

**MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2025 AND 2024



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MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Morehouse Parish Hospital Service District No. 1
dba: Morehouse General Hospital
Bastrop, Louisiana

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Morehouse Parish Hospital Service District No. 1 dba: Morehouse General Hospital (the Hospital) which comprise the statements of net position as of May 31, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of May 31, 2025 and 2024, and the changes in net position 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Board of Commissioners
Morehouse Parish Hospital Service District No. 1
dba: Morehouse General Hospital

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information shown on pages 29-32 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025 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.



CliftonLarsonAllen LLP

Dallas, Texas
November 25, 2025

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
STATEMENTS OF NET POSITION
MAY 31, 2025 AND 2024

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,892,286	\$ 14,040,782
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts of \$6,309,157 in 2025 and \$4,332,497 in 2024	2,818,746	4,228,537
Supplies	608,775	752,694
Estimated Amounts Due from Third-Party Payors	121,902	887,679
Restricted Cash and Cash Equivalents	484,430	455,756
Prepaid Expenses and Other Current Assets	<u>3,120,609</u>	<u>2,407,282</u>
Total Current Assets	18,046,748	22,772,730
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	985,255	948,547
CAPITAL ASSETS		
Land	450,148	341,296
Construction in Progress	10,337	452,280
Right-of-Use Assets, Net	938,075	463,165
Depreciable Capital Assets, Net	<u>8,612,425</u>	<u>8,680,742</u>
Total Capital Assets, Net	<u>10,010,985</u>	<u>9,937,483</u>
 Total Assets	 <u>\$ 29,042,988</u>	 <u>\$ 33,658,760</u>

See accompanying Notes to Financial Statements.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
STATEMENTS OF NET POSITION (CONTINUED)
MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Lease Liability	\$ 335,062	\$ 257,063
Bonds Payable	585,000	565,000
Notes Payable	22,777	28,196
Accounts Payable	2,512,683	2,564,734
Accrued Compensation and Payroll Taxes	1,162,231	1,145,263
Other Accrued Liabilities	43,038	407,227
Estimated Claims Liability	444,197	306,902
Total Current Liabilities	<u>5,104,988</u>	<u>5,274,385</u>
LONG-TERM LIABILITIES		
Lease Liability, Net of Current Portion	668,398	258,875
Notes Payable, Net of Current Maturities	-	23,455
Bonds Payable, Net of Current Maturities	<u>5,725,000</u>	<u>6,310,000</u>
Total Long-Term Liabilities	<u>6,393,398</u>	<u>6,592,330</u>
Total Liabilities	11,498,386	11,866,715
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Refunding	162,588	176,934
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	2,674,748	2,476,495
Restricted	1,469,685	1,404,303
Unrestricted	<u>13,237,581</u>	<u>17,734,313</u>
Total Net Position (Deficit)	<u>17,382,014</u>	<u>21,615,111</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 29,042,988</u>	<u>\$ 33,658,760</u>

See accompanying Notes to Financial Statements.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUE		
Net Patient Service Revenue Before Provision for Uncollectible Accounts	\$ 28,889,476	\$ 30,558,178
Provision for Uncollectible Accounts	<u>(4,338,359)</u>	<u>(2,988,791)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	24,551,117	27,569,387
Intergovernmental Transfer/Other Income (Note 15)	3,978,266	4,147,736
Other Operating Revenue	<u>2,065,133</u>	<u>1,751,057</u>
Total Operating Revenues	<u>30,594,516</u>	<u>33,468,180</u>
OPERATING EXPENSES		
Salaries and Benefits	18,010,397	18,360,286
Outside Services	10,585,042	10,198,078
Medical Supplies and Drugs	2,817,458	2,733,709
Depreciation and Amortization	1,412,363	1,493,055
Insurance	883,045	744,604
Other Supplies	1,393,459	1,224,108
Utilities	647,134	690,826
Other Operating Expenses	968,767	761,219
Rents and Leases	<u>560,714</u>	<u>266,876</u>
Total Operating Expenses	<u>37,278,379</u>	<u>36,472,761</u>
OPERATING LOSS	<u>(6,683,863)</u>	<u>(3,004,581)</u>
NONOPERATING REVENUE (EXPENSES)		
Investment Income	304,166	348,177
Ad Valorem Tax Revenue	2,375,634	2,191,239
Cares Act Provider Relief Funds	-	255,197
Contributions	46,347	62,084
Gain on Sale of Assets	450	-
Interest Expense	<u>(275,831)</u>	<u>(260,861)</u>
Total Nonoperating Revenues (Expenses)	<u>2,450,766</u>	<u>2,595,836</u>
CHANGE IN NET POSITION	<u>(4,233,097)</u>	<u>(408,745)</u>
Net Position - Beginning of Year	<u>21,615,111</u>	<u>22,023,856</u>
NET POSITION - END OF YEAR	<u><u>\$ 17,382,014</u></u>	<u><u>\$ 21,615,111</u></u>

