\$ 37,076</u>	<u>\$ 20,289</u>	<u>\$ 14,973</u>	<u>\$ 15,005</u>
Total current liabilities	\$ 21,058	\$ 8,604	\$ 5,182	\$ 6,257
Long-term debt, net of current	2,698	1,922	280	328
Total liabilities	<u>23,756</u>	<u>10,526</u>	<u>5,462</u>	<u>6,585</u>
Net position:				
Invested in capital assets, net of related debt	5,273	5,064	5,034	5,538
Restricted expendable	226	221	213	209
Unrestricted	7,821	4,478	4,264	2,673
Total net position	<u>13,320</u>	<u>9,763</u>	<u>9,511</u>	<u>8,420</u>
Total liabilities and net position	<u>\$ 37,076</u>	<u>\$ 20,289</u>	<u>\$ 14,973</u>	<u>\$ 15,005</u>

As can be seen in Table 1, total assets increased by \$16,786,000 to \$37,075,000 in fiscal year 2021 compared to total assets of \$20,289,000 in fiscal year 2020.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Accounts Receivable

Total accounts receivable at June 30, 2021 was substantially higher than June 30, 2020, partially due to increased patient revenue but primarily due to \$9,040,000 due from the FMP UPL program as compared to \$980,000 at June 30, 2020. A slowdown in collections due to limited personnel also contributed to the increase in accounts receivable at June 30, 2021. Accounts receivable had decreased the prior year primarily due to a decrease in patient revenue from March – June, 2020 due to Covid-19.

TABLE 2
Gross Accounts Receivable Aging (In thousands)

	Year ended June 30		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current accounts	\$ 5,045	\$ 2,193	\$ 3,339
30-day accounts	2,408	323	1,638
60-day accounts	811	198	302
90-day and over accounts	1,943	1,590	1,441
Total	<u>\$ 10,207</u>	<u>\$ 4,304</u>	<u>\$ 6,720</u>

Capital Assets

Net capital assets increased by \$1,123,000 in FY 2021. This increase relates to \$1,702,000 in capital expenditures offset by \$579,000 in depreciation of the Hospital's assets. Net capital assets increased by \$12,000 in FY 2020. This increase relates to \$584,000 in capital expenditures offset by \$572,000 in depreciation of the Hospital's assets. Table 3 highlights the major capital investments for FYE 2021.

TABLE 3
Capital Investments

	<u>2021</u> <u>Cost</u>
<u>Equipment</u>	
Sterrad system	47,186
ICU beds	124,242
Smart+ beds	82,956
Med-Surg patient beds	125,702
Clinic buildings	582,500
Bariatric Bed	37,405
Opioid clinic renovation	263,081
Clinic fixtures and equipment	124,209
Clinic security alarm systems	40,080
Medical gas system upgrades	28,917
Vehicles	51,848
Other	67,264
Total equipment	<u>1,575,390</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Capital Assets (Continued)

<u>Construction in Progress</u>	
Roof replacement costs to date	56,832
Health clinic computer equipment	16,103
Health clinic renovations	36,120
OR renovations	8,000
Other	9,521
Total construction in progress	<u>126,576</u>
Total major acquisitions	<u>\$ 1,701,966</u>

Statements of Revenues, Expenses, and Changes in Net Position

Operating Revenue

During fiscal years 2021, 2020, and 2019, 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 other third party payors and patients who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and other third party payors is based upon established contracts. The difference between the full charge and payment is recognized as a contractual adjustment. In FY 2021 and 2020, the Hospital also received funds through various stimulus programs to offset the effects of the COVID-19 pandemic.

During fiscal years 2021, 2020, 2019 and 2018, the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$20,828,914 for 2021, \$15,939,460 for 2020, \$17,884,603 for 2019, and \$24,400,045 for 2018 under the program, which is included as Medicaid patient service revenue, and disbursed \$20,207,756 for 2021, \$15,179,269 for 2020, \$17,070,486 for 2019, and \$23,591,662 for 2018 to participating hospitals. Grants under this program are to be used solely to provide adequate and essential medically necessary health care services to the citizens of the community who are low income and/or indigent. Other revenue includes interest income, sales tax revenue, cafeteria sales, and other miscellaneous services.

Table 4 represents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2021, 2020, and 2019. Payor mix percentages are computed based on gross charges by payor compared to total gross patient charges, excluding the UPL grant funds discussed in the preceding paragraph.

TABLE 4
Payor Mix by Percentage of Gross Charges

	Year ended June 30		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	48.6%	57.2%	55.9%
Medicaid	27.8%	23.7%	25.0%
Commercial	18.2%	13.8%	14.8%
Self-pay and other	5.5%	5.3%	4.3%
Total patient revenue	<u>100.1%</u>	<u>100.0%</u>	<u>100.0%</u>

Non-Operating Income

The Hospital holds designated and restricted funds in its Balance Sheet that are invested primarily in money market funds held at First Guaranty Bank and Gibsland Bank & Trust in Public Fund Service Accounts (PFSA).

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

During fiscal year 2017, the long-term investment account was transferred to Gibsland due to increased interest rate. Total investment income earned was \$26,000, \$32,000, \$26,000, and \$26,200, in 2021, 2020, 2019, and 2018, respectively.

For FY 2021, an additional \$57,000 of investment income earned on stimulus funds was reclassified to stimulus revenue to comply with reporting requirements. All investment accounts are in NOW accounts and Money Market checking accounts earning interest currently at .04% to 1.04%.

Capital Grants and Contributions

Various small grants were received to purchase equipment. The Claiborne Healthcare Foundation, an affiliate, received contributions of \$46,400, \$57,000, and \$39,500, during fiscal years 2021, 2020, and 2019, respectively that are restricted towards future capital expenditures. The Foundation contributed approximately \$14,000, \$49,000, and \$15,400 to the Hospital in FY 2021, 2020, and 2019 for equipment purchases.

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2021, 2020, 2019, and 2018.

TABLE 5
Condensed Statements of Revenues, Expenses, and Changes in Net Assets (In thousands)

	Years Ended June 30			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net patient service revenue	\$ 37,247	\$ 28,648	\$ 33,116	\$ 38,329
Noncapital grants	123	5	4	7
Other revenue	1,055	1,060	1,344	1,149
Total operating revenues	<u>38,425</u>	<u>29,713</u>	<u>34,464</u>	<u>39,485</u>
Salaries	9,231	7,621	7,602	8,066
Benefits and payroll taxes	1,988	1,769	1,639	1,918
Supplies and drugs	3,170	2,199	2,271	2,492
Professional fees	2,321	2,205	2,262	1,978
Intergovernmental transfers - access grant exp	20,208	15,179	17,070	23,592
Other expenses	2,046	1,655	1,728	1,704
Insurance	278	253	214	212
Depreciation and amortization	579	572	624	619
Total operating expenses	<u>39,821</u>	<u>31,453</u>	<u>33,410</u>	<u>40,581</u>
Operating income (loss)	<u>(1,396)</u>	<u>(1,740)</u>	<u>1,054</u>	<u>(1,096)</u>
HHS stimulus revenue	2,803	1,769	-	-
PPP loan forgiveness income	1,675	-	-	-
Opioid grant funds	528	181	-	-
Investment income	27	32	26	26
Interest and service charges expense	(99)	(47)	(29)	(28)
Excess of revenues (expenses) before capital grants and contributions	<u>3,538</u>	<u>195</u>	<u>1,051</u>	<u>(1,098)</u>
Capital grants and contributions	19	57	40	19
Increase (decrease) in net position	<u>3,557</u>	<u>252</u>	<u>1,091</u>	<u>(1,079)</u>
Net position - beginning of year	<u>9,763</u>	<u>9,511</u>	<u>8,420</u>	<u>9,499</u>
Net position - end of year	<u>\$ 13,320</u>	<u>\$ 9,763</u>	<u>\$ 9,511</u>	<u>\$ 8,420</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Operating and Financial Performance

