



Union General Hospital, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2023 and 2022



Union General Hospital, Inc.
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Union General Hospital, Inc.
Farmerville, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Union General Hospital, Inc. (the Hospital), which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as of June 30, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information and other information, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of compensation, benefits and other payments to agency head or chief executive officer, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, 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.

FORVIS,LLP

**Waco, Texas
November 10, 2023**

Union General Hospital, Inc.

Balance Sheets

June 30, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 11,626,764	\$ 15,244,143
Short-term investments	7,354,000	507,134
Patient accounts receivable	1,946,680	1,934,015
Estimated amounts due from third-party payors	679,491	1,238,622
Supplies	226,110	245,471
Grant receivable	-	57,218
Prepaid expenses and other	217,863	667,232
	<u>22,050,908</u>	<u>19,893,835</u>
Assets Limited As To Use – Internally Designated	<u>-</u>	<u>12,110</u>
Property and Equipment, at Cost		
Land and land improvements	629,370	595,249
Buildings and leasehold improvements	10,001,879	9,628,890
Equipment and software	7,778,732	7,732,695
Construction in progress	131,287	23,019
	<u>18,541,268</u>	<u>17,979,853</u>
Less accumulated depreciation and amortization	12,783,366	11,912,337
	<u>5,757,902</u>	<u>6,067,516</u>
Other Assets	<u>431,094</u>	<u>438,096</u>
	<u>\$ 28,239,904</u>	<u>\$ 26,411,557</u>

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 351,906	\$ 398,919
Accrued expenses	596,171	550,660
Deferred revenue	-	826,997
Estimated self-insurance costs	91,608	91,608
	<u>1,039,685</u>	<u>1,868,184</u>
Total current liabilities	1,039,685	1,868,184
	<u>1,039,685</u>	<u>1,868,184</u>
Total liabilities	1,039,685	1,868,184
	<u>1,039,685</u>	<u>1,868,184</u>
Net Assets		
Without donor restrictions	25,900,219	23,893,373
With donor restrictions	1,300,000	650,000
	<u>27,200,219</u>	<u>24,543,373</u>
Total net assets	27,200,219	24,543,373
	<u>27,200,219</u>	<u>24,543,373</u>
	<u>27,200,219</u>	<u>24,543,373</u>
Total liabilities and net assets	<u>\$ 28,239,904</u>	<u>\$ 26,411,557</u>

Union General Hospital, Inc.
Statements of Operations
Years Ended June 30, 2023 and 2022

	2023	2022
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 19,332,588	\$ 18,516,380
CARES Act revenue	826,997	3,320,314
Other revenue	603,023	548,164
Total revenues, gains, and other support without donor restrictions	20,762,608	22,384,858
Expenses and Losses		
Salaries and wages	7,827,303	7,148,308
Employee benefits	1,181,992	1,078,028
Purchased services and professional fees	6,008,815	5,472,240
Supplies	1,292,202	1,500,397
Other expenses	1,801,037	1,598,540
Depreciation and amortization	885,029	813,800
Total expenses and losses	18,996,378	17,611,313
Operating Income	1,766,230	4,773,545
Other Income		
Contributions received	-	614
Investment income	206,161	17,705
Total other income	206,161	18,319
Excess of Revenues Over Expenses	1,972,391	4,791,864
Contributions of or for acquisition of property and equipment	34,455	-
Net assets released from restriction related to property and equipment	-	538,138
Increase in Net Assets Without Donor Restrictions	\$ 2,006,846	\$ 5,330,002

Union General Hospital, Inc.
Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 1,972,391	\$ 4,791,864
Contributions of or for acquisition of property and equipment	34,455	-
Net assets released from restriction related to property and equipment	-	538,138
	2,006,846	5,330,002
Increase in net assets without donor restrictions	2,006,846	5,330,002
Net Assets With Donor Restrictions		
Contributions received	650,000	650,000
Net assets released from restriction	-	(538,753)
	650,000	111,247
Increase in net assets with donor restrictions	650,000	111,247
Change in Net Assets	2,656,846	5,441,249
Net Assets, Beginning of Year	24,543,373	19,102,124
Net Assets, End of Year	\$ 27,200,219	\$ 24,543,373