See accompanying Notes to Financial Statements.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 26,738,911	\$ 29,394,389
Payments to Suppliers and Contractors	(18,665,392)	(17,071,836)
Payments to and on Behalf of Employees	(17,993,429)	(18,220,014)
Receipts from Intergovernmental Transfers	3,941,013	3,670,346
Other Receipts	<u>2,019,420</u>	<u>1,832,991</u>
Net Cash Used by Operating Activities	(3,959,477)	(394,124)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad Valorem Taxes Received	2,375,634	2,197,428
Contributions Received	<u>46,347</u>	<u>62,084</u>
Net Cash Provided by Noncapital Financing Activities	2,421,981	2,259,512
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(678,747)	(698,895)
Principal Paid on Hospital Revenue Bonds	(565,000)	(528,334)
Principal Paid on Note Payable	(28,874)	(28,766)
Principal Paid on Lease Liability	(319,146)	(459,126)
Interest Paid on Long-Term Debt	<u>(290,177)</u>	<u>(299,113)</u>
Net Cash Used by Capital and Related Financing Activities	(1,881,944)	(2,014,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Practices Note Receivable	32,160	32,160
Investment Income Received	<u>304,166</u>	<u>348,177</u>
Net Cash Provided by Investing Activities	<u>336,326</u>	<u>380,337</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,083,114)	231,491
Cash and Cash Equivalents - Beginning of Year	<u>15,445,085</u>	<u>15,213,594</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,361,971</u>	<u>\$ 15,445,085</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Change in Capital Additions Included in Accounts Payable	<u>\$ -</u>	<u>\$ 18,399</u>
Capital Additions Under Lease Liability	<u>\$ 806,668</u>	<u>\$ -</u>
RECONCILIATION OF CASH TO STATEMENTS OF NET POSITION		
Current Assets (Unrestricted)	\$ 10,892,286	\$ 14,040,782
Restricted Assets	<u>1,469,685</u>	<u>1,404,303</u>
Cash and Cash Equivalents - End of Year	<u>\$ 12,361,971</u>	<u>\$ 15,445,085</u>

See accompanying Notes to Financial Statements.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH		
USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (6,683,863)	\$ (3,004,581)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization	1,412,363	1,493,055
Provision for Uncollectible Accounts	4,338,359	2,988,791
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable	(2,928,568)	(4,277,296)
Inventory and Supplies	143,919	(54,015)
Prepaid Expenses and Other Current Assets	(745,487)	216,668
Accounts Payable	(52,051)	120,081
Employee Compensation and Payroll Tax Liabilities	16,968	140,272
Other Accrued Liabilities	(226,894)	(30,084)
Estimated Amounts Due from Third-Party Payors	765,777	2,012,985
Net Cash Used by Operating Activities	<u>\$ (3,959,477)</u>	<u>\$ (394,124)</u>

See accompanying Notes to Financial Statements.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 1 DESCRIPTION OF REPORTING ENTITY

Morehouse Parish Hospital Service District No. 1 dba: Morehouse General Hospital (the Hospital) was organized on December 17, 1982, under powers granted to parish police juries by the state of Louisiana. The geographical boundaries of the Hospital coincide with those of Morehouse Parish. All corporate powers are vested in a Board of Commissioners appointed by the Morehouse Parish Police Jury. The Hospital is exempt from income taxes as a political subdivision of the state of Louisiana under Section 115 of the Internal Revenue Code. The Hospital is also exempt from federal income tax under Section 501(a) as a hospital organization described in Section 501(c)(3). The federal income tax exemptions also extend to state income taxes.

The financial statements also include the accounts of the Morehouse Healthcare Foundation (the Foundation). The Foundation is a nonprofit organization created in 2017 exclusively for charitable, religious, educational, and scientific purpose for the primary benefit of the Hospital. All significant inter-entity accounts and transactions have been eliminated. The Foundation is included in the financial statements as a blended component unit pursuant to Governmental Accounting Standards Board (GASB) Statement No. 39, *(Determining Whether Certain Organizations Are Component Units*, an Amendment of GASB Statement No. 14) which requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The Board of Commissioners ratify any appointments to the Foundation's board of directors. The Foundation does not issue separate financial statements. The Foundation is a nonstock, nonprofit Louisiana corporation considered to be and operated as if it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with applicable pronouncements of the GASB, using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Risk Management

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

The Hospital purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased, and which are not designated as noncurrent cash and investments and are recorded at cost which is approximate fair value.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies) are carried at amortized cost. Any other investments are carried at fair value. Investment income includes interest income from certificates of deposit and is included in nonoperating revenue on the statements of revenues, expenses and changes in net position.

Investments in debt and equity securities, when present, are reported at fair value except for short- term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned. Unrealized gains (losses) reflected in investment income were not significant in 2025 and 2024.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets are limited to cash, cash equivalents, and investments. These assets are designated as such in the accompanying statements of net position as they are held by bond trustees under related indenture agreements or designated as such by the Board of Commissioners.

Amounts classified as current assets represent amounts to be used to meet certain debt service requirements and other obligations classified as current liabilities.

