SAVOY MEDICAL MANAGEMENT GROUP, INC.
MAMOU, LOUISIANA

(A COMPONENT UNIT OF THE
TOWN OF MAMOU, LOUISIANA)

Financial Report

Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Savoy Medical Management Group, Inc.
Mamou, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Savoy Medical Management Group, Inc. (a nonprofit health care entity), a component unit of the Town of Mamou, consisting of Savoy Medical Center Operations Fund and Town of Mamou Building Fund, which comprise the statement of financial position as of December 31, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Savoy Medical Management Group, Inc. as of December 31, 2020, and the results of its operations, changes in its net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021, on our consideration of Savoy Medical Management Group, Inc.'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 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 Savoy Medical Management Group, Inc.'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 Savoy Medical Management Group, Inc.'s internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
June 23, 2021

FINANCIAL STATEMENTS

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana

Statement of Financial Position
December 31, 2020

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,866,692	$ 6,039	$ 6,872,731
Patient accounts receivable, net	1,744,028	-	1,744,028
Estimated third-party payor settlements	2,219,643	-	2,219,643
Other receivables	40,316	-	40,316
Inventory	657,083	-	657,083
Prepaid expenses	64,518	-	64,518
Total current assets	11,592,280	6,039	11,598,319
Property, plant and equipment, net	1,344,098	2,955,298	4,299,396
Deposits	1,828	-	1,828
Total assets	$ 12,938,206	$ 2,961,337	$ 15,899,543
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	$ 495,479	$ -	$ 495,479
Accrued expenses	685,549	-	685,549
Accrued salaries and payroll taxes	759,465	-	759,465
Estimated third-party payor settlements	890,903	-	890,903
Unearned revenues	4,300,471	-	4,300,471
Refundable advance	1,647,500	-	1,647,500
Current portion of long-term debt	136,489	-	136,489
Total current liabilities	8,915,856	-	8,915,856
Long-term liabilities:			
Long-term debt	187,398	-	187,398
Total liabilities	9,103,254	-	9,103,254
Net assets:			
Without donor restrictions-			
Unrestricted and undesignated	3,834,952	2,961,337	6,796,289
Total liabilities and net assets	$ 12,938,206	$ 2,961,337	$ 15,899,543

The accompanying notes are an integral part of this statement.

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana

Statement of Operations and Changes in Net Assets
Year Ended December 31, 2020

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
Operating revenue:			
Net patient service revenue (net of provision for bad debts of $1,329,973)	$ 23,428,628	$ -	$ 23,428,628
Other operating revenues	2,082,119	-	2,082,119
Net operating revenue	25,510,747	-	25,510,747
Operating expenses:			
Salaries and wages	8,760,578	-	8,760,578
Employee benefits	1,568,439	-	1,568,439
Professional fees	519,343	-	519,343
Supplies	4,003,309	12	4,003,321
Utilities	764,776	-	764,776
Contract services	767,869	-	767,869
Insurance	531,308	-	531,308
Licenses and fees	60,051	-	60,051
Management fee	805,549	-	805,549
Other	361,797	-	361,797
Rents and leases	304,560	-	304,560
Repairs and maintenance	372,935	-	372,935
Interest expense	19,550	-	19,550
Intergovernmental transfer - access grants	5,817,272	-	5,817,272
Depreciation	426,448	125,971	552,419
Total operating expenses	25,083,784	125,983	25,209,767
Operating income (loss)	426,963	(125,983)	300,980
Nonoperating revenues (expenses):			
Grant income	28,000	-	28,000
Interest income	8,973	9	8,982
Total nonoperating revenues (expenses)	36,973	9	36,982
Change in net assets without donor restrictions	463,936	(125,974)	337,962
Net assets, beginning	3,371,016	3,087,311	6,458,327
Net assets, ending	$ 3,834,952	$ 2,961,337	$ 6,796,289

The accompanying notes are an integral part of this statement.