Union General Hospital, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 2,656,846	\$ 5,441,249
Items not requiring (providing) operating cash flow		
Depreciation and amortization	885,029	813,800
Restricted contributions received	(650,000)	(650,000)
Contributions of or for acquisition of property and equipment	(34,455)	-
Changes in		
Patient accounts receivable	(12,665)	(148,329)
Estimated amounts due to/from third-party payors	559,131	(1,794,849)
Accounts payable and accrued expenses	(1,502)	(95,978)
Deferred revenue	(826,997)	(2,882,674)
Supplies	19,361	(17,351)
Other current assets	456,371	65,726
	<u>3,051,119</u>	<u>731,594</u>
Investing Activities		
Purchase of short-term investments	(8,080,866)	(250,000)
Proceeds from sale of short-term investments	1,234,000	250,725
Purchase of property and equipment	<u>(575,415)</u>	<u>(775,066)</u>
	<u>(7,422,281)</u>	<u>(774,341)</u>
Financing Activities		
Proceeds from contributions for acquisition of property and equipment	<u>741,673</u>	<u>656,488</u>
	<u>741,673</u>	<u>656,488</u>
Increase (Decrease) in Cash and Cash Equivalents	(3,629,489)	613,741
Cash and Cash Equivalents, Beginning of Year	<u>15,256,253</u>	<u>14,642,512</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,626,764</u>	<u>\$ 15,256,253</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 11,626,764	\$ 15,244,143
Assets limited as to use	<u>-</u>	<u>12,110</u>
	<u>\$ 11,626,764</u>	<u>\$ 15,256,253</u>

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Union General Hospital, Inc. (Hospital) is a not-for-profit, critical access hospital (CAH), located in Farmerville, Louisiana. The Hospital provides inpatient, outpatient and emergency care services for the residents of Farmerville, Louisiana, and the surrounding area. Admitting physicians are primarily practitioners in the local area.

On November 22, 1983, the Hospital leased the hospital facilities from East Union Parish Hospital Service District (District). The hospital facilities were originally constructed by the District, which issued ad valorem tax bonds to finance its construction. The Hospital's financial obligation under the lease is to maintain the leased premises in good repair and replace equipment as needed. The lease was amended and restated effective September 8, 2010, and the term extended through March 31, 2019. The agreement was renewed for an additional 10-year period through March 31, 2029. Under the current lease agreement, there are no minimum lease payments.

The net book value of the District's facility was recorded on the Hospital's financial statements in the initial year of the agreement and the remaining net book value is reported as net assets with donor restriction. Annual amortization related to the District's assets is reported as assets released from restrictions in the accompanying statements of changes in net assets.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of a repurchase agreement with a bank and money market accounts with brokers.

Certain cash balances are routinely invested in overnight repurchase agreements that are not covered by Federal Deposit Insurance Corporation insurance programs. The repurchase agreements are collateralized by securities held by the Hospital's financial institution in the Hospital's name.

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Assets Limited As To Use

Assets limited as to use include assets set aside by the board of trustees (Board) for future payment of employee sick leave over which the Board retains control and may at its discretion subsequently use for other purposes. At June 30, 2023 and 2022, assets limited as to use were comprised of cash and totaled \$0 and \$12,110, respectively. Amounts required to meet current liabilities of the Hospital are included in current assets.

Investments and Net Investment Return

Investments are valued at fair value. Investment return includes interest, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of operations as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. As a service to the patient, the Hospital bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed. No bad debt expense was recognized in 2023 or 2022.

Contract Assets

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Hospital at the end of the year. Contract assets are not material and are included in patient accounts receivable on the balance sheets.