Patient Accounts Receivable, Net

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

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as self-pay), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2025 and did not have significant write-offs from third-party payors related to collectability in fiscal years 2025 and 2024.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supplies

Supply inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out method. When evidence exists that the net realizable value of inventories is lower than its cost, the difference is recognized as a loss in the statements of revenues, expenses, and changes in net position in the period in which it occurs.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses, and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs and costs associated with capital asset acquisitions under \$1,000 are charged to expense when incurred.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended May 31, 2025 and 2024.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying statements of net position.

Net Position

Net position of the Hospital is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings, discussed in Note 7.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues, when present. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue

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

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue (Continued)

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness.

The RAC's have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$587,928 and \$737,548 for the years ended May 31, 2025 and 2024, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$195,537 and \$245,299, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended May 31, 2025 and 2024 were not significant.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

As an essential government function of Morehouse Parish, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Adoption of New Accounting Standards

Effective June 1, 2024, the Hospital implemented GASB Statement 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary related payments and amended certain previously required disclosures.

There was no impact on the statement of net position and statement of revenues, expenses, and changes in net position as a result of adopting GASB Statement No. 101.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 25, 2025 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

As of May 31, 2025 and 2024, the deposits and investments of the Hospital consisted of the following:

	<u>2025</u>	<u>2024</u>
Petty Cash and Undeposited Cash	\$ 1,516	\$ 1,529
Cash Deposits With Financial Institutions	11,832,317	14,934,062
Certificates of Deposits	528,138	509,494
Total Deposits	\$ 12,361,971	\$ 15,445,085

Deposits are included in the following statement of net position captions:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 10,892,286	\$ 14,040,782
Restricted Cash and Cash Equivalents, Current	484,430	455,756
Restricted Cash and Cash Equivalents, Noncurrent	985,255	948,547
Total	\$ 12,361,971	\$ 15,445,085

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

GASB No. 40, *Deposits and Investment Risk Disclosures*, requires certain disclosures regarding policies and practices with respect to deposits and the custodial risk, credit risk, interest rate sensitivity and foreign investments associated with them.

Custodial risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Lenders can mitigate credit risk by analyzing factors about a borrower's creditworthiness, such as their current debt load and income. Concentration of credit risk refers to disproportionately large risk exposure to specific credits risks as opposed to a diversified risk profile.

The Hospital has various deposits. The amounts reflected on the accompanying statements of net position at May 31, 2025 and 2024 is \$12,361,971 and \$15,455,085, respectively, held in depository and money market accounts.

Under state law, these deposits must be secured by either Federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank.

At May 31, 2025, the Hospital had \$14,131,910 in securities pledged by banks that are holding Hospital accounts that have balances in excess of the federal deposit insurance. Of this amount, \$10,987,185 was over the federal deposit insurance limit, all of which were secured by collateral owned by the fiscal agent bank in the name of the Hospital. At May 31, 2024, the Hospital had \$14,696,368 in securities pledged by banks that are holding Hospital accounts that have balances in excess of the federal deposit insurance. Of this amount, \$14,018,277 was over the federal deposit insurance limit, all of which were secured by collateral owned by the fiscal agent bank in the name of the Hospital.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the Hospital may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in direct obligations of the U.S. Government, federally insured instruments, guaranteed investment contracts issued by certain financial institutions, and mutual or trust funds registered with the Securities and Exchange Commission.

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Hospital is authorized by statute to invest public funds in the Local Government Surplus Funds Trust Fund; direct obligations of the United States government, its agencies and instrumentalities; Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; commercial paper; and certain registered open-end or closed-end management investment companies. The Hospital places no limit on the amount that may be invested in any one issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from changing interest rates. However, interest rate risk has been effectively limited by only investing in securities with maturities of less than five years.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. All of the underlying securities for the Hospital's investments at May 31, 2025 and 2024 are held by the counterparties in other than the Hospital's name.

The Hospital categorizes its fair value measurements, if any, within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the following valuation inputs and techniques used to measure the fair value of the asset.

Level 1 – Inputs are quoted prices in active markets for identical assets. Quoted price data is generally obtained from exchange or dealer markets.

Level 2 – Inputs are significant other observable inputs. Inputs are obtained from various sources, including market participants, dealers, and brokers.

Level 3 – Inputs are significant unobservable inputs as they trade infrequently or not at all.

The Hospital did not have any significant assets measured at fair value on a recurring basis requiring disclosure of fair value inputs at either May 31, 2025 or 2024.