The highlights of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position include:

- Patient days, not including Senior Care days, increased to 4,214, decreased to 4,139, and decreased to 4,906 for FY 2021, 2020, and 2019, respectively. This is an increase of 2%, compared to a decrease of 15% and a decrease of 10%, in overall activity for the past three years. A portion of the current year increase is due to additional ICU days due to Covid-19 patients.
- Salaries had a significant increase in FY 2021 after a slight increase in FY 2020 and a slight decrease in FY 2019. Administration and the new rural health clinics are the two areas that saw the largest increases in 2021. Employee benefits increased by \$219,000 overall in fiscal year 2021, primarily due to an increase in number of employees. In fiscal year 2020 there was an increase in employee benefits of \$130,000 and a decrease of \$279,000 in fiscal year 2019.
- Investment income was \$28,000, \$32,000, and \$26,000 for fiscal years 2021, 2020 and 2019, respectively. In FY 2021, \$57,000 of investment income earned on stimulus funds was reclassified to stimulus funds received to comply with reporting requirements. Rates have remained low throughout the period, however approximately \$13,300,000 and \$6,100,000 in Covid funds received were invested in FY 2021 and FY 2020, respectively.
- Professional fees increased slightly overall by \$116,000 in FY 2021, primarily in respiratory therapy and the new health care clinics. Fiscal year 2020 had a decrease of \$57,000, primarily due to the closing of the senior care center. FY 19 had an increase of \$284,000 primarily due to additional contract ER physicians added due to a physician employee being out a portion of the year on FMLA and an increase in security to daily rather than weekends only.
- Supply and drug cost increased by \$971,000 compared to a decrease of \$72,000 in fiscal year 2020, primarily due to increased pharmacy costs related to Covid-19 patient care.
- During FYE 2019, the Hospital Service District (HSD 3) entered into a Cooperative Endeavor Agreement with Claiborne Parish Hospital Service District #1(HSD 1) which consolidated healthcare operations within Claiborne Parish and transferred control and management over facilities owned by HSD 1 to HSD 3. The intensive outpatient services are located in one facility and the other is leased to a medical clinic. The hospital began receiving monthly rental income from the medical clinic effective March, 2019 through March, 2021. In addition, the hospital received cash of \$208,000 from HSD 1 which was recognized as revenue in FYE 2019. The Hospital purchased the medical clinic in the current year and rent was discontinued.

Contacting the Hospital's Financial Management

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 any questions about this report or need additional financial information, contact Hospital Administration.



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Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital), a component unit of the Town of Homer, Louisiana, as of and for the years ended June 30, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic combined 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 combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages i through vii be presented to supplement the combined basic financial statements. Such information, although not a part of the combined 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 combined 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 combined basic financial statements, and other knowledge we obtained during our audit of the combined 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's combined basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 13, 2021

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED BALANCE SHEETS
JUNE 30, 2021, 2020 AND 2019

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current:			
Cash and cash equivalents (Note 3)	\$ 3,004,735	\$ 4,927,639	\$ 2,584,410
Short-term investments (Note 3)	12,008,712	5,295,743	321,223
Receivables, net (Note 4)	12,802,490	2,737,130	4,814,138
Assets limited as to use - current (Notes 3 & 5)	126,807	126,796	126,784
Inventories	442,262	338,223	332,528
Prepaid expenses	522,930	290,773	258,494
Other current assets (Note 6)	92,409	86,305	66,535
Total current assets	<u>29,000,345</u>	<u>13,802,609</u>	<u>8,504,112</u>
Other:			
Unamortized bond fee	24,781	-	-
Goodwill	368,007	-	-
Assets limited as to use - non current (Notes 3 & 5)	1,184,779	1,111,885	1,107,212
Capital assets, net (Note 7)	<u>6,497,612</u>	<u>5,374,173</u>	<u>5,361,888</u>
Total assets	<u>\$ 37,075,524</u>	<u>\$ 20,288,667</u>	<u>\$ 14,973,212</u>
<u>LIABILITIES AND NET POSITION</u>			
Current:			
Accounts payable	\$ 9,504,777	\$ 1,547,282	\$ 3,406,664
Accrued expenses	1,269,940	785,531	687,827
COVID-19 Program liabilities	8,994,907	5,118,580	-
Estimated third-party payor settlements	1,152,495	1,089,839	1,039,319
Current maturities of long-term debt (Note 8)	134,549	62,300	48,000
Total current liabilities	<u>21,056,668</u>	<u>8,603,532</u>	<u>5,181,810</u>
Long-term debt, net of current maturities (Note 8)	<u>2,698,459</u>	<u>1,922,338</u>	<u>280,000</u>
Total liabilities	<u>23,755,127</u>	<u>10,525,870</u>	<u>5,461,810</u>
Net Position:			
Invested in capital assets, net of related debt	5,273,222	5,064,483	5,033,888
Restricted expendable (Note 5)	225,752	220,800	212,813
Unrestricted	<u>7,821,423</u>	<u>4,477,514</u>	<u>4,264,701</u>
Total net position	<u>13,320,397</u>	<u>9,762,797</u>	<u>9,511,402</u>
Total liabilities and net position	<u>\$ 37,075,524</u>	<u>\$ 20,288,667</u>	<u>\$ 14,973,212</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Net patient service revenue (Note 10)	\$ 37,246,802	\$ 28,647,869	\$ 33,116,433
Noncapital grants (Note 14)	122,817	4,596	4,744
Other operating revenue	<u>1,055,472</u>	<u>1,060,812</u>	<u>1,343,586</u>
 Total operating revenues	 <u>38,425,091</u>	 <u>29,713,277</u>	 <u>34,464,763</u>
 Operating Expenses:			
Salaries	9,231,138	7,621,360	7,602,455
Benefits and payroll taxes	1,988,349	1,769,065	1,638,891
Supplies and drugs	3,170,457	2,199,279	2,270,987
Professional fees	2,321,094	2,204,754	2,261,830
Intergovernmental transfers - access grant expense	20,207,756	15,179,269	17,070,486
Other expenses	2,045,102	1,654,647	1,727,831
Insurance	278,370	253,585	214,164
Depreciation and amortization	<u>578,527</u>	<u>571,726</u>	<u>623,676</u>
 Total operating expenses	 <u>39,820,793</u>	 <u>31,453,685</u>	 <u>33,410,320</u>
 Operating income (loss)	 <u>(1,395,702)</u>	 <u>(1,740,408)</u>	 <u>1,054,443</u>
 Nonoperating revenues (expenses)			
COVID 19 Stimulus revenue recognized (Note 17)	2,802,868	1,769,140	-
PPP loan forgiveness income	1,674,948	-	-
Opioid grant funds (Note 18)	527,613	181,305	-
Investment income	27,867	31,978	25,979
Interest expense	<u>(98,874)</u>	<u>(47,583)</u>	<u>(28,849)</u>
 Excess of revenues before capital grants and contributions	 3,538,720	 194,432	 1,051,573
Capital grants and contributions	<u>18,880</u>	<u>56,963</u>	<u>39,541</u>
 Increase in net position	 3,557,600	 251,395	 1,091,114
Net position at beginning of year	<u>9,762,797</u>	<u>9,511,402</u>	<u>8,420,288</u>
 Net position at end of year	 <u>\$ 13,320,397</u>	 <u>\$ 9,762,797</u>	 <u>\$ 9,511,402</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 27,244,098	\$ 30,775,397	\$ 34,630,546
Other receipts and payments, net	1,699,796	1,224,443	1,341,736
COVID 19 Program funds received	6,679,195	6,887,720	-
Payments to suppliers and contractors	(20,400,734)	(23,388,890)	(24,586,146)
Payments for employees and benefits	<u>(10,735,077)</u>	<u>(9,292,721)</u>	<u>(9,397,267)</u>
Net cash provided by operating activities	<u>4,487,278</u>	<u>6,205,949</u>	<u>1,988,869</u>
Cash flows from investing activities:			
Interest on investments	27,867	31,978	25,979
Change in assets whose use is limited	(72,906)	(4,685)	(26,470)
Payments for goodwill	(368,007)	-	-
Purchases of investments	<u>(6,712,969)</u>	<u>(4,974,520)</u>	<u>(2,656)</u>
Net cash provided (used) by investing activities	<u>(7,126,015)</u>	<u>(4,947,227)</u>	<u>(3,147)</u>
Cash flows from capital and related financing activities:			
Capital grants and contributions	18,880	56,963	39,541
Proceeds of PPP loan	1,608,618	1,674,948	-
Interest paid on long-term debt	(98,874)	(47,583)	(27,623)
Payments on capital lease obligation	(14,300)	(13,316)	-
Proceeds of long-term debt	1,000,000	-	-
Principal payments on long-term debt	(71,000)	(48,000)	(46,000)
Payment of bond fee	(25,525)	-	-
Proceeds from sale of capital assets	-	2,500	-
Purchase of capital assets	<u>(1,701,966)</u>	<u>(541,005)</u>	<u>(81,211)</u>
Net cash provided (used) by capital and related financing activities:	<u>715,833</u>	<u>1,084,507</u>	<u>(115,293)</u>
Net increase (decrease) in cash and cash equivalents	(1,922,904)	2,343,229	1,870,429
Beginning cash and cash equivalents	<u>4,927,639</u>	<u>2,584,410</u>	<u>713,981</u>
Ending cash and cash equivalents	\$ <u><u>3,004,735</u></u>	\$ <u><u>4,927,639</u></u>	\$ <u><u>2,584,410</u></u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,395,702)	\$ (1,740,408)	\$ 1,054,443
Adjustments to reconcile operating income (loss) to net cash flows provided (used) by operating activities:			
COVID 19 Program funds recorded as non-operating	2,802,868	1,769,140	-
Opioid grant funds recorded as non-operating	527,613	181,305	
(Gain) loss on disposition of assets	-	(2,500)	995
Depreciation and amortization	578,527	571,726	623,676
Amortization of loan fee	787	-	-
Prior construction in progress expensed	-	-	7,063
(Increase) decrease in:			
Accounts receivable, net	(10,065,360)	2,077,008	1,486,013
Other assets	(342,342)	(57,744)	(105,399)
Increase (decrease) in:			
Accounts payable and accrued expenses	8,441,904	(1,761,678)	(1,106,022)
COVID 19 Program liabilities	3,876,327	5,118,580	-
Estimated third-party payor settlements	<u>62,656</u>	<u>50,520</u>	<u>28,100</u>
Net cash provided by operating activities	\$ <u>4,487,278</u>	\$ <u>6,205,949</u>	\$ <u>1,988,869</u>
Supplemental disclosure of cash flow information			
Cash payments for:			
Interest (net of interest capitalized)	\$ <u>98,874</u>	\$ <u>27,623</u>	\$ <u>27,873</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organizations