Supplies

Supply inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Union General Hospital, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	5 – 20 years
Land improvements	5 – 20 years
Equipment and software	3 – 20 years

Construction in Progress

Construction in progress at June 30, 2023, primarily represents the construction of a new rural health clinic. This project is expected to be completed in fiscal year 2024 at a total expected cost of approximately \$3,761,000. Management intends to fund the project through grants and existing cash balances.

Long-lived Asset Impairment

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2023 and 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor (see *Note 5*).

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Patient Service Revenue

Patient service revenue is recognized as the Hospital satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policies and implicit price concessions provided to uninsured patients.

The Hospital determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Hospital determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

Charity Care

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

Contributions

Contributions are provided to the Hospital either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Hospital overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

Union General Hospital, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Professional Liability Claims

The Hospital recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any.

The Hospital participates in the Louisiana Patients' Compensation Fund established by the state of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides \$400,000 in coverage per occurrence above the first \$100,000 per occurrence. The first \$100,000 is covered by the Louisiana Hospital Association Malpractice and General Liability Trust. There is not a limitation placed on the number of occurrences covered.

Workers' Compensation

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

Income Taxes

The Hospital has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Hospital files tax returns in the U.S. federal jurisdiction.

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Excess of Revenues Over Expenses

The statements of operations include excess of revenues over expenses. Changes in net assets without donor restriction which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Self-Insurance

The Hospital has elected to self-insure certain costs related to employee health programs. Costs resulting from noninsured losses are charged to income when incurred. The Hospital has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$50,000 per covered person at June 30, 2023 and 2022.

Note 2: Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients receiving services in its outpatient centers. The Hospital measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Hospital does not believe it is required to provide additional goods related to the patient.

Union General Hospital, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Transaction Price

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare. The Hospital is designated by Medicare as a critical access hospital (CAH). Medicare inpatient and outpatient reimbursement is based on the defined allowable costs of services rendered. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules.

Medicaid. Reimbursements for Medicaid Inpatient services are paid at prospectively determined rates per day. Medicaid Outpatient reimbursement is generally based on the allowable costs of services rendered, as well as established fee schedules for some Outpatient services, including physician services.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

Union General Hospital, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations. As of June 30, 2023, the Hospital's Medicare and Medicaid cost report audits have been completed through June 30, 2011.

Refund Liabilities

From time to time the Hospital will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2023 and 2022, the Hospital has a liability for refunds to third-party payors and patients recorded of approximately \$48,720 and \$178,200, respectively, which is included in accrued expenses in the balance sheets.

Patient and Uninsured Payors

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2023 and 2022, there were no material changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Revenue Composition

The Hospital has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service
- Method of reimbursement (fee for service)
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, etc.)

For the years ended June 30, 2023 and 2022, the Hospital recognized revenue of \$19,332,588 and \$18,516,380, respectively, from goods and services that transfer to the customer over time. For the years ended June 30, 2023 and 2022, the Hospital did not recognize any patient revenue from goods and services that transfer to the customer at a point in time.

The composition of patient service revenue by primary payor for the years ended June 30, 2023 and 2022, is as follows:

	2023	2022
Medicare	\$ 9,048,681	\$ 8,922,165
Medicaid	7,985,671	6,135,956
Other third-party payers	2,192,577	3,101,413
Self-pay	105,659	356,846
Total	\$ 19,332,588	\$ 18,516,380

Revenue from patients' deductibles and coinsurance are included in the categories presented above based on the primary payor.