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NOTE 4 PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Bastrop, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at May 31, 2025 and 2024 was:

	2025	2024
Medicare	\$ 4,733,011	\$ 5,561,691
Medicaid	4,437,652	5,965,727
Other Third-Party Payers	8,629,045	6,446,017
Patients	591,021	604,126
Subtotal	18,390,729	18,577,561
Less: Allowance for Contractual	(9,262,826)	(10,016,527)
Less: Allowance for Uncollectible Accounts	(6,309,157)	(4,332,497)
Patient Accounts Receivable, Net	<u><u>\$ 2,818,746</u></u>	<u><u>\$ 4,228,537</u></u>

NOTE 5 CAPITAL ASSETS

Capital asset activity and balances for the year ended May 31, 2025, were as follows:

	2025				
	Estimated Useful Lives in Years	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land		\$ 341,296	\$ 108,852	\$ -	\$ 450,148
Construction in Progress		452,280	95,578	(537,521)	10,337
Total Capital Assets Not Being Depreciated		<u>793,576</u>	<u>204,430</u>	<u>(537,521)</u>	<u>460,485</u>
Capital Assets Being Depreciated:					
Land Improvements	15	591,235	-	-	591,235
Building and Improvements	15-40	27,943,713	148,619	256,025	28,348,357
Machinery and Equipment	3-15	13,071,619	365,134	281,496	13,718,249
Right-of-Used Assets - Buildings	5	178,073	376,462	(178,073)	376,462
Right-of-Used Assets - Equipment	3-5	1,289,115	430,206	(326,203)	1,393,118
Total Capital Assets Being Depreciated		<u>43,073,755</u>	<u>1,320,421</u>	<u>33,245</u>	<u>44,427,421</u>
Less: Accumulated Depreciation:					
Land Improvements		(531,971)	(6,838)	-	(538,809)
Building and Improvements		(21,145,431)	(548,518)	-	(21,693,949)
Machinery and Equipment		(11,334,586)	(526,851)	36,797	(11,824,640)
Right-of-Used Assets - Buildings		(97,344)	(48,867)	102,290	(43,921)
Right-of-Used Assets - Equipment		(820,516)	(281,289)	326,203	(775,602)
Total Accumulated Depreciation		<u>(33,929,848)</u>	<u>(1,412,363)</u>	<u>465,290</u>	<u>(34,876,921)</u>
Total Capital Assets Being Depreciated, Net		<u>9,143,907</u>	<u>(91,942)</u>	<u>498,535</u>	<u>9,550,500</u>
Total Capital Assets, Net		<u><u>\$ 9,937,483</u></u>	<u><u>\$ 112,488</u></u>	<u><u>\$ (38,986)</u></u>	<u><u>\$ 10,010,985</u></u>

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NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity and balances for the year ended May 31, 2024, were as follows:

	2024				
	Estimated Useful Lives in Years	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land		\$ 341,296	\$ -	\$ -	\$ 341,296
Construction in Progress		148,226	540,860	(236,806)	452,280
Total Capital Assets Not Being Depreciated		<u>489,522</u>	<u>540,860</u>	<u>(236,806)</u>	<u>793,576</u>
Capital Assets Being Depreciated:					
Land Improvements	15	591,235	-	-	591,235
Building and Improvements	15-40	27,943,713	-	-	27,943,713
Machinery and Equipment	3-15	12,686,453	148,360	236,806	13,071,619
Right-of-Used Assets - Buildings	5	186,992	-	(8,919)	178,073
Right-of-Used Assets - Equipment	3-5	1,677,478	-	(388,363)	1,289,115
Total Capital Assets Being Depreciated		<u>43,085,871</u>	<u>148,360</u>	<u>(160,476)</u>	<u>43,073,755</u>
Less: Accumulated Depreciation:					
Land Improvements		(525,099)	(6,872)	-	(531,971)
Building and Improvements		(20,593,436)	(551,995)	-	(21,145,431)
Machinery and Equipment		(10,801,944)	(532,642)	-	(11,334,586)
Right-of-Used Assets - Buildings		(124,661)	(48,466)	75,783	(97,344)
Right-of-Used Assets - Equipment		(817,009)	(353,080)	349,573	(820,516)
Total Accumulated Depreciation		<u>(32,862,149)</u>	<u>(1,493,055)</u>	<u>425,356</u>	<u>(33,929,848)</u>
Total Capital Assets Being Depreciated, Net		<u>10,223,722</u>	<u>(1,344,695)</u>	<u>264,880</u>	<u>9,143,907</u>
Total Capital Assets, Net		<u><u>\$ 10,713,244</u></u>	<u><u>\$ (803,835)</u></u>	<u><u>\$ 28,074</u></u>	<u><u>\$ 9,937,483</u></u>

Depreciation and amortization expense for the years ended May 31, 2025 and 2024 totaled \$1,412,363 and \$1,493,055, respectively.

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities included in current liabilities consisted of the following:

	2025	2024
Payable to Suppliers and Contractors	\$ 1,619,850	\$ 2,498,954
Payable to Employees (Including Payroll Taxes and Benefits)	1,162,231	1,145,263
Due to Patients and Their Insurers	935,871	473,007
Total	<u><u>\$ 3,717,952</u></u>	<u><u>\$ 4,117,224</u></u>

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NOTE 7 LONG-TERM DEBT

The Hospital's long-term debt consisted of the following obligations:

<u>Description</u>	<u>2025</u>	<u>2024</u>
Hospital Revenue Bonds Series 2021, original principal amount of \$8,135,000, bearing an interest rate of 2.99%. Principal and interest payments range in the amount of \$250,841 to \$773,616 and are due semiannually beginning on October 2021 through October 2037. Proceeds from the bonds were used for the refunding of Hospital Revenue Bonds Series 2008A and Series 2010.	\$ 6,310,000	\$ 6,875,000
Note payable, original principal amount of \$183,368, bearing an interest rate of 5.99%. Principal and interest payments are due in monthly installments beginning November 2018 and matures on October 2025. Proceeds from the note were used for the purchase of a building and equipment. The note is collateralized by a certificate of deposit.	<u>22,777</u>	<u>51,651</u>
Total	6,332,777	6,926,651
Less: Current Portion	<u>(607,777)</u>	<u>(593,196)</u>
Total	<u><u>\$ 5,725,000</u></u>	<u><u>\$ 6,333,455</u></u>

The Hospital is subject to certain financial and nonfinancial covenants and restrictions related to its revenue bonds payable, which require, among other things, a minimum long-term debt service coverage ratio, a minimum days of cash on hand, and minimum debt service, sinking and interest fund balances. There are also limits to the amount of additional indebtedness that can be incurred.

As of May 31, 2025, the Hospital's management believes it was not in compliance with all of its consequential bond covenants.

The Series 2021 bonds include various covenants (as discussed above) that contain provisions that in an event of default, outstanding amounts may become immediately due, at the option of the debt holder (acceleration), and/or the holder can elect to seize the mortgaged property. The Series 2021 bonds are secured with collateral comprising essentially all land and property of the Hospital, in addition to future revenues.

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NOTE 7 LONG-TERM DEBT (CONTINUED)

The items in the chart below are considered direct borrowings, with the exception of the revenue bonds, which are considered direct placements.

A summary of changes in the Hospital's long-term debt for the years ended May 31, 2025 and 2024 follows:

2025					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 51,651	\$ -	\$ (28,874)	\$ 22,777	\$ 22,777
Revenue Bonds Payable Series 2010	6,875,000	-	(565,000)	6,310,000	585,000
Total Long-Term Debt	<u>\$ 6,926,651</u>	<u>\$ -</u>	<u>\$ (593,874)</u>	<u>\$ 6,332,777</u>	<u>\$ 607,777</u>
2024					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	80,417	-	(28,766)	51,651	\$ 28,196
Revenue Bonds Payable Series 2010	7,403,334	-	(528,334)	6,875,000	565,000
Total Long-Term Debt	<u>\$ 7,483,751</u>	<u>\$ -</u>	<u>\$ (557,100)</u>	<u>\$ 6,926,651</u>	<u>\$ 593,196</u>

Scheduled principal and interest payments on revenue bonds and notes payable are as follows:

Year Ending May 31,	Revenue Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 585,000	\$ 213,981	\$ 22,777	\$ 1,326	\$ 607,777	\$ 215,307
2027	610,000	190,081	-	-	610,000	190,081
2028	635,000	165,181	-	-	635,000	165,181
2029	660,000	-	-	-	660,000	-
2030	685,000	-	-	-	685,000	-
2031-2035	2,370,000	-	-	-	2,370,000	-
2036-2039	765,000	-	-	-	765,000	-
Total	<u>\$ 6,310,000</u>	<u>\$ 569,243</u>	<u>\$ 22,777</u>	<u>\$ 1,326</u>	<u>\$ 6,332,777</u>	<u>\$ 570,569</u>

NOTE 8 LEASE LIABILITIES

GASB No. 87, *Leases*, was adopted for periods beginning June 1, 2021. Under this new guidance, nearly all contracts allowing for the Hospital to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Depreciation of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

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NOTE 8 LEASE LIABILITIES (CONTINUED)

The right-of-use assets and related lease liabilities largely involve the following:

Building Leases

There is one building lease offsite with terms extending through FY 2030.

Equipment

Multiple healthcare equipment leases, with terms extending through fiscal year 2030. Collateralized by leased equipment.

Lease liability activity for the years ended May 31, 2025 and 2024, was as follows:

		2025				
		Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building Equipment		\$ 5,415	\$ 376,462	\$ (41,074)	\$ 340,803	\$ 65,515
	Total	<u>510,523</u>	<u>430,206</u>	<u>(278,072)</u>	<u>662,657</u>	<u>269,547</u>
		<u><u>\$ 515,938</u></u>	<u><u>\$ 806,668</u></u>	<u><u>\$ (319,146)</u></u>	<u><u>\$ 1,003,460</u></u>	<u><u>\$ 335,062</u></u>

		2024				
		Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building Equipment		\$ 56,283	\$ -	\$ (50,868)	\$ 5,415	\$ 5,415
	Total	<u>918,781</u>	<u>-</u>	<u>(408,258)</u>	<u>510,523</u>	<u>251,648</u>
		<u><u>\$ 975,064</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (459,126)</u></u>	<u><u>\$ 515,938</u></u>	<u><u>\$ 257,063</u></u>

Minimum future lease payments under lease liability as of May 31, 2025 are as follows:

<u>Year Ending May 31,</u>	Lease Liabilities		
	Principal	Interest	Total
2026	\$ 335,062	\$ 50,452	\$ 385,514
2027	218,839	34,951	253,790
2028	166,438	23,700	190,138
2029	179,589	12,788	192,377
2030	<u>103,532</u>	<u>2,168</u>	<u>105,700</u>
Total	<u><u>\$ 1,003,460</u></u>	<u><u>\$ 124,059</u></u>	<u><u>\$ 1,127,519</u></u>

The Hospital has various leases that do not qualify for consideration under GASB No. 87. The annual payments on these leases, including both interest and principal, are not material to the Hospital's financial statements.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position is calculated as follows:

	2025	2024
Capital Assets, Net	\$ 10,010,985	\$ 9,937,483
Less: Outstanding Accounts Payable Related to Capital Assets	-	(18,399)
Less: Debt Outstanding Related to Capital Assets:		
Notes Payable	(22,777)	(51,651)
Hospital Revenue Bonds, Series 2021	(6,310,000)	(6,875,000)
Lease Liabilities	<u>(1,003,460)</u>	<u>(515,938)</u>
Net Investment in Capital Assets	<u><u>\$ 2,674,748</u></u>	<u><u>\$ 2,476,495</u></u>

NOTE 10 NET PATIENT SERVICE REVENUE

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

Medicare

Inpatient and substantially all outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Louisiana Department of Health (Medicaid) for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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NOTE 10 NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross revenue from patient services provided under contracts with third-party payors follows:

	<u>2025</u>	<u>2024</u>
Medicare	38 %	38 %
Medicaid	41	46
Commercial/HMO/PPO/Self-Pay	22	16

The composition of net patient service revenue was as follows:

	<u>2025</u>	<u>2024</u>
Gross Patient Service Revenue	\$ 88,882,894	\$ 90,177,577
Less: Provision for Contractual Adjustments Under Third-Party Reimbursement Programs and Other Adjustments	(59,993,418)	(59,619,399)
Provision for Bad Debts	(4,338,359)	(2,988,791)
Net Patient Service Revenue	<u>\$ 24,551,117</u>	<u>\$ 27,569,387</u>

NOTE 11 MEDICAL MALPRACTICE INSURANCE

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. See Note 14. It is reasonably possible that this estimate could change materially in the near term.

Since November 1, 2002, the Hospital has been self-insured for individual medical malpractice claims up to \$100,000. For individual malpractice claims in excess of \$100,000, the Hospital participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides malpractice insurance coverage on a claims-made basis for claims up to the statutory maximum exposure of \$500,000, which currently exists under Louisiana law, plus interest and future medical costs. The Hospital has purchased additional malpractice insurance providing coverage up to \$2,500,000.

The Hospital is self-insured for the general liability claims up to \$50,000. The Hospital has purchased commercial insurance that provides first-dollar coverage for workers' compensation claims and health insurance claims.

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NOTE 12 EMPLOYEE RETIREMENT PLAN

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain pension and retirement systems making contributions from hospital service district funds. During the years ended May 31, 2025 and 2024, the Hospital sponsored a defined contribution retirement plan, the Morehouse General Hospital Tax Deferred Savings Plan. This plan, which qualifies as a tax- sheltered annuity plan under Section 403(b) of the Internal Revenue Code, covers all employees who elect to participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon. The plan document allows for discretionary employer contributions to be made to the plan. The Hospital did not elect to make discretionary employer contributions for the years ended May 31, 2025 and 2024 and, accordingly, no contribution expense was recognized.

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:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Note 2.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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NOTE 13 SIGNIFICANT ESTIMATES AND CONCENTRATIONS (CONTINUED)

Litigation (Continued)

A roll forward of the Hospital's estimated liability for litigation and self-insurance claims follows:

Year Ending May 31,	Total Liability at Beginning of Year	New Claims and Changes in Estimates	Claim Payments	Converted to Settlement Payable	Accrued Interest Relieved	Total Liability at End of Year	Estimated Amount Due Within One Year
2025	\$ 306,902	\$ 919,189	\$ (781,894)	\$ -	\$ -	\$ 444,197	\$ 172,435
2024	306,902	62,346	(62,346)	-	-	306,902	-

Supplemental Medicaid Reimbursements

The Hospital receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the state of Louisiana.

NOTE 14 PHYSICIAN'S MEDICAID UPPER PAYMENT LIMIT (UPL) AND FULL MEDICAID PRICING (FMP) AGREEMENTS

The Hospital entered into agreements with the Louisiana Department of Health (LDH) and Medicaid managed care organizations (MCOs) which were approved by CMS. Under these programs, LDH began making payments under the Physician's Supplemental Payment and Full Medicaid Pricing (FMP) programs for nonstate owned public hospitals (HSDs). The purpose of these programs under traditional and MCO based Medicaid is to enhance payments to physicians employed or contracted by the public hospitals.