Claiborne Memorial Medical Center (the “Hospital”) operates as an enterprise fund of the Town of Homer, Louisiana. The Hospital is controlled by a board of directors, who are a separate and distinct body from the Selectmen of the Town of Homer. The board members consist of citizens appointed by the Mayor and Selectmen of the Town of Homer. The board members serve without compensation.

As the governing authority of the Town, for reporting purposes, the Town of Homer is the financial reporting entity for the Hospital. The Hospital’s financial accountability as a component unit, is defined in Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended. The accompanying financial statements present information only on the funds maintained by the Hospital.

During the year ended June 30, 2015, governance of the hospital was transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution requiring the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center.

Claiborne Healthcare Foundation, Inc. (the “Foundation”) was incorporated January 1, 2007, as a Louisiana non-profit organization to support specific capital projects that complement the mission of Homer Memorial Hospital. The Hospital Board has pledged to fund the operational expenses of the Foundation so that 100% of the contributions to the Foundation can be allocated according to the donors’ restrictions. The Foundation is included in the Hospital’s reporting entity because of the significance of its operational and financial relationship with the Hospital. Collectively, Claiborne Memorial Medical Center and its affiliate are hereafter referred to as the “Hospital”.

Nature of Business

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through “swing beds”), home health, and inpatient psychiatric services to patients from Claiborne and surrounding parishes and counties. The hospital facility is licensed for 47 patient beds and has a state-of-the art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

During the year ended June 30, 2021, the hospital purchased three local primary health care clinics. Two of the clinics are in the process of being accredited as Rural Health Clinics which provides increased reimbursement rates for Medicare and Medicaid services.

The Foundation’s purpose is to engage in the solicitation, receipt and administration of funds and property, and from time to time, to disburse such funds or property and the income therefrom, to or for the benefit of the Hospital.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying financial statements include the accounts and transactions of the Hospital combined with its affiliate, Claiborne Healthcare Foundation, Inc. All material intercompany accounts and transactions have been eliminated.

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 of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. Revenue, expenses, gains, losses, assets, and liabilities are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Income Taxes

The Hospital is a political subdivision and exempt from taxation. The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has been classified as an organization other than a private foundation.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Foundation adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Foundation is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2016.

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 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption “cash and cash equivalents” does not include amounts whose use is limited or temporary cash investments.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside by the Foundation Board, restricted by contributors’ designations for capital projects and designated assets set aside by the Hospital Board, over which the Hospital Board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debts. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts.

For receivables associated with uninsured patients (also known as “self-pay”), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable (Continued)

for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2021 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2021, 2020 or 2019.

Inventory

Inventories, which consist primarily of drugs and supplies, are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets, Net

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

Building and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 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 Hospital capitalizes depreciable property and equipment valued at \$5,000 or more, with a useful life greater than two years. The cost of assets retired or otherwise disposed of and related accumulated depreciation is eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in three components – net investment in capital assets, restricted net position, and unrestricted net position.

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Unrestricted – Consists of all other assets that do not meet the definition of “restricted” or “net investment in capital assets” as described above.

Deferred outflows represent the consumption of the Hospital’s net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Hospital had no deferred outflows or inflows of resources at June 30, 2021, 2020 and 2019.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital’s policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The Hospital’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital’s principal activity. Non-exchange revenues, not including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

The Hospital formed collaborations with the State and area rural hospitals to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy population. These collaborations enable the rural hospitals to increase support for the state Medicaid program up to federal Medicaid Upper Payment Limits (UPL). During fiscal years 2021, 2020 and 2019 the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$20,828,914, \$15,939,460, and \$17,884,603 under the program, which is included as Medicaid patient service revenue, and disbursed \$20,207,756, \$15,179,269, and \$17,070,486 to participating hospitals. In accordance with Medicaid reporting requirements, the total grant funds is included in net patient service revenue and the total disbursements to participating hospitals is included in operating expenses.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from 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 specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered, and includes estimated retroactive adjustments under

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue (Continued)

reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action.

Credit Risk

The Hospital is located in Homer, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. 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. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental healthcare entities.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 4. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Risk Management

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except for workers compensation, general, and professional liability claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 13 for discussion of professional and general liability risk.

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.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Public relations / advertising expenses totaled \$97,350, 53,335 and \$55,563 for the years ended June 30, 2021, 2020 and 2019, respectively.