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 3: Investments

Investments at June 30, 2023 and 2022, include:

	<u>2023</u>	<u>2022</u>
Certificates of deposit	\$ 252,518	\$ 251,143
Negotiable certificates of deposit	2,755,606	-
Mutual fund - fixed income	248,023	255,991
U.S Treasury securities	4,097,853	-
	<u>\$ 7,354,000</u>	<u>\$ 507,134</u>

Note 4: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at June 30, 2023 and 2022, is:

	<u>2023</u>	<u>2022</u>
Medicare	56%	49%
Medicaid	15%	19%
Other third-party payers	24%	29%
Patients	5%	3%
Total	<u>100%</u>	<u>100%</u>

Note 5: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose		
Purchase of equipment	<u>\$ 1,300,000</u>	<u>\$ 650,000</u>

Union General Hospital, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 6: Functional Expenses

The Hospital provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services and general and administrative functional expense classifications. The following schedule presents the natural classification of expenses by function for the years ended June 30, 2023 and 2022, as follows:

	2023		
	Health Care Services	General and Administrative	Total
Salaries and wages	\$ 6,381,967	\$ 1,445,336	\$ 7,827,303
Employee benefits	963,733	218,259	1,181,992
Purchased services and professional fees	4,735,354	1,273,461	6,008,815
Supplies	1,018,343	273,859	1,292,202
Other expenses	1,419,339	381,698	1,801,037
Depreciation and amortization	697,463	187,566	885,029
Total expenses	\$ 15,216,199	\$ 3,780,179	\$ 18,996,378

	2022		
	Health Care Services	General and Administrative	Total
Salaries and wages	\$ 5,851,283	\$ 1,297,025	\$ 7,148,308
Employee benefits	882,425	195,603	1,078,028
Purchased services and professional fees	4,312,497	1,159,743	5,472,240
Supplies	1,182,415	317,982	1,500,397
Other expenses	1,259,758	338,782	1,598,540
Depreciation and amortization	641,330	172,470	813,800
Total expenses	\$ 14,129,708	\$ 3,481,605	\$ 17,611,313

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	2023	2022
Total financial assets		
Cash and cash equivalents	\$ 11,626,764	\$ 15,244,143
Short-term investments	7,354,000	507,134
Patient accounts receivable	1,946,680	1,934,015
Estimated amounts due from third-party payors	679,491	1,238,622
Grant receivable	-	57,218
Assets limited as to use	-	12,110
Other receivables included in prepaid expenses and other	64,614	524,804
Other assets	431,094	438,096
Total financial assets	22,102,643	19,956,142
Less amounts not available to be used within one year		
Assets limited as to use	-	12,110
Other assets	431,094	438,096
Financial assets not available to be used within one year	431,094	450,206
Financial assets available to meet general expenditures within one year	\$ 21,671,549	\$ 19,505,936

The Hospital has assets limited to use for payment of employee sick leave over which the Board retains control. These assets limited to use are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As a part of the Hospital's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

		2023			
		Fair Value Measurements using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets	Total Fair Value				
Investments					
Negotiable certificates of deposit and share certificates	\$ 2,755,606	\$ -	\$ 2,755,606	\$ -	-
U.S. Treasury securities	4,097,853	4,097,853	-	-	-
Mutual fund - fixed income	248,023	248,023	-	-	-
	<u>\$ 7,101,482</u>	<u>\$ 4,345,876</u>	<u>\$ 2,755,606</u>	<u>\$ -</u>	<u>-</u>
		2022			
		Fair Value Measurements using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets	Total Fair Value				
Investments					
Mutual fund - fixed income	\$ 255,991	\$ 255,991	\$ -	\$ -	-

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 9: Pension Plan

The Hospital has a defined contribution pension plan covering substantially all employees. The Board annually determines the amount, if any, of the Hospital's contributions to the plan. Pension expense was approximately \$86,000 and \$91,000 for 2023 and 2022, respectively.

Note 10: Related Party Transactions

From time to time, the Hospital conducts business with organizations that are affiliated with Board members. This is often a result of a limited number of vendors in smaller communities. During 2023 and 2022, the Hospital maintained funds at Origin Bank where a Hospital Board member serves on the board of directors and is a senior vice-president. At June 30, 2023 and 2022, approximately \$10,525,329 and \$15,240,000, respectively, of the Hospital's cash balances was held at Origin Bank.