The Hospital agreed to transfer funds to LDH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the State with additional resources to assist in the medical costs to the State. These matching funds are comprised of (1) an amount to be utilized as the "nonfederal share" of the supplemental payments for services provided by the identified physician and other healthcare professionals and (2) the "state retention amount", which is 15% of the "nonfederal share", for the State to utilize in delivering healthcare services. In turn, the Hospital receives supplemental Medicaid payments. The supplemental payments include the "nonfederal share" and the "federal funds" generated by the "nonfederal share" payments. The total amount of the supplemental payments is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

The FMP program ended on June 30, 2024. A new state directed payment program is currently working on being implemented in its place.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 PHYSICIAN'S MEDICAID UPPER PAYMENT LIMIT (UPL) AND FULL MEDICAID PRICING (FMP) AGREEMENTS (CONTINUED)

During fiscal 2025 and 2024, in accordance with the funding provisions of the above agreements, the Hospital recognized \$1,658,786 and \$2,256,803, respectively, of Medicaid supplemental revenues as components of net patient service revenue. Concurrent with the income recognition, the Hospital also recognized outside services expense of \$60,202 and \$1,238,627, respectively, for intergovernmental transfer grant (IGT) payments, funds paid or payable to the Louisiana Department of Health and Hospitals (DHH) under the terms of the Physicians' UPL and FMP agreements. As of May 31, 2025 and 2024, the Hospital reported \$1,306,256 and \$855,618, respectively, of these program receivables under the caption "prepaid expenses and other assets" on the accompanying statements of net position, and \$- and \$353,955, respectively, of associated intergovernmental transfer grant (IGT) payments payable under "other accrued liabilities."

NOTE 15 INTERGOVERNMENTAL TRANSFER GRANT AND COOPERATIVE ENDEAVOR

In fiscal year 2023, the Hospital voluntarily agreed to a cooperative endeavor (CEA) with other like-minded Louisiana hospitals, per Louisiana's Rural Hospital Preservation Act (RHPA). The intent of this arrangement is to pool hospital resources across the State to support access to healthcare in rural Louisiana. Under the CEA, the Hospital deposits an amount, determined annually by the Rural Hospital Coalition (RHC), into an account, from which RHC is permitted to withdraw funds and make distributions to participating hospitals using a predetermined formula. Although the payments are formulaic in nature, they are not guaranteed, nor are they directly related to Medicaid reimbursement for the provisions of goods and healthcare services to patients. Accordingly, the receipts under this program (net of required funding by the Hospital) are included in operating revenues on the accompanying statements of revenues, expenses and changes in net position.

For the fiscal year ended May 31, 2024, the Hospital received \$3,702,808 in cash, net, and recorded a receivable of \$868,048, included on the statement of net position in "prepaid expenses and other current assets". Total revenue recognized for the year ended May 31, 2024 was \$4,147,736, and is included on the accompanying statement of revenues, expenses, and changes in net position in "intergovernmental transfer – other income".

For the fiscal year ended May 31, 2025, the Hospital received \$3,072,965 in cash, net, and recorded a receivable of \$905,301, included on the statement of net position in "prepaid expenses and other current assets". Total revenue recognized from the CEA for the year ended May 31, 2025 was \$3,978,266, and is included on the accompanying statement of revenues, expenses, and changes in net position in "intergovernmental transfer – other income".

**MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024**

NOTE 16 AD VALOREM TAX REVENUE

In October 2007, the voters of Morehouse Parish, Louisiana approved a five-year, five-millage property tax to be levied on the 2007 tax roll on all property subject to taxation by the Morehouse Parish Hospital Service District. The voters approved to increase the millage to eight mills in November 2012 for a term of 10 years. In November 2015, voters approved an additional millage of five mills for a term of 10 years, which was first levied in December 2016.

Ad valorem tax revenue is recognized each year in December when it is due and collectible. During fiscal years 2025 and 2024, the Hospital received and recorded property tax revenues in the amount of \$2,375,634 and \$2,191,239, respectively. There was no receivable for delinquent property taxes as of May 31, 2025 or 2024.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
SCHEDULE OF BOARD OF COMMISSIONERS AND COMPENSATION
MAY 31, 2025 AND 2024

<u>Commissioner</u>		<u>Total Paid</u>
Robert Green (Chairman)	\$	440
Mario Bershell		360
Kimberly Givens		440
Susan Plonnigs		400
Keith Priest		80
John M Yeldell		<u>280</u>
Total	\$	<u>2,000</u>

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO CEO
MAY 31, 2025

	CEO Salary	Benefits/ Allowances	Total
June	\$ 23,722	\$ 15,075	\$ 38,797
July	62,088	25,488	87,576
August	25,714	13,511	39,225
September	29,131	20,311	49,442
October	25,064	33,327	58,391
November	26,039	14,453	40,492
December	25,498	19,743	45,241
January	25,632	15,331	40,963
February	25,584	15,665	41,249
March	25,584	16,201	41,785
April	19,027	17,284	36,311
May	<u>23,857</u>	<u>23,941</u>	<u>47,798</u>
 Total	 <u>\$ 336,940</u>	 <u>\$ 230,330</u>	 <u>\$ 567,270</u>

Note: For the fiscal year ended May 31, 2025, the chief executive officer of Morehouse Parish Hospital Service District No. 1 (the Hospital) was employed by an independent healthcare consulting and management company under the terms of a management agreement which includes the authority and responsibility for oversight of the day-to-day administration, management, and direction of the operations of the Hospital, subject to the Hospital's control as stipulated in the terms of the agreement.