Pronouncements Issued But Not Yet Effective

GASB Statement No. 87, Leases – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governmental bodies. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This statement is effective for the Hospital for the year ended June 30, 2022 and management is currently estimating the impact this statement will have on its financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

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. Currently all amounts shown as investments are interest-bearing deposits. 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 banks’ records.

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

	First Guaranty	Gibsland Bank and Trust	Citizens National
Cash in bank	\$ <u>7,916,020</u>	\$ <u>2,990,438</u>	\$ <u>5,408,259</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>7,666,020</u>	\$ <u>2,740,438</u>	\$ <u>5,158,259</u>
Uncollateralized	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>First</u> <u>Guaranty</u>	<u>Gibsland</u> <u>Bank</u>
Cash in banks	\$ <u>30,916</u>	\$ <u>46,861</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>-</u>	\$ <u>-</u>
Uncollateralized	\$ <u>-</u>	\$ <u>-</u>

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits might not be recovered. 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. Claiborne Memorial Medical Center's deposits were entirely insured or collateralized by securities held by the pledging bank in the Hospital's name at June 30, 2021, 2020, and 2019. The Affiliate's (Foundation) had no uninsured deposits at June 30, 2021, 2020 and 2019.

Interest Rate Risk - 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 is 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. The carrying amounts of deposits and investments are included in the Hospital's balance sheets at June 30 as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Carrying amount			
Deposits	\$ 3,004,735	\$ 4,927,639	\$ 2,584,410
Investments	<u>13,320,298</u>	<u>6,534,424</u>	<u>1,555,219</u>
Totals	\$ <u>16,325,033</u>	\$ <u>11,462,063</u>	\$ <u>4,139,629</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 3,004,735	\$ 4,927,639	\$ 2,584,410
Short-term investments	12,008,712	5,295,743	321,223
Assets limited as to use - current	126,807	126,796	126,784
Assets limited as to use - noncurrent	<u>1,184,779</u>	<u>1,111,885</u>	<u>1,107,212</u>
Totals	\$ <u>16,325,033</u>	\$ <u>11,462,063</u>	\$ <u>4,139,629</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 4 - RECEIVABLES, NET AND PATIENT SERVICE REVENUE

Accounts Receivable

A summary of net receivables at June 30 is presented below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable			
Patient accounts receivable, net of contractual allowances	\$ 5,254,231	\$ 2,387,578	\$ 3,464,724
Estimated uncollectibles	<u>(1,612,812)</u>	<u>(1,049,822)</u>	<u>(1,096,053)</u>
Net patient accounts receivable	3,641,419	1,337,756	2,368,671
Receivable - Medicaid Fiscal Intermediary	9,040,008	980,112	2,334,290
Third-party cost based settlements	<u>121,063</u>	<u>419,262</u>	<u>111,177</u>
Receivables, net	\$ <u>12,802,490</u>	\$ <u>2,737,130</u>	\$ <u>4,814,138</u>

The following is a summary of the mix of gross receivables from patients and third-party payers at June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	27%	21%	37%
Medicaid	24%	18%	16%
Other third-party payors	35%	21%	24%
Others	<u>14%</u>	<u>40%</u>	<u>23%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Patient Service Revenue

Percentage mix of gross revenue for the years ended June 30, 2021, 2020 and 2019 for patient services rendered under contract with major third-party payers follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	48%	57%	56%
Medicaid	28%	24%	25%
Commercial	18%	14%	15%
Self-pay and other	6%	5%	4%
Total patient revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Hospital is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Hospital.

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NOTE 5 - ASSETS LIMITED AS TO USE

The components of assets limited as to use at June 30, is set forth in the following table. Investments are stated at fair value and are comprised primarily of certificates of deposit and money market brokerage accounts.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Restricted by third parties			
Capital improvement	\$ 98,945	\$ 94,004	\$ 86,029
Self-funded insurance fund	<u>126,807</u>	<u>126,796</u>	<u>126,784</u>
Total restricted by third parties	<u>225,752</u>	<u>220,800</u>	<u>212,813</u>
Internally designated by board			
Long-term investment fund	812,493	804,099	795,771
Investment fund	<u>273,341</u>	<u>213,782</u>	<u>225,412</u>
Total internally designated by board	<u>1,085,834</u>	<u>1,017,881</u>	<u>1,021,183</u>
Total assets limited as to use	1,311,586	1,238,681	1,233,996
Less: Current portion	<u>126,807</u>	<u>126,796</u>	<u>126,784</u>
Non current assets limited as to use	\$ <u><u>1,184,779</u></u>	\$ <u><u>1,111,885</u></u>	\$ <u><u>1,107,212</u></u>

NOTE 6 - OTHER CURRENT ASSETS

The following is a summary of other current assets at June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Education contracts receivable	\$ 19,000	\$ 22,498	\$ -
Sales tax receivable	69,634	60,032	59,050
Miscellaneous receivables	<u>3,775</u>	<u>3,775</u>	<u>7,485</u>
Balance, end of year	\$ <u><u>92,409</u></u>	\$ <u><u>86,305</u></u>	\$ <u><u>66,535</u></u>

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NOTE 7 - CAPITAL ASSETS

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

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,358,223	863,102	-	13,221,325
Leasehold improvements	20,620	34,347	-	54,967
Equipment	7,402,278	715,673	-	8,117,951
Construction in progress	<u>124,403</u>	<u>712,243</u>	<u>623,399</u>	<u>213,247</u>
Total	20,290,351	2,325,365	623,399	21,992,317
Accumulated depreciation	<u>(14,916,178)</u>	<u>(578,527)</u>	<u>-</u>	<u>(15,494,705)</u>
Net	<u>\$ 5,374,173</u>	<u>\$ 1,746,838</u>	<u>\$ 623,399</u>	<u>\$ 6,497,612</u>
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,358,223	-	-	12,358,223
Leasehold improvements	20,620	-	-	20,620
Equipment	6,843,635	558,643	-	7,402,278
Construction in progress	<u>99,035</u>	<u>25,368</u>	<u>-</u>	<u>124,403</u>
Total	19,706,340	584,011	-	20,290,351
Accumulated depreciation	<u>(14,344,452)</u>	<u>(571,726)</u>	<u>-</u>	<u>(14,916,178)</u>
Net	<u>\$ 5,361,888</u>	<u>\$ 12,285</u>	<u>\$ -</u>	<u>\$ 5,374,173</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,361,043	-	2,820	12,358,223
Leasehold improvements	20,620	-	-	20,620
Equipment	7,062,949	45,370	264,684	6,843,635
Construction in progress	<u>70,255</u>	<u>69,969</u>	<u>41,189</u>	<u>99,035</u>
Total	19,899,694	115,339	308,693	19,706,340
Accumulated depreciation	<u>(13,987,283)</u>	<u>(623,676)</u>	<u>(266,507)</u>	<u>(14,344,452)</u>
Net	<u>\$ 5,912,411</u>	<u>\$ (508,337)</u>	<u>\$ 42,186</u>	<u>\$ 5,361,888</u>

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NOTE 8 - LONG-TERM DEBT

A summary of long-term debt and capital lease obligations at June 30 follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
2015 Series bonds payable	280,000	-	51,000	229,000	53,000
2020 Series bonds payable	-	1,000,000	20,000	980,000	40,000
Paycheck Protection Program loan	1,674,948	1,608,618	1,674,948	1,608,618	26,159
Great American capital lease	29,690	-	14,300	15,390	15,390
Total	\$ 1,984,638	\$ 2,608,618	\$ 1,760,248	\$ 2,833,008	\$ 134,549

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
2015 Series bonds payable	328,000	-	48,000	280,000	48,000
Paycheck Protection Program loan	-	1,674,948	-	1,674,948	-
Great American capital lease	-	43,006	13,316	29,690	14,300
Total	\$ 328,000	\$ 1,717,954	\$ 61,316	\$ 1,984,638	\$ 62,300

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
2015 Series bonds payable	374,000	-	46,000	328,000	48,000
Total	\$ 374,000	\$ -	\$ 46,000	\$ 328,000	\$ 48,000

The terms and due dates of the Hospital's long-term debt, at June 30, 2021, 2020 and 2019, follow:

- 3.75% 2015 Hospital revenue bonds, principal payable in annual installments due December 1 of each year, beginning at \$40,000 and increasing in increments of \$2,000- \$3,000 annually. Interest is payable in semi-annual installments. The bonds are collateralized by a pledge of Hospital operating revenue. Bonds mature on December 1, 2024.
- In December, 2020, the Hospital adopted a resolution issuing \$1,000,000 of Hospital Revenue Bonds, Series 2020. The Series 2020 bonds mature according to maturity schedules contained in the bond documents beginning on June 1, 2021, with schedule maturities ranging from \$40,000 -\$65,000 each year through June 1, 2040. Interest is payable in semi-annual installments at 2.5%.