Note 11: Transactions with the District

In March 2008, the voters of the District approved the authorization of a ten-year, \$5.56 million property tax levy on all taxable property located within the District. In November 2018, a ten-year renewal of the property tax levy was approved. The tax can be used for constructing, maintaining, improving, equipping, and operating the Hospital facilities. The District board of commissioners determines how the tax proceeds will be spent. At the District's election, the Hospital may receive a portion of the tax proceeds from the District as a contribution. During the years ended June 30, 2023 and 2022, the Hospital received \$650,000 and \$650,000, respectively, from the District, and is included in contributions received in the statements of operations and statements of changes in net assets.

Union General Hospital, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 12: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as temporarily suspended elective procedures by health care facilities.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic.

Provider Relief Fund

During the years ended June 30, 2023 and 2022, the Hospital received approximately \$0 and \$827,000, respectively, of distributions from the CARES Act Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Hospital accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses, the Hospital recognized approximately \$827,000 and \$2,760,000, related to the distributions from the Provider Relief Fund during the years ended June 30, 2023 and 2022, respectively, which are recorded as CARES Act and contribution revenue in the accompanying statements of operations. The unrecognized amount of distributions from the Provider Relief Fund of approximately \$0 and \$827,000, respectively, are recorded as deferred revenue in the accompanying balance sheets at June 30, 2023 and 2022.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Medicare Accelerated & Advanced Payment Programs

During the year ended June 30, 2021, the Hospital requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by the Centers for Medicare and Medicaid Services (CMS) according to the payback provisions.

Union General Hospital, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25 percent of the remittance advice payment followed by a six-month payback period at 50 percent of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29-months at a rate of 4 percent.

In September 2020, the Hospital received \$2,050,701 from these accelerated Medicare payment requests which are reflected as estimated amounts due to third-party payers in the accompanying balance sheets for the year ended June 30, 2021. During the year ended June 30, 2022, the Hospital fully repaid the outstanding Medicare Accelerated and Advance Payments through direct payments.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue as described in *Notes 1 and 2*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 1*.

Physician Revenue Concentration

The Hospital is served by two physicians whose patients comprise approximately 35 percent of the Hospital's patient service revenue for the year ended June 30, 2023.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

Union General Hospital, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 14: Subsequent Events

Subsequent events have been evaluated through, November 10, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

Union General Hospital, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		-	\$ 831,840
Total Expenditures of Federal Awards			\$ -	\$ 831,840

Union General Hospital, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Union General Hospital, Inc. (the Hospital) under programs of the federal government for the year ended June 30, 2023. 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 the Hospital, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Hospital.

Note 2: Summary of Significant Accounting Policies

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 or other regulatory requirements, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The Hospital has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The Hospital did not have any federal loan programs during the year ended June 30, 2023.

Note 5: Personal Protective Equipment (PPE) (Unaudited)

For the year ended June 30, 2023, the Hospital received \$0 in federally donated personal protective equipment in response to the COVID-19 pandemic.

Union General Hospital, Inc.
Schedule of Compensation, Benefits, and Other Payments to
Chief Executive Officer
Year Ended June 30, 2023

Name of Hospital Chief Executive Officer: Evalyn Ormond and Dianne Davidson

Purpose	Amount
Salary	\$ 325,121
Benefits – insurance	1,298
Benefits – retirement and other	52,330
Car allowance	6,432
Reimbursements	4,394
Conference travel	12,605
Unvouchered expenses	1,000
	<hr/>
	\$ 403,180
	<hr/> <hr/>

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

Independent Auditor's Report

Board of Trustees
Union General Hospital, Inc.
Farmerville, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Union General Hospital, Inc. (Hospital), which comprise the Hospital's balance sheet as of June 30, 2023, and the related statements of operations, and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