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana

Statement of Cash Flows
Year Ended December 31, 2020

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
Cash flows from operating activities:			
Operating income (loss)	$ 426,963	$ (125,983)	$ 300,980
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	426,448	125,971	552,419
Provision for bad debts	1,329,973	-	1,329,973
Increase in accounts receivable	(1,321,595)	-	(1,321,595)
Decrease in third party payer receivables	(383,372)	-	(383,372)
Increase in other receivables	47,035	-	47,035
Decrease in inventory	(1,659)	-	(1,659)
Increase in prepaid expenses	1,152	-	1,152
Decrease in accounts payable/accrued expenses	10,382	-	10,382
Increase in accrued salaries and payroll taxes	140,811	-	140,811
Increase in unearned revenues	5,606	-	5,606
Refundable advance	1,647,500	-	1,647,500
Net cash provided (used) by operating activities	2,329,244	(12)	2,329,232
Cash flows from investing activities:			
Interest earned on interest-bearing deposits	8,973	9	8,982
Purchase of property and equipment	(425,510)	-	(425,510)
Net cash provided (used) by investing activities	(416,537)	9	(416,528)
Cash flows from financing activities:			
Provider relief funds	4,294,865	-	4,294,865
Grant received	28,000	-	28,000
Principal paid on capital leases	(171,782)	-	(171,782)
Net cash provided by financing activities	4,151,083	-	4,151,083
Net increase (decrease) in cash and cash equivalents	6,063,790	(3)	6,063,787
Cash and cash equivalents, beginning of year	802,902	6,042	808,944
Cash and cash equivalents, end of year	$ 6,866,692	$ 6,039	$6,872,731
Supplemental disclosures:			
Interest paid	$ 19,550	$ -	$ 19,550

The accompanying notes are an integral part of this statement.

(1) Summary of Significant Accounting Policies

A. Organization and Purpose

The Town of Mamou (Town) is the sole member of Savoy Medical Management Group, Inc. (Organization). The Organization, a component unit of the Town, is a nonprofit corporation organized under the laws of the State of Louisiana for the purpose of managing and operating a quality, cost effective health care facility for patients of the communities located in Evangeline Parish. The Town owns the Savoy Medical Center located in Mamou, Louisiana, which is operated by the Organization.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met, either (1) expire by incurring expenses satisfying the restricted purpose (purpose restricted), and/or the passage of time or other events (time restricted), or (2) will never expire (perpetual in nature). When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

D. Patient Accounts Receivable

Patient accounts receivable are stated at net realizable value. The Organization maintains allowance for uncollectible accounts and for estimated losses resulting from a payer's inability to make payments on accounts. The Organization estimates the allowance for uncollectible accounts based on management's assessment of historical and expected net collections considering historical and current business and economic conditions, trends in healthcare coverage, and other collections indicators. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible.

E. Inventory

Inventory, consisting primarily of pharmaceuticals and other medical supplies, are stated at the lower of cost, using an average cost method, or market.

F. Property and Equipment

The Organization's capitalization policy is $5,000 for property and equipment recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over useful lives of the assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Typical useful lives are 7 to 40 years for buildings and improvements and 4 to 15 years for equipment and furniture.

G. Revenue and Expense Recognition

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per admission or visit, reimbursed costs, discounted charges, and per diem rates. Net patient service revenues contain a single delivery element and is recognized at a point in time when the services are provided. The estimated net amount due from patients and third-party payors for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted, as needed, in future periods. The Organization also provides care to self-pay patients. The revenue on services provided to these patients are recognized at the time services are rendered. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

H. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, the organization's tax-exempt status has no effect on its liability for any federal excise taxes. Accounting principles generally accepted in the United States of America require the organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the organization, and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2017.

I. Compensated Absences

The Organization allows employees annual leave based on years of service. Upon termination of employment, an employee is paid for the value of any accrued leave through the date of separation at their current rate of pay. At December 31, 2020, the accrued compensated absences amounted to $452,303, which is included in accrued salaries and payroll taxes in the statement of financial position.

J. Advertising Expense

Advertising costs are expensed as incurred. Total advertising expense was $12,302 for the year ended December 31, 2020.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Liquidity and Availability of Financial Assets

The Organization has $6,576,247 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenses consisting of $2,572,260 in cash, $1,744,028 of patient accounts receivable, $2,219,643 of estimated third-party payor settlements, and $40,316 of other receivables.