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
SCHEDULE OF INSURANCE COVERAGES
MAY 31, 2025

<u>Line of Coverage</u>	<u>Policy Data</u>	<u>Limit/Deductible</u>
Property & Equipment Breakdown	Travelers (Travelers Property Casualty Company of America) 11/1/2025 to 11/1/2026 Policy No: P-630-3R393895-TIL-25	Blanket Building Limit: \$61,318,515 Business Personal Property Blanket Limit: \$23,442,488 Blanket Business Income Policy Limit: \$4,727,533 (see policy for additional info)
Network Security Liability & Privacy Liability (Cyber)	Palomar Excess and Surplus Insurance Company 11/1/2025 to 11/1/2026 Policy No: PLM-CB-SQ4LPLDQD-002	Limit: \$2,000,000 Each Claim; \$2,000,000 Policy Aggregate Retention: \$10,000 each claim; Retro Date Unknown prior acts are covered
General, Professional, & Umbrella Liability *incl. Employee Benefits Liability	LHA (Louisiana Hospital Association) 11/1/2025 to 11/1/2026 Policy No: HPL-0390-2025	<u>Professional Liability</u> \$500,000 Self-Insured Retention \$400,000 PCF <u>General Liability</u> \$500,000 Each Occurrence Limit \$2,000,000 Annual General Aggregate Limit \$50,000 Per Claim Deductible \$500,000 EBL Limit \$50,000 Deductible <u>Umbrella Liability</u> \$2,500,000 Each Claim Limit/ Aggregate

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
SCHEDULE OF INSURANCE COVERAGES (CONTINUED)
MAY 31, 2025

<u>Line of Coverage</u>	<u>Policy Data</u>	<u>Limit/Deductible</u>
Employed Physicians Professional Liability	The Physicians Trust 11/1/2025 to 11/1/2026 Policy No: PPG000109	<u>Professional Liability</u> \$1,000,000 Per Medical Occurrence \$3,000,000 Aggregate \$25,000 Deductible
Commercial Auto	Travelers (The Travelers Indemnity Company) 11/1/2025 to 11/1/2026 Policy No: BA-3R399980-25-43-G	\$1,000,000 Combined Single Limit* \$1,000/\$1,000 comp & collision deductibles
		Hired Auto Physical Damage Deductibles \$1,000/\$1,000 comp & collision
		*Incl. Hired/Non-Owned Auto Liability
Executive Risk Liability (D&O/EPL)	Travelers (Travelers Casualty and Surety Company of America) 11/1/2025 to 11/1/2026 Policy No. 106528889	<u>D&O:</u> \$2,000,000 Per Claim (Shared with EPL) \$15,000 Retention <u>EPL:</u> \$2,000,000 Per Claim (Shared with D&O) \$50,000 Retention \$2,000,000 Policy Aggregate
Fiduciary/Crime	Travelers (Travelers Casualty and Surety Co. of America) 11/1/2025 to 11/1/2026 Policy No: 105706915	<u>Fiduciary:</u> \$1,000,000 Aggregate Limit \$0 Retention <u>Crime:</u> \$750,000 Employee Theft Limit \$10,000 Retention <u>ERISA:</u> \$500,000 Limit



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

Board of Commissioners
Morehouse Parish Hospital Service District No. 1
dba: Morehouse General Hospital
Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Morehouse Parish Hospital Service District No. 1 dba: Morehouse General Hospital (the Hospital) as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated November 25, 2025.

Report on 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. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2025-01, that we consider to be a material weakness.

Board of Commissioners
Morehouse Parish Hospital Service District No. 1
dba: Morehouse General Hospital

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

Purpose of This Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is fluid and cursive, with "CliftonLarson" on the first line and "Allen LLP" on the second line.

CliftonLarsonAllen LLP

Dallas, Texas
November 25, 2025

MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
SCHEDULE OF FINDINGS
MAY 31, 2025

2025-001 Internal Control Over Financial Reporting

Condition: There were proposed audit adjustments detected as part of the audit process.

Criteria: A properly designed system of internal control over financial reporting includes the prevention, or detection and correction of misstatements on a timely basis. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: The effect of this condition is that the year-end financial statements would be materially misstated had the adjusting entries not been made.

Cause: Year-end reconciliations were not accurately completed on all significant general ledger accounts.

Recommendations: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible in order to minimize audit adjustments in the future.

Management Response: Management will continue to make improvements in the financial reporting process and procedures. Additionally, the current year adjustments were in part due to significant turnover within the finance and accounting team which management believes will correct itself moving forward with a consistent team in place.

**MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA: MOREHOUSE GENERAL HOSPITAL
SCHEDULE OF PRIOR YEAR FINDINGS
MAY 31, 2025**

2024-001 Internal Control Over Financial Reporting

Criteria: A properly designed system of internal control over financial reporting includes the prevention, or detection and correction of misstatements on a timely basis. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: There were proposed audit adjustments detected as part of the audit process.

Status: Unresolved, see finding 2025-001.



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