FORVIS,LLP

**Waco, Texas
November 10, 2023**



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

Independent Auditor's Report

Board of Trustees
Union General Hospital, Inc.
Farmerville, Louisiana

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Union General Hospital, Inc.'s (the Hospital), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended June 30, 2023. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the Hospital, as of and for the year ended June 30, 2023, and have issued our report thereon dated November 10, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS, LLP

**Waco, Texas
November 10, 2023**

Union General Hospital, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over the major federal awards program:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for the major federal program:
 Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of major federal program:

Name of Federal Program or Cluster	Assistance Listing Number
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? Yes No

Union General Hospital, Inc.
Schedule of Finding and Response
Year Ended June 30, 202

Reference Number	Finding
2023-001	<p>Segregation of Duties</p> <p>Criteria – Personnel functions that have the ability to conceal and perpetrate fraud should be segregated.</p> <p>Condition – The Hospital has a lack of segregation of duties regarding bank reconciliations and payment processing.</p> <p>Context – The personnel that reconciles the bank account also makes journal entries and processes payments; the business office coordinator has the ability to take payments, post adjustments, and write-off accounts.</p> <p>Effect – The ability to perpetrate and conceal fraud.</p> <p>Cause – The Hospital operates a smaller/medium sized facility and has limited personnel.</p> <p>Recommendation – The Hospital should segregate incompatible duties to improve its internal controls related to cash receipts and cash payments. Specifically, personnel with access to patient payments should not also have the ability to authorize or approve adjustments to patient accounts. In addition, individuals with the ability to generate payments should have separate duties from individuals with recording and monitoring duties.</p> <p>Views of responsible officials and planned corrective actions – We understand the importance of the Segregation of Duties as it relates to maintaining internal control. As mentioned, the Hospital does have limited personnel in certain areas that creates a lack of Segregation of Duties, but we believe that we have sufficient checks and balances in place in those areas to adequately minimize any risks.</p>

Union General Hospital, Inc.
Summary Schedule of Prior Audit Finding
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2022-001	Segregation of Duties	Unresolved. See finding 2023-001.

FORVIS Report to the Board of Trustees and Management

Union General Hospital, Inc.

Results of the 2023 Financial Statement Audit, Including Required Communications

June 30, 2023

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none">• As of and for the year ended June 30, 2023.• Conducted in accordance with our contract dated July 6, 2023.
Our Responsibilities	<p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
Audit Scope & Inherent Limitations to Reasonable Assurance	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>
Extent of Our Communication	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
Independence	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>

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Matter	Discussion
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties: <ul style="list-style-type: none"> • The Board of Trustees and Management • Others within the Entity

Government Auditing Standards

Matter	Discussion
Additional GAGAS Reporting	We also provided reports as of June 30, 2023, on the following as required by GAGAS: <ul style="list-style-type: none"> • Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

Uniform Guidance Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	We also provided reports as of June 30, 2023, on the following as required by U.S. Office of Management and Budget (OMB) Uniform Guidance: <ul style="list-style-type: none"> • Opinion on compliance for each major federal award program • Report on internal control over compliance • Schedule of Expenditures of Federal Awards
Audit Scope & Inherent Limitations to Reasonable Assurance	A compliance audit performed in accordance with OMB Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal award program occurred.



Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in *Note 1* of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- ASC 842, *Leases*

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Patient accounts receivable
- Amounts due to and from third-party payers
- Provider Relief Fund revenue recognition

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Self-insured risks
- COVID-19 and CARES Act funding

Our Judgment About the Quality of the Entity's Accounting Principles

No matters are reportable.

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Significant Accounting Policies & Alternative Treatments – Details

ASC 842, Leases

Effective July 1, 2022, the Entity adopted ASC 842, *Leases*. ASC 842 requires recognition of most leases on the balance sheet and enhanced disclosures within the footnotes of the financial statements.

FASB believes this standard allows for a more faithful representation of the lessee's assets and liabilities and provides greater transparency about the lessee's obligations and leasing activities than legacy guidance, which did not require lessees to recognize assets and liabilities arising from operating leases.