(3) Cash and interest-bearing deposits

As of December 31, 2020, the Organization had cash and interest-bearing deposits in the amount of $6,872,731. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Organization's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Deposit balances (bank balances) as of December 31, 2020 are secured as follows:

Bank balances	$ 6,978,260
Federal deposit insurance	4,788,966
Pledged securities	541,095
Uninsured and uncollateralized	1,648,199
Total	$ 6,978,260

Deposits in the amount of $541,095 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Organization's name. Deposits in the amount of $1,648,199 were uninsured and uncollateralized. The Organization does not have a policy for custodial credit risk.

(4) Patient Accounts Receivable

Patient accounts receivable at December 31, 2020 consisted of the following:

Medicare	$ 969,647
Medicaid	708,079
Other third-party payors	1,017,401
Patients	2,475,897
Total patient accounts receivable	5,171,024
Less: allowance for uncollectible accounts	(3,426,996)
Patient accounts receivable, net	$ 1,744,028

(5) Estimated Third-Party Settlements

The estimated third-party payors settlements receivable consisted of the following at December 31, 2020:

Estimated third-party payor settlements:

Receivable-

Cost Report Year:	Medicare	Medicaid	Uncompensated Care Cost (UCC)	Total
2020	$ 375,300	$ 140,843	$ 1,703,500	$ 2,219,643

Payable-

Cost Report Year:	Medicare	Medicaid	Uncompensated Care Cost (UCC)	Total
2020	$ 433	$ 132,539	$ -	$ 132,972
2019	-	324,819	-	324,819
2018	-	181,447	-	181,447
2017	3,381	190,250	-	193,631
2016	-	58,034	-	58,034
	$ 3,814	$ 887,089	$ -	$ 890,903

(6) Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2020:

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Total
Land	$ -	$ 430,000	$ 430,000
Construction in progress	388,661	-	388,661
Buildings and improvements	1,651,513	18,722,013	20,373,526
Equipment	5,002,489	2,471,663	7,474,152
Furniture	308,551	27,061	335,612
Total property, plant and equipment	7,351,214	21,650,737	29,001,951
Less: Accumulated depreciation	(6,007,116)	(18,695,439)	(24,702,555)
Net property, plant and equipment	$ 1,344,098	$ 2,955,298	$ 4,299,396

Depreciation expense charged to operations amounted to $426,448 and $125,971 for Savoy Medical Center's Operations Fund and Town of Mamou Building Fund, respectively, for the year ended December 31, 2020.

Savoy Medical Center Operations Fund leases equipment with a cost basis of $1,447,553 under a capital lease. The depreciation for the year ended December 31, 2020 on these assets is $198,178, and the accumulated depreciation balance at December 31, 2020 is $1,122,423.

Savoy Medical Center Operations Fund incurred interest charges in the amount of $19,550 for assets purchased under a capital lease. The total amount was charged to operations for the year ended December 31, 2020.

(7) Changes in Long-Term Debt

The following is a summary of changes for the year ended December 31. 2020:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Savoy Medical Center Operations Fund:					
Capital leases	$ 495,669	$ -	$ (171,782)	$ 323,887	$ 136,489

Long-term debt at December 31, 2020 is comprised of the following individual issues:

Savoy Medical Center Operations Fund:

Capital Leases –

$98,127 capital lease payable to Marlin Business Bank, dated December 15, 2016, due in monthly installments of $1,813 through December 15, 2021, interest at 4.136%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $21,261.	$ 23,012
$22,563 capital lease payable to Siemens Financial Services, Inc., dated December 15, 2016, due in monthly installments of $458 through December 15, 2021, interest at 8.021%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $4,889.	5,261
$169,800 capital lease payable to Olympus Financial Services, dated April 15, 2017, due in monthly installments of $3,924 through April 15, 2021, interest at 5.172%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $21,225.	15,503
$36,071 capital lease payable to Olympus Financial Services, dated April 15, 2017, due in monthly installments of $3,924 through April 15, 2021, interest at 5.124%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $4,509.	3,563
$19,753 capital lease payable to Ally Financial, dated April 16, 2018, due in monthly installments of $478 through April 26, 2022, interest at 7.548%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $6,585.	7,270
$24,489 capital lease payable to Ally Financial, dated June 6, 2018, due in monthly installments of $600 through June 6, 2022, interest at 8.163%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $8,164.	10,143
$33,168 capital lease payable to GE Healthcare Equipment Finance, dated May 28, 2018, due in monthly installments of $1,033 through May 28, 2021, interest at 7.6%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $7,371.	5,379
$360,403 capital lease payable to GE Healthcare Equipment Finance, dated June 1, 2019, due in monthly installments of $6,131 through June 1, 2024, interest at 0.807%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of $246,276.	253,756
Total capital leases	$ 323,887