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NOTE 8 - LONG-TERM DEBT (Continued)

- In May 2020, the Hospital received a \$1,674,948 loan under the Small Business Administration’s Paycheck Protection Program (the “Program”). Loan proceeds are to be used to cover payroll expenses and certain other overhead expenses as defined by the Program. This loan was fully forgiven in the current year. In March, 2021, the Hospital received an additional loan \$1,608,618 under the Program with conditions similar to above. This loan is also expected to be fully forgiven.
- Capital lease obligation with imputed interest rate of 7.15%, collateralized by equipment with a cost of \$43,006 and book value of \$34,405 at June 30, 2020. Principal and interest payments of \$1,330 began July, 2019 and the maturity date is June, 2022.

Scheduled principal and interest repayments on long-term debt and capital lease obligations, excluding the PPP loan are as follows:

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 119,159	33,935	15,390	604
2023	414,790	44,771	-	-
2024	425,993	37,104	-	-
2025	431,227	27,292	-	-
2026	671,222	28,422	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ <u>2,062,391</u>	\$ <u>171,524</u>	<u>15,390</u>	\$ <u>604</u>

NOTE 9 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The Hospital previously rented space for IOP Services from North Claiborne Hospital Service District No. 1 for \$2,500 per month on an annual renewal lease. During the year ended June 30, 2019, the Hospital Service District entered into a Cooperative Endeavor Agreement to manage and control the property previously leased. See Note 16 for discussion of the Cooperative Endeavor Agreement. All current operating leases are on a short-term renewal basis.

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NOTE 10 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute, psychiatric and outpatient services rendered to Medicare program beneficiaries are paid primarily by prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare bad debts and are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate which is adjusted annually based on published market basket updates (inpatient) or adjusted cost-to-charge ratios per annual cost reports (outpatient) as submitted by the Hospital and settle by the Medicaid fiscal intermediary.

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.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health and Hospitals before the settlement amount becomes final. The Hospital does not anticipate significant adverse adjustments on cost reports which remain open.

Home health services are paid by Medicare under a per episode prospective payment system (PPS) and by Medicaid under a PPS per visit method. Commercial and uninsured visits are not significant.

Following is a schedule of patient service revenue at established rates and charges foregone for the years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Gross patient service charges	\$ 48,627,296	\$ 35,225,920	\$ 38,556,669
Medicaid UPL grants received as grantor	20,828,914	15,939,460	17,884,603
Medicare and Medicaid contractual adjustments	(24,391,940)	(18,486,168)	(18,627,586)
Other third-party payor contractual adjustments	(6,059,040)	(2,537,438)	(3,145,395)
Provision for bad debts	<u>(1,758,428)</u>	<u>(1,493,905)</u>	<u>(1,551,858)</u>
Net patient service revenue	\$ <u>37,246,802</u>	\$ <u>28,647,869</u>	\$ <u>33,116,433</u>

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NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare and Medicaid gross patient charges	\$ 37,093,780	\$ 28,499,704	\$ 31,206,159
Contractual adjustments	<u>(24,391,940)</u>	<u>(18,486,168)</u>	<u>(18,627,586)</u>
Program patient service revenue without Medicaid UPL Intermediary Payments	<u>\$ 12,701,840</u>	<u>\$ 10,013,536</u>	<u>\$ 12,578,573</u>
% of total gross patient charges from Medicare and Medicaid	<u>76%</u>	<u>81%</u>	<u>81%</u>
% of total net patient revenue from Medicare and Medicaid	<u>34%</u>	<u>35%</u>	<u>38%</u>

NOTE 11 - COMPENSATED ABSENCES

As of June 30, 2021, 2020, and 2019, the Hospital has accrued a compensated absence liability of \$543,934, \$420,107, and \$339,406, respectively. The Hospital pays accrued vacation absences upon termination if proper notice and termination procedures are followed.

NOTE 12 - RETIREMENT PLANS

Effective January 1, 2007, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to join the plan upon completion of 90 days of continuous full-time employment. Employees are immediately 100% vested on contributions to the plan through a salary reduction agreement.

Effective January 1, 2007, the Hospital sponsors a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). The Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for eligible employees that are actively employed on the last day of each plan year.

Acuff and Associates is the third party administrator of the 457(b) and the 401(a) plans. The Board of Commissioners adopted these plans and may change the terms of the plans to improve administration and can, at their discretion, increase or decrease the contribution percentages.

Employer contributions to the plans totaled \$185,926, \$164,051, and \$186,282 for the years ended June 30, 2021, 2020 and 2019, respectively.

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NOTE 13 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 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 programs, 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 determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital. The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, 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 and General Liability Risk - Effective for claims filed after May 1, 2004, the Hospital discontinued professional and general liability insurance coverage through the Louisiana Hospital Association Trust Fund. The Hospital continues to participate in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage for actual claims (attorney fees are the Hospital's responsibility) per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The Hospital included provision of \$25,000, \$35,000, and \$55,000 at June 30, 2021, 2020, and 2019, respectively, for professional liability losses and legal defense costs not covered by the Louisiana Patient's Compensation Fund. The Hospital is contingently liable for losses and related defense costs from professional liability not underwritten by the Louisiana Patient's Compensation Fund. The Hospital

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NOTE 13 – CONTINGENCIES (Continued)

included no provision at June 30, 2021, 2020, and 2019 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

A reconciliation of the changes in the aggregate uninsured professional and general liability is as follows:

	Professional/General Liability		
	2021	2020	2019
Balance, beginning of year	\$ 35,000	\$ 55,000	\$ 45,000
Claim payments	-	(54,000)	-
Change in estimate	(35,000)	(1,000)	(45,000)
Incurred claims	25,000	35,000	55,000
Balance, end of year	\$ 25,000	\$ 35,000	\$ 55,000

NOTE 14 - GRANT REVENUE

The Hospital recognized operating grant income of approximately \$1,129 from Medicare during the years ended June 30, 2019 as an incentive for implementing electronic health records (EHR). This amount is included in noncapital grants. No payment was received in the year ended June 30, 2021, 2020 or 2019. The key component of receiving the EHR incentive payments is “demonstrating meaningful use”, which is meeting a series of objectives that make use of an EHR’s potential related to the improvement of quality, efficiency, and patient safety. The Hospital’s policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management’s best estimate. The payments can be retained, and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

Various other grants were received during the year for other uses.

NOTE 15 – UPPER PAYMENT LIMIT (UPL) PROGRAM REVENUES

The Hospital formed collaborations with the State and several hospitals in Louisiana to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy population. The Hospital received grants of \$621,158, \$760,191, and \$814,117 in 2021, 2020 and 2019, respectively under this program. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. The gross income from these grants is included in net patient service revenue and payments to other participating hospitals is shown as Intergovernmental transfers in operating expenses.