Adoption of ASC 842 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the Entity's key performance indicators related to the balance sheet (such as the current ratio) are likely not comparable to historical results.

Policy Elections & Transition for ASC 842

Management has elected the following accounting policies and transition practical expedients:

- 1) Election of the alternative transition method for adoption
- 2) Election of the following package of practical expedients at the date of adoption of ASC 842 to not reassess:
 - a) Whether any expired or existing contract is a lease or contains a lease
 - b) The lease classification of any expired or existing leases
 - c) Initial direct costs for any existing leases
- 3) Election of the hindsight practical expedient in determining the lease term and assessing impairment of the Entity's right-of-use assets, applied to all leases
- 4) Election of the practical expedient to combine lease and nonlease components in the contract
- 5) Election of the portfolio approach to classify and measure leases
- 6) Election of the short-term lease exception for leases that, at the lease commencement date, have a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Entity is reasonably certain to exercise. This election was made by asset class rather than individual leases
- 7) Election of the practical expedient available to nonpublic entities to use a risk-free discount rate when measuring lease liabilities
- 8) Adoption of a capitalization policy for right-of-use assets of \$5,000

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- No matters are reportable



Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- Turnaround impact of prior year difference in accrued payroll
- Accrued payroll
- Accrued interest

Other Required Communications

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.



Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Union General Hospital, Inc. as of and for the year ended June 30, 2023 in accordance with GAAS and GAGAS, we considered the Entity's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Categorizing Deficiencies by Severity

Deficiency

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.



Significant Deficiency

A significant deficiency is a deficiency, or 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.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.



Identified Deficiencies

We identified a certain deficiency in internal control that we consider to be a significant deficiency:

Significant Deficiency

Segregation of Duties

Management is responsible for establishing and maintaining effective control over financial reporting. A few individuals within the Entity have incompatible duties in several financial statement reporting transaction cycles. Duties in these transactions' cycles are not adequately segregated to safeguard the Entity's assets. Following is a summary of various incompatible duties we identified:

Revenue Cycle

The business office coordinator has access to all aspects of the cash-receipting, posting, and adjustment process. When employees have the ability to make changes in the master file, post entries, and reconcile patient accounts, there is generally a risk of misappropriation. We recommend management evaluate the cash receipt process and consider adding additional oversight procedures to mitigate the risk.

Purchasing Cycle

Certain individuals have incompatible duties in the cash disbursements and accounts payable transaction cycle. The comptroller has the ability to generate a payment, post journal entries, make changes to master files, and perform bank reconciliations, though the bank reconciliations and some of the journal entries are reviewed by the chief executive officer (CEO) and the chief financial officer (CFO). The human resources director has the ability to access the accounts payable module as well as secondary ability to perform comptroller duties. Individuals with the ability to generate payments should have separate duties from individuals with recording and monitoring duties. We recommend the Entity consider adding additional oversight procedures to mitigate and limit the opportunity for misappropriation.



Attachments

Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

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Union General Hospital, Inc.

Independent Accountant's Report on
Applying Agreed-Upon Procedures
For the Year Ended June 30, 2023



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Boards of Trustees
Union General Hospital, Inc.
Farmerville, Louisiana

We have performed the procedures enumerated in the attachment to this report on the control and compliance areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures as of and for the year ended June 30, 2023. The management of Union General Hospital, Inc. (Hospital) is responsible for the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of testing the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures as of and for the year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in the attachment to this report.

We were engaged by Union General Hospital, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

FORVIS, LLP

Waco, Texas
November 28, 2023

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

Written Policies and Procedures

Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - h) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
 - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Findings

The Hospital does not have written policies and procedures that address budget amendments, standard contract terms and conditions and legal review or monitoring as it relates to contracts, or disbursements with respect to public funds.

Steps 1e, 1g, and 1j are not applicable as the Hospital does not use public funds for these respective purposes.

Step 1i is not applicable as the Hospital is a not-for-profit entity that is not subject to The Louisiana Code of Ethics.