Scheduled maturities of long-term debt as of December 31, 2020 are as follows:

Year Ending December 31,	Principal	Interest
2021	$ 136,489	$ 3,777
2022	77,795	1,315
2023	72,953	615
2024	36,650	86
Total	$ 323,887	$ 5,793

(8) Net Patient Service Revenue

Outpatient services are reimbursed based on fee schedules provided by Medicare/Medicaid and other insurance companies. Billings are adjusted in order to reflect amounts to be reimbursed. Net patient service revenue consisted of the following at December 31, 2020:

Gross patient charges	$ 92,991,136
Less: Contractual allowances and discounts	(68,232,535)
Patient service revenue (net of contractual allowances and discounts)	24,758,601
Less: Provision for bad debts	1,329,973
Net patient service revenue (net of provision for bad debt)	$ 23,428,628

(9) Operating Leases

Savoy Medical Center Operations Fund entered into various operating leases for equipment and building leases for hospital clinics commencing from 2017 through 2020 with terms ranging from 24 to 60 months. Future minimum lease payments due under the lease terms are as follows:

Year Ending December 31,	Equipment	Building	Total
2021	$ 57,254	$ 67,200	$ 124,454
2022	46,199	67,200	113,399
2023	19,183	67,200	86,383
2024	19,183	65,400	84,583
2025	6,394	60,000	66,394
2026-2027	-	90,000	90,000
Total	$ 148,213	$ 417,000	$ 565,213

Operating lease expense amounted to $304,560 for the year ended December 31, 2020.

(10) Functional Expenses

The Organization provides general health care services to residents within its geographic location. The financial statements report certain categories of expenses that are attributable to the program and supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. For the year ended December 31, 2020, expenses related to providing these services were as follows:

Health care services:	
Salaries and wages	$ 8,760,578
Employee benefits	1,568,439
Professional fees	517,908
Supplies	3,984,612
Utilities	732,963
Contract services	470,229
Insurance	345,350
Licenses and fees	60,051
Management fee	805,549
Other	263,033
Rents and leases	304,560
Repairs and maintenance	366,913
Interest expense	19,550
Intergovernmental transfer - access grants	5,817,272
Depreciation	426,448
Total program expenses	24,443,455
General, administrative, and other:	
Contract services	297,640
Supplies	18,697
Insurance	185,958
Professional fees	1,435
Other	98,764
Repairs and maintenance	6,022
Utilities	31,813
Total management and general expenses	640,329
Total expenses	$ 25,083,784

(11) Intergovernmental Transfer Grants

The Organization entered into a Low Income and Needy Care Collaboration Agreement on July 31, 2013 with other hospitals in the region. The purpose of the agreement is to ensure that low income and needy patients have access to and receive quality hospital services by increasing funding for the Medicaid population and to access funding to which the hospitals are eligible under Medicaid supplemental payments. For the year ended December 31, 2020, the Organization provided intergovernmental transfer grants to other Hospitals in the amount of $5,817,272.

(12) Fair Value Measurements

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, patient accounts receivable, estimated third-party payor settlements, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(13) Town of Mamou Building Fund

Prior to January 1, 2011, the operations of the Town of Mamou Building Fund were reported in the Savoy Cancer Center, Inc.'s (Center) financial statements. Effective January 1, 2011, the operations of Center were transferred to the Savoy Medical Center, which is operated by the Organization. As a result, the financial position and the changes in net assets and cash flows of the Town of Mamou Building Fund are reported in the financial statements of the Organization.