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NOTE 16 – COOPERATIVE ENDEAVOR AGREEMENT

During FYE 2019, the Hospital Service District (HSD 3) entered into a Cooperative Endeavor Agreement with Claiborne Parish Hospital Service District #1 (HSD 1) which consolidated healthcare operations within Claiborne Parish and transferred control and management over facilities owned by HSD 1 to HSD 3. The Hospital's Intensive Outpatient Services program was previously located in one facility which is currently not occupied. The other was previously leased to a medical clinic the Hospital purchased in FY 2021. The Hospital received monthly rental income from the medical clinic effective March, 2019 through March 2021. In addition, the Hospital received cash of \$208,000 from HSD 1, which was recognized as revenue in FY 2019.

NOTE 17 – CARES ACT FUNDING

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President of the United States. Included in the CARES Act was a healthcare provider relief fund (PRF), administered by the Department of Health and Human Services (HHS) and to be distributed to healthcare providers. The purpose of the PRF is to help providers offset certain costs incurred as a result of COVID-19 including the impact to the provider's revenue if applicable. Providers were allocated a portion of the PRF based on prior revenue information reported to CMS in their annual Medicare cost reports. The Hospital determined that, based on the guidance provided by HHS, sufficient additional costs related to COVID-19 are allocable to PRF payments received and has recognized \$2,802,868 and \$1,769,140 as non-operating revenue for the years ended June 30, 2021 and 2020 respectively. The remaining funds of \$6,810,281 will be recognized as revenue as qualifying expenditures are made. Funds expended under the Provider Relief Fund program are subject to single audit requirements beginning with the Hospital's June 30, 2021 year-end, based on required reporting periods for use of funds.

Additionally, in response to the COVID-19 pandemic, CMS advanced to all providers funds under the CMS Accelerated and Advance Payment Program. The funds advanced under this program are required to begin being repaid 12 months from the award date. Beginning 12 months after the advance payments were made, CMS will automatically recoup 25% of all payments otherwise owed to the providers for 11 months. After the 11 months have elapsed, if there are still amounts yet to be repaid from the advance payment, CMS will automatically recoup 50% of all payments otherwise owed to providers for 6 months. At the end of this six-month period, if there are any amounts still unpaid, CMS will send a letter to the provider requesting the full repayment of the amount still outstanding. The Hospital was advanced \$2,378,000 under this program. Recoupment began in April, 2021. At June 30, 2021, the remaining liability of \$2,184,626 is recorded as a current liability in the statement of net position.

NOTE 18 – OPIOID GRANT PROGRAM

The Hospital has received two grants from the Department of Health and Human Services under the Rural Communities Opioid Response program related to development of an Opioid Treatment Facility, both of which are on a cost reimbursement basis. The initial grant of \$200,000, approved in May, 2019, was a one year grant for planning purposes. To date, \$200,000 has been received from this grant. The second grant has a 3 year project period for program implementation purposes. The initial award from this grant is \$1,000,000 for the budget period September 1, 2019 – August 31, 2022. To date, \$508,918 has been received from this grant.

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NOTE 19 - CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$46,404, \$56,963, and \$39,531 are included in capital grants and contributions for the years ended June 30, 2021, 2020, and 2019, respectively. For the year ended June 30, 2021, the Foundation also received contributions of \$27,524 which were paid to an individual battling cancer. Hospital support of operational expenses for the Foundation were \$1,754, \$143, and \$10,030 during years ended June 30, 2021, 2020, and 2019, respectively.

Following is a summary of net position and results of operations of the Foundation as of June 30, 2021, 2020, and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Limited use assets	\$ <u>98,945</u>	\$ <u>94,004</u>	\$ <u>86,029</u>
LIABILITIES			
Contribution Payable	-	-	20,037
NET POSITION	<u>98,945</u>	<u>94,004</u>	<u>65,992</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 98,945</u>	<u>\$ 94,004</u>	<u>\$ 86,029</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUE			
Contributions from third parties	\$ 46,404	\$ 56,963	\$ 39,531
Non-cash contributions from Hospital	1,754	143	10,030
Interest & gain/loss on investments	<u>15</u>	<u>17</u>	<u>39</u>
Total Revenue	<u>48,173</u>	<u>57,123</u>	<u>49,600</u>
EXPENSES			
Grants to Claiborne Memorial Medical Center	13,875	48,885	15,556
Other grants paid	27,524	-	-
Other expense	933	120	152
Administrative expense	<u>900</u>	<u>143</u>	<u>10,030</u>
Total Expenses	<u>43,232</u>	<u>49,148</u>	<u>25,738</u>
Increase (decrease) in net position	<u>\$ 4,941</u>	<u>\$ 7,975</u>	<u>\$ 23,862</u>

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YEARS ENDED JUNE 30, 2021, 2020 AND 2019

NOTE 20 – RELATED PARTY TRANSACTIONS

As discussed in Note 9, the Hospital signed a lease agreement with a medical clinic for a portion of the property received in the Cooperative Endeavor Agreement for a monthly rental of \$4,000. The lease term was August 1, 2019 – July 31, 2024. The clinic was acquired by the Hospital and the lease was terminated in April 2021. One of the shareholders of the previous medical clinic is a Hospital board member. The total rent income related to this lease received in the years ended June 30, 2021 and 2020 was \$36,000 and \$44,000, respectively.

There was no compensation paid to board members for the years ended June 30, 2021 or 2020.

NOTE 21 – UNCERTAINTIES

In March, 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 22 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 13, 2021, which is the date the financial statements were available to be issued and determined the following disclosures.

In November, 2021, the Hospital received \$925,122 in American Rescue Plan funds. Additional Provider Relief funds under Phase 4 of the program are expected in December.