We performed the procedures related to information technology disaster recovery/business continuity and discussed the results with management.

Board or Finance Committee

Procedures

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget- to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit findings(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Findings

The Hospital's Board of Directors meeting minutes did not reference or include updates regarding the resolution of audit findings.

Steps 2b and 2c are not applicable as the Hospital is not a governmental entity and does not report on the governmental accounting model.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Bank Reconciliations

Procedures

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings

Management provided a listing of bank accounts for which public funds are deposited into, asserting that one account was used for the year ending June 30, 2023, and that the listing was complete.

Bank reconciliations are completed monthly by the Controller and include evidence that a member of management (the Chief Operating Officer) has reviewed each bank reconciliation. A secondary review of the bank reconciliation is performed by the Chief Financial Officer. The Chief Financial Officer has signatory authority on the bank accounts and is considered to be involved in the transactions associated with the bank account.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

Collections (excluding electronic funds transfers)

Procedures

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers;
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Findings

Management provided a listing of cash/check/money order (cash) collection sites, asserting that one check was received for the year ending June 30, 2023 related to the use of public funds at one location and that the listing was complete.

No exceptions were identified in the performance of the procedures listed above.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

Procedures

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Findings

Management provided a listing of disbursements as it relates to public funds for the year ending June 30, 2023, asserting that the listing was complete. No disbursements of public funds were made for the year ending June 30, 2023, therefore, steps 8 through 11 as listed above were not completed.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

Procedures

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

- b) Observe that finance charges and late fees were not assessed on the selected statements.
14. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Findings

Management provided a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) (including the card numbers and the names of the persons who maintained possession of the cards), asserting that no cards were used for expending public funds for the year ending June 30, 2023 and that the listing was complete.

No exceptions were identified in the performance of the procedures listed above.

Travel and Travel-Related Expenses Reimbursements (excluding card transactions)

Procedures

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Union General Hospital, Inc.

Applying Agreed-Upon Procedures

Year Ended June 30, 2023

Findings

Management asserted that public funds were not utilized for travel or travel related expenditures for the period ended June 30, 2023. Accordingly, there are no items to report for steps 15 through 15d.

Contracts

Procedures

16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Findings

There were no contracts in effect during the year ended June 30, 2023 as it relates to public funds. Accordingly, there are no items to report for steps 16 through 16d.

Payroll and Personnel

Procedures

17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Union General Hospital, Inc.
Applying Agreed-Upon Procedures
Year Ended June 30, 2023

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Findings

Management asserted that the Hospital's use of public funds does not include payroll or other personnel related expenses. Accordingly, there are no items to report for steps 17 through 20.

Ethics

Procedures

21. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

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22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S.42:1170.

Findings

The Hospital is a nonprofit entity for which the Louisiana Code of Ethics is not applicable. Accordingly, there are no items to report for steps 21 through 22.

Debt Service

Procedures

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
24. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Findings

Management asserted that there were no debt instruments issued, retired or outstanding for the year ended June 30, 2023. Accordingly, there are no items to report for steps 23 through 24.

Fraud Notice

Procedures

25. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
26. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings

No exceptions were identified in the performance of the procedures listed above.

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Information Technology Disaster Recovery/Business Continuity

Procedures

27. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Findings

We performed the procedure and discussed the results with management.

Prevention of Sexual Harassment

Procedures

29. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #19, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
30. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

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31. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Findings

The Hospital is a nonprofit entity for which the sexual harassment law R.S. 42:341, et seq. is not applicable. Accordingly, there are no items to report for steps 29 through 31e.

Management's Response

Management understands the importance of having policies and procedures in place and being able to monitor those policies and procedures for compliance. Management is in the process of updating all policy and procedure manuals district-wide and will consider the findings noted in this document as the policies and procedures are being updated. Management will also look at procedures that are currently in place that do not meet the LLA's requirements to determine the changes necessary to ensure compliance.