(14) Special Services Management Agreement

On February 15, 2015, the Organization entered into a Special Services Management Agreement with Evangeline Clinical Services. The purpose of the agreement is to gain managerial and administrative expertise in the delivery and operations of hospitals and to clinically integrate with CHRISTUS Health Central Louisiana (CHRISTUS) network of physicians, clinics and hospitals, in order to improve access, quality, availability and efficiency of care for residents of the community. CHRISTUS will administer the day-to-day operations of the hospital, subject to any required approvals and operational oversight from the Organization. In exchange for the services and cost incurred, the Organization will pay $10,000 per month and an amount equal to each fiscal year's undisbursed operating revenue as defined by the contract. The term of this agreement is for an initial fifteen years and shall automatically continue thereafter for an additional term of five years. In accordance with the terms of the agreement, the Organization paid a management fee in the amount of $805,549 for the year ended December 31, 2020.

(15) Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2020 is as follows:

Medicare	37.2%
Medicaid	20.9%
Other third-party payors	41.6%
Patients	0.3%
	100.0%

(16) Pension Plan

The Organization has a 401(k) profit sharing plan (a defined contribution plan), established in February, 2010, which covers substantially all employees who are eighteen years of age or older with at least two consecutive months of service. The Plan, as amended, complies with the applicable provisions of the Employee Retirement Income Security Act of 1974. The employer may make matching contributions or profit sharing contributions at their discretion based on board approval. The Organization did not contribute to the Plan for the year ended December 31, 2020.

(17) Risk Management

The Organization is exposed to risks of loss in the areas of general liability, management liability and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

(18) Contingencies

The Organization evaluates contingencies based upon the best available evidence. The Organization believes that no loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Organization's estimates, future earning will be charged or credited.

Third-party Government Revenues – Cost reimbursements are subject to examination by agencies administering the programs. The Organization is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statues, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Management believes that the Organization is in compliance with fraud and abuse statues as well as other applicable governmental laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

(19) Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology.

In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2017. The Organization recognizes revenue for the Medicare and Medicaid EHR incentive payments when the Organization is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the Organization's attestation compliance with the meaningful use criteria is subject to audit by the federal government.

During the fiscal year ending December 31, 2020, the Louisiana Medicaid conducted a review of the Program Year 2017. As a result, it was determined that the Organization did not meet certain performance measures for that program year and will be required to repay $51,000 to the program. This recoupment was recorded in the Organization's financial statements at December 31, 2020.

(20) Cares Act Subsidies

In response to the economic fallout of the COVID-19 pandemic in the United States, the 116th U.S. Congress passed an economic stimulus bill that was signed into law by the President on March 27, 2020. The Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized $2.2 trillion to combat COVID-19 and its economic effects, including providing loan programs for small businesses, support for hospitals and other medical providers, and various types of economic relief for impacted businesses and industries. As a result of the CARES Act, the Hospital Service District received funding from the following programs:

Provider Relief Funds – The Organization received approximately $4,284,903 in Provider Relief Funds and $9,962 in interest earnings during the fiscal year ending December 31, 2020. This payment was issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. These amounts are reported as unearned revenue in the accompanying statement of financial position. The Organization will be required to submit an initial report of healthcare related expenses and lost revenues attributable to coronavirus from inception through December 31, 2020 by February 15, 2021, and a final report from January 1, 2021 through June 30, 2021 by July 31, 2021. Funds received in excess of the reported expenses and lost revenues, if any, will be returned to HHS.

Paycheck Protection Program – On June 4, 2020, the Organization entered into a promissory note in the amount of $1,647,500 through the U.S. Small Business Administration's Paycheck Protection Program (Program). The purpose of the Program was to provide funding for employee salaries and certain limited nonpayroll expenses. In accordance with the Program, the loan can be partially or completely forgiven if certain criteria are met. Any amounts not forgiven will be repaid bearing an interest rate of 1 percent. This amount is reported as a refundable advance on the statement of financial position.

(21) Compensation, Benefits, and Other Payments to Agency Head

The Organization's agency head did not receive any compensation, benefits, or other payments from public funds for the year ended December 31, 2020.

(22) New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is evaluating the potential impact of the amendment on the Organization's financial statements. The effect of implementation of this new pronouncement on the Organization financial statements has not yet been determined.

(23) Subsequent Event Review

A. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have and may continue to impact the Organization's ongoing operations. The extent and severity of the potential impact on future operations in unknown at this time.

B. The Organization's management has evaluated subsequent events through June 23, 2021, the date which the financial statements were available to be issued.

C. On April 9, 2021, the Organization's promissory note in the amount of $1,647,500 through the U.S. Small Business Administration's Paycheck Protection Program was approved for full forgiveness.

SUPPLEMENTARY INFORMATION

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana
Savoy Medical Center Operations Fund

Comparative Statement of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,866,692	$ 802,902
Patient accounts receivable, net	1,744,028	1,752,406
Estimated third-party payor settlements	2,219,643	1,940,597
Other receivables	40,316	87,351
Inventory	657,083	655,424
Prepaid expenses	64,518	65,670
Total current assets	11,592,280	5,304,350
Property, plant and equipment, net	1,344,098	1,345,036
Deposits	1,828	1,828
Total assets	$ 12,938,206	$ 6,651,214
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 495,479	$ 413,558
Accrued expenses	685,549	757,088
Accrued salaries and payroll taxes	759,465	618,654
Estimated third-party payor settlements	890,903	995,229
Unearned revenues	4,300,471	-
Refundable advance	1,647,500	-
Current portion of long-term debt	136,489	174,687
Total current liabilities	8,915,856	2,959,216
Long-term liabilities:		
Long-term debt	187,398	320,982
Total liabilities	9,103,254	3,280,198
Net assets:		
Without donor restrictions-		
Unrestricted and undesignated	3,834,952	3,371,016
Total liabilities and net assets	$ 12,938,206	$ 6,651,214

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana
Savoy Medical Center Operations Fund

Comparative Statement of Activities
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenue:		
Net patient service revenue (net of provision for bad debts of $1,329,973 2020 and $2,613,749 2019)	$ 23,428,628	$ 22,087,593
Other operating revenues	2,082,119	1,496,967
Net operating revenue	25,510,747	23,584,560
Operating expenses:		
Salaries and wages	8,760,578	8,234,387
Employee benefits	1,568,439	1,609,668
Professional fees	519,343	681,945
Supplies	4,003,309	3,571,740
Utilities	764,776	850,553
Contract services	767,869	847,597
Insurance	531,308	504,740
Licenses and fees	60,051	62,255
Management fee	805,549	877,088
Other	361,797	251,287
Rents and leases	304,560	348,521
Repairs and maintenance	372,935	524,754
Interest expense	19,550	21,517
Intergovernmental transfer - access grants	5,817,272	4,650,020
Depreciation and amortization	426,448	548,488
Total operating expenses	25,083,784	23,584,560
Operating income	426,963	-
Nonoperating revenues (expenses):		
Grant income	28,000	-
Interest income	8,973	2,670
Total nonoperating revenues (expenses)	36,973	2,670
Change in net assets without donor restrictions	463,936	2,670
Net assets, beginning	3,371,016	3,368,346
Net assets, ending	$ 3,834,952	$ 3,371,016

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana
Savoy Medical Center Operations Fund

Schedule of Net Patient Service Revenue
For the Years Ended December 31, 2020 and 2019

	2020	2019
Gross patient charges	$ 92,991,136	$ 93,031,251
Less:		
Contractual allowances	(67,848,449)	(68,046,034)
Discounts	(384,086)	(283,875)
Uncollectible accounts	(1,329,973)	(2,613,749)
Total contractual allowances, discounts and uncollectible accounts	(69,562,508)	(70,943,658)
Net patient service revenue	$ 23,428,628	$ 22,087,593

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana
Savoy Medical Center Operations Fund

Schedule of Other Operating Revenues
For the Years Ended December 31, 2020 and 2019