SUPPLEMENTARY FINANCIAL INFORMATION

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Routine services:			
Adult and pediatric	\$ 4,429,642	\$ 4,168,726	\$ 4,673,658
Intensive care unit	1,547,317	1,328,410	1,487,445
Care recovery unit	575,484	-	-
Senior care	-	494,001	1,251,972
IOP services	601	823,750	770,500
Swing bed	<u>145,971</u>	<u>156,996</u>	<u>228,438</u>
 Total routine services	 <u>6,699,015</u>	 <u>6,971,883</u>	 <u>8,412,013</u>
Other professional services:			
Operating room			
Inpatient	60,736	75,007	96,696
Outpatient	<u>527,703</u>	<u>539,672</u>	<u>691,239</u>
 Total	 <u>588,439</u>	 <u>614,679</u>	 <u>787,935</u>
Anesthesia			
Inpatient	13,260	38,415	54,925
Outpatient	<u>210,860</u>	<u>245,310</u>	<u>285,935</u>
 Total	 <u>224,120</u>	 <u>283,725</u>	 <u>340,860</u>
Radiology			
Inpatient	1,469,186	1,263,863	1,256,650
Outpatient	<u>4,946,324</u>	<u>4,223,359</u>	<u>4,602,888</u>
 Total	 <u>6,415,510</u>	 <u>5,487,222</u>	 <u>5,859,538</u>
Laboratory			
Inpatient	2,445,294	1,926,261	1,949,932
Outpatient	<u>5,445,049</u>	<u>3,194,081</u>	<u>2,831,497</u>
 Total	 <u>7,890,343</u>	 <u>5,120,342</u>	 <u>4,781,429</u>
Blood			
Inpatient	243,522	224,407	263,025
Outpatient	<u>156,315</u>	<u>133,317</u>	<u>164,248</u>
 Total	 \$ <u>399,837</u>	 \$ <u>357,724</u>	 \$ <u>427,273</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Respiratory therapy			
Inpatient	\$ 4,967,594	\$ 2,496,102	\$ 2,666,216
Outpatient	<u>974,821</u>	<u>595,455</u>	<u>550,393</u>
Total	<u>5,942,415</u>	<u>3,091,557</u>	<u>3,216,609</u>
Physical therapy			
Inpatient	150,846	74,085	86,320
Outpatient	<u>267,069</u>	<u>158,410</u>	<u>184,645</u>
Total	<u>417,915</u>	<u>232,495</u>	<u>270,965</u>
Occupational therapy			
Inpatient	257,715	76,335	92,530
Outpatient	<u>610,083</u>	<u>182,290</u>	<u>257,555</u>
Total	<u>867,798</u>	<u>258,625</u>	<u>350,085</u>
Central supply			
Inpatient	328,030	369,927	481,438
Outpatient	<u>438,351</u>	<u>406,793</u>	<u>536,028</u>
Total	<u>766,381</u>	<u>776,720</u>	<u>1,017,466</u>
Pharmacy			
Inpatient	4,405,888	2,517,962	3,133,021
Outpatient	<u>2,720,390</u>	<u>1,877,605</u>	<u>1,990,143</u>
Total	<u>7,126,278</u>	<u>4,395,567</u>	<u>5,123,164</u>
Outpatient treatment area			
Outpatient	<u>362,992</u>	<u>192,570</u>	<u>289,005</u>
Total	\$ <u>362,992</u>	\$ <u>192,570</u>	\$ <u>289,005</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Emergency room			
Inpatient	\$ 1,566,924	\$ 970,292	\$ 1,215,241
Outpatient	<u>7,738,320</u>	<u>5,542,535</u>	<u>5,461,990</u>
Total	<u>9,305,244</u>	<u>6,512,827</u>	<u>6,677,231</u>
Home health			
Skilled nursing visits	589,996	707,850	727,210
Physical therapy visits	120,840	178,875	228,165
Occupational therapy visits	-	-	1,068
Aide visits	34,210	36,410	29,810
Medical supplies	<u>9,006</u>	<u>6,849</u>	<u>16,843</u>
Total	<u>754,052</u>	<u>929,984</u>	<u>1,003,096</u>
Outpatient clinics			
Patient service revenue	<u>866,957</u>	<u>-</u>	<u>-</u>
Total	<u>866,957</u>	<u>-</u>	<u>-</u>
UPL grant funds received as grantor	<u>20,828,914</u>	<u>15,939,460</u>	<u>17,884,603</u>
Other professional services			
Inpatient	15,908,995	10,032,656	11,295,994
Outpatient	25,265,234	17,291,397	17,845,566
Home health	<u>754,052</u>	<u>929,984</u>	<u>1,003,096</u>
Total other professional services	<u>41,928,281</u>	<u>28,254,037</u>	<u>30,144,656</u>
Gross patient service charges	<u>69,456,210</u>	<u>51,165,380</u>	<u>56,441,272</u>
Contractual adjustments	(30,450,980)	(21,023,606)	(21,772,981)
Provision for bad debts	(1,758,428)	(1,493,905)	(1,551,858)
Charity care	<u>-</u>	<u>-</u>	<u>-</u>
Total patient service allowances	<u>(32,209,408)</u>	<u>(22,517,511)</u>	<u>(23,324,839)</u>
Net patient service revenue	\$ <u>37,246,802</u>	\$ <u>28,647,869</u>	\$ <u>33,116,433</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cafeteria	\$ 95,533	\$ 130,063	\$ 165,919
Medical records	750	2,722	2,638
Vending machines	2,999	5,445	7,974
Rental income	36,000	46,000	13,304
Sales tax revenue	685,882	625,423	624,627
Purchase discounts	21,504	17,019	21,001
Medicaid Physician IPA	160,714	133,412	258,180
Gain (loss) on asset dispositions	-	2,500	(995)
Intergovernmental contribution - Claiborne HSD #1	-	-	208,481
Miscellaneous	<u>52,090</u>	<u>98,228</u>	<u>42,457</u>
Total other operating revenue	\$ <u>1,055,472</u>	\$ <u>1,060,812</u>	\$ <u>1,343,586</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Salaries:			
Administrative and general	\$ 1,769,865	\$ 1,353,190	\$ 1,197,745
Plant operations and maintenance	146,257	123,440	87,656
Quality	10,581	23,574	39,325
Housekeeping	206,366	176,588	153,437
Dietary and cafeteria	211,476	190,823	189,766
Nursing administration	91,006	57,909	17,891
Central supply	55,585	26,262	88,919
Pharmacy	294,154	282,521	286,144
Medical records	193,873	182,029	217,984
Nursing services	1,513,129	1,458,023	1,263,837
Intensive OP services	-	179,716	176,989
Intensive care unit	711,607	682,586	659,979
Senior care unit	-	203,160	519,786
Operating room	219,572	219,137	240,343
Anesthesia	-	34,012	121,267
Radiology	347,159	317,563	289,828
Laboratory	565,766	553,264	469,927
Respiratory therapy	284,559	304,531	323,621
Emergency room	1,133,604	991,436	960,507
Rural Health Clinics	993,064	-	-
Care Recovery Unit	216,271	-	-
Home health	212,580	208,647	246,438
Outpatient treatment area	<u>54,664</u>	<u>52,949</u>	<u>51,066</u>
 Total salaries	 <u>\$ 9,231,138</u>	 <u>\$ 7,621,360</u>	 <u>\$ 7,602,455</u>
 Benefits and payroll taxes:			
Payroll taxes	\$ 682,123	\$ 556,954	\$ 572,107
Health insurance	852,872	834,927	671,802
Other benefits	<u>453,354</u>	<u>377,184</u>	<u>394,982</u>
 Total benefits and payroll taxes	 <u>\$ 1,988,349</u>	 <u>\$ 1,769,065</u>	 <u>\$ 1,638,891</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SUPPLIES AND DRUGS
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Administration	\$ 737,013	\$ 539,836	\$ 484,397
Housekeeping	89,148	98,598	106,836
Maintenance	8,622	7,738	5,620
Dietary	211,016	213,795	244,415
Medical records	1,876	19,758	28,674
Adults and pediatrics	388,040	152,237	116,732
Infection control	1,601	-	3,085
Intensive care unit	80,541	64,975	75,407
Intensive outpatient program	-	2,059	1,928
Emergency room	59,670	61,102	74,663
Operating room	66,179	46,641	65,885
Anesthesiology	-	315	271
Radiology	14,584	16,867	23,094
Laboratory	440,095	414,155	357,764
Blood	72,572	76,904	116,620
Physical therapy	1,311	575	507
Occupational therapy	492	680	152
Central supply	6,366	2,543	4,643
Respiratory therapy	31,066	32,363	65,484
Pharmacy	871,189	413,950	478,522
Outpatient treatment area	7,075	6,865	6,190
Quality	195	166	264
Rural health clinics	34,461	-	-
Care recovery unit	21,136	-	-
Home health	26,209	26,110	6,643
Senior care	-	1,047	3,191
	<u> </u>	<u> </u>	<u> </u>
Total supplies and drugs	\$ <u>3,170,457</u>	\$ <u>2,199,279</u>	\$ <u>2,270,987</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating room	\$ -	\$ -	\$ 5,000
Anesthesiology	135,593	50,171	-
Laboratory	183,569	142,829	105,413
Respiratory therapy	64,274	2,430	2,010
Physical therapy	151,936	124,519	142,894
Occupational therapy	195,527	127,717	169,789
Speech therapy	-	-	1,975
Pharmacy	23,829	29,727	42,466
Intensive care unit	5,270	-	-
Emergency room	1,137,173	1,256,794	1,189,380
Outpatient treatment area	64,946	67,817	104,353
Intensive OP services	-	39,000	54,500
Home health	37,154	57,375	78,533
Senior care	-	52,969	110,338
Dietary	20,663	28,425	21,073
Medical records	56,527	50,708	76,299
Med Surg unit	-	-	5,000
Care recovery unit	43,962	-	-
Rural health clinics	60,022	-	-
Quality	41,602	40,002	9,709
Administration	<u>99,047</u>	<u>134,271</u>	<u>143,098</u>
 Total professional fees	 \$ <u>2,321,094</u>	 \$ <u>2,204,754</u>	 \$ <u>2,261,830</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>		<u>2020</u>		<u>2019</u>
Legal and accounting	\$ 274,672	\$	223,965	\$	210,168
Repairs and maintenance	477,338		480,406		509,131
Utilities	320,636		278,839		271,111
Telephone	63,150		61,878		87,613
Travel	7,745		23,503		14,838
Rentals	267,869		253,728		267,100
License, inspection and membership fees	166,481		104,535		183,640
Education	36,273		8,050		34,664
Postage	40,415		30,470		27,394
Public relations	97,350		53,335		55,563
Miscellaneous	<u>293,173</u>		<u>135,938</u>		<u>66,609</u>
 Total other expenses	 \$ <u>2,045,102</u>	\$	 <u>1,654,647</u>	\$	 <u>1,727,831</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PER DIEM AND
OTHER COMPENSATION PAID TO HOSPITAL BOARD MEMBERS
YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	----- TERM -----		Compensation
	<u>BEGAN</u>	<u>ENDING</u>	<u>2021</u>
Commissioners:			
Mr. Mark Alan Brown	Sept. 2015	Dec. 2022	None
Ms. Beverlee Kilgore	Sept. 2015	Dec. 2022	None
Mayor Xanthe Seals	Jan. 2019	Dec. 2023	None
Dr. Sam Abshire	Oct. 2015	Dec. 2023	None
Dr. Mark Haynes	Oct. 2015	Dec. 2023	None
Ms. Angela Kennedy	Jan. 2018	Dec. 2022	None
Mr. Sherman E. Brown	Oct. 2017	Dec. 2023	None
Mr. Kevin Gray	Jan. 2019	Dec. 2023	None
Ms. Alice P. Gandy	Jan. 2021	Dec. 2025	None