	2020	2019
Other operating revenues:		
Cafeteria	$ 95,001	$ 150,723
Electronic health records incentive payment	-	13,671
Medicaid Quality Outcomes Payments	1,492,523	796,244
Medical record transcripts	1,203	2,234
Miscellaneous	5,629	21,712
Rent income	478,387	498,680
Vending machine commissions	9,376	13,703
Total other operating revenues	$ 2,082,119	$ 1,496,967

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Savoy Medical Management Group, Inc.
Mamou, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Savoy Medical Management Group, Inc. (a nonprofit health care entity), a component unit of the Town of Mamou, which comprise the statement of financial position as of December 31, 2020, 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 June 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Savoy Medical Management Group, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Savoy Medical Management Group, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Savoy Medical Management Group, Inc.'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. We did identify deficiencies in internal control described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Savoy Medical Management Group, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2020-003.

Savoy Medical Management Group, Inc.'s Response to Findings

Savoy Medical Management Group, Inc.'s response to the finding identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. Savoy Medical Management Group, Inc.'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
June 23, 2021

SAVOY MEDICAL MANAGEMENT GROUP, INC.
Mamou, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan

Part I. Current Year Findings and Management's Corrective Action Plan

A. Internal Control Findings -

2020-001: Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2012

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

CRITERIA: The Organization should have a control policy according to which no person should be given responsibility for more than one related function.

CAUSE: Due to the size of the Organization, there are a small number of available employees.

EFFECT: The Organization has employees that are performing more than one related function.

RECOMMENDATION: The Organization should establish and monitor mitigating controls over functions that are not completely segregated.

MANAGEMENT'S CORRECTION ACTION PLAN: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

2020-002: Inadequate Controls Over Reconciliations

Fiscal year finding initially occurred: 2019

CONDITION: The Organization did not have adequate procedures in place to reconcile the asset and liability general ledger accounts to appropriate supporting documentation.

CRITERIA: The Organization should have a control policy according to which all balance sheet accounts are reconciled to supporting schedules and subsidiary ledgers on a monthly basis.

CAUSE: Due to the lack of controls, the general ledger accounts were not properly reconciled to supporting documentation.

EFFECT: The Organization's general ledger accounts did not reflect the balance on the subsidiary ledger. As a result, journal entries were required to properly state these accounts.

RECOMMENDATION: The Organization should establish policies and procedures to reconcile these general ledger accounts to appropriate supporting documentation on a monthly basis.

MANAGEMENT'S CORRECTION ACTION PLAN: Management will review their procedures to ensure all balance sheet accounts are being reconciled and adjusted to supporting documentation on a monthly basis.

B. Compliance Findings -

2020-003 Uninsured and Uncollateralized Deposits

Fiscal year finding initially occurred: 2020

CRITERIA: Louisiana Revised Statute 39:1218-1229 requires that bank balances be secured by federal deposit insurance or collateralized by the financial institution with designated securities as defined by R.S. 39:1221.

CONDITION: The Organization had uninsured and uncollateralized bank balances as of the end of their fiscal year.

CAUSE: The Organization's financial institution did maintain adequate pledged securities for the increase in cash balances as of the end of their fiscal year.

EFFECT: The Organization had uninsured and uncollateralized bank balances in the amount of $1,648,199 as of the end of their fiscal year.

RECOMMENDATION: The Organization should coordinate with the appropriate financial institution to ensure any deposits in excess of federal deposit insurance are properly collateralized.

MANAGEMENT'S CORRECTION ACTION PLAN: Management will coordinate with the appropriate financial institution to ensure any deposits in excess of federal deposit insurance are properly collateralized.

Part II. Prior Year Findings

A. Internal Control Findings -

2019-001: Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2012

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: The Organization should establish and monitor mitigating controls over functions that are not completely segregated.

CURRENT STATUS: Unresolved. See finding 2020-001.

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)

2019-002: Inadequate Controls Over Reconciliations

Fiscal year finding initially occurred: 2019

CONDITION: The Organization did not have adequate procedures in place to reconcile the inventory and contractual adjustment general ledger accounts to appropriate supporting documentation.

RECOMMENDATION: The Organization should establish policies and procedures to reconcile these general ledger accounts to appropriate supporting documentation on a monthly basis.

CURRENT STATUS: Partially Resolved. See finding 2020-002.