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Federal Expenditures
<u>United States Department of Health and Human Services</u>		
Direct Programs:		
Rural Communities Opioid Response - Planning	93.918	53,262
Rural Communities Opioid Response - Implementation	93.918	474,409
Provider Relief Fund	93.498	4,482,288
Total United States Department of Health and Human Services		<u>5,009,959</u>
 Total Federal Expenditures		 <u>\$ 5,009,959</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Claiborne Parish Hospital Service District #3. (the Hospital) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Claiborne Parish Hospital Service District #3, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

2. Summary of Significant Accounting Policies

- a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) The Hospital has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- c) The amounts shown as expenditures includes \$56,857 of interest earned on Provider Relief Funds.

- 3. Claiborne Parish Hospital Service District #3 did not expend any federal awards in the form of noncash assistance during the fiscal year.
- 4. Reporting of Provider Relief Funds on the Schedule is based on reporting the use of funds received through June 30, 2020 which were reported on Reporting Period 1. Below is a reconciliation of the revenue recognized to the amount shown as expenditures on the Schedule.
- 5. Reconciliation of Expenditures to Revenue Recognized in Financial Statements

Revenue

Recognized in FYE 6/30/20	\$1,769,140
Recognized in FYE 6/30/21	<u>2,802,868</u>
	4,572,008
Less: Funds expended received from 7/1/20 – 12/31/20	<u>(89,720)</u>
Total Expenditures per Schedule	<u>4,482,288</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE COVERAGE
YEAR ENDED JUNE 30, 2021

RISK COVERED	COVERAGE	PERIOD
Directors & Officers Liability	\$2,000,000	08/17/20-08/17/21
Commercial Insurance Package	Damage to Covered Property	\$45,613,115
	Time Element Loss	Included
	Expediting Expense	\$ 2,500,000
Physician & Surgeons Prof. Liability	LHA Physicians Trust Per Occurrence	\$100,000
	LHA Physicians Trust Annual Aggregate	\$300,000
	LA Patients Comp Fund	\$400,000
Commercial Automobile	Each Accident	\$1,000,000
Crime Policy	Employee Theft	\$500,000
	ERISA	\$500,000
	Computer Crime	\$500,000
	Funds Transfer Fraud	\$500,000
ER Physicians Liability	Each Medical Incident	\$1,000,000
	Aggregate	\$3,000,000
Property Insurance - Clinic Buildings	General Aggregate Limit	\$2,000,000
	Products / Completed Operations	Included
	Personal & Advertising Injury Limit	\$1,000,000
	Each Occurrence Limit	\$1,000,000
	Damage to Premises Rented	\$100,000
	Medical Expense Limit per person	\$5,000
Patient's Compensation Fund	\$125,000	3/1/21- 2/28/22

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2021

Agency Head: Tina Haynes, CEO

Salary	175,025
Benefits – Insurance	45
Benefits – retirement	8,405
Registration fees	10,150
Dues	250



PREMIER PLAZA
1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

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

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 combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses: 2021-01 and 2021-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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 matters that are required to be reported under *Government Auditing Standards*.

The Hospital's Response to Findings

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Hospital's response 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 13, 2021



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Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by The Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's major federal programs for the year ended June 30, 2021. Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance.

Opinion on Each Major Federal Program

In our opinion, Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's internal control over compliance.

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

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

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

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 13, 2021

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate
2. No instances of noncompliance material to the basic financial statements of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate were disclosed during the audit.
3. Material weaknesses in internal control, relating to the audit of the financial statements are reported.
4. No material weaknesses in internal control over compliance, relating to the audit of a major federal award program, are reported.
5. The auditor's report on compliance for the major federal award programs for Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate expresses an unmodified opinion.
6. There were no audit findings relative to major federal award programs for Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate
7. The program tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
DHHS – Provider Relief Fund	93.498

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate was not determined to be a low-risk auditee.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section II. Financial Statement Findings

2021-01 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor’s preparation of the Hospital’s financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of “a” overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital’s size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective. The CFO has extensive accounting knowledge and will work closely with the auditors in the preparation of the financial statements and will review the statements prior to issuance.

2021-02 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations of the operating account were not being reconciled to the general ledger cash accounts. Because the variance involved both prior and current year activity, Hospital personnel were unable to determine the cause of the variance. There was also no independent review of the bank reconciliations once prepared.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting. Each bank reconciliation should be independently reviewed by a member of management and the review documented.

Response: The CFO is implementing new reconciliation procedures on this account and will see that reconciliations are independently reviewed prior to monthly financial statements being prepared.

Section III. Federal Award Findings

None

Section IV. Management Letter

Not applicable

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section II. Financial Statement Findings

2020-01 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective. The CFO has extensive accounting knowledge and will work closely with the auditors in the preparation of the financial statements and will review the statements prior to issuance.

Current status: Not resolved – See finding 2021-01.

2020-02 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations of the operating account were not being reconciled to the general ledger cash accounts. Because the variance involved both prior and current year activity, Hospital personnel were unable to determine the cause of the variance. There was also no independent review of the bank reconciliations once prepared.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting. Each bank reconciliation should be independently reviewed by a member of management and the review documented.

Response: The CFO is implementing new reconciliation procedures on this account and will see that reconciliations are independently reviewed prior to monthly financial statements being prepared.

Current status: Not resolved – See finding 2021-02.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section II. Financial Statement Findings (Continued)

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable