St. Bernard Hospital Foundation, Inc.

FINANCIAL REPORT

December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St. Bernard Hospital Foundation, Inc.
Chalmette, Louisiana

We have audited the accompanying financial statements of St. Bernard Hospital Foundation, Inc. (the Foundation), a component unit of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) (a nonprofit health care entity), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Foundation'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

Emphasis of Matters

Joint Venture Cooperative Endeavor Agreement

As discussed in Note 8 to the financial statements, the Foundation has a Joint Venture Cooperative Endeavor Agreement (Agreement) with the District related to the construction and operation of a hospital facility and to provide related health care services to the citizens of St. Bernard Parish. This Agreement includes certain revenue and expense sharing provisions between the District and the Foundation that may not necessarily be indicative of the conditions that would have existed or the results of operations if the Foundation had been operated as an entity unaffiliated with the District.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Bernard Hospital Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Compensation, Benefits and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 on June 29, 2021 our consideration of the Foundation'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 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 Foundation's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
Metairie, LA
June 29, 2021

FINANCIAL STATEMENTS

As of December 31,		**2020**		2019
Assets				
Current assets				
Cash and cash equivalents	**$**	**1,446,681**	$	910,349
Prepaid expenses		**127,537**		125,775
Other current assets		**2,004**		-
Total current assets		**1,576,222**		1,036,124
Non-current assets				
Property and equipment, net		**36,305,210**		38,296,823
Total noncurrent assets		**36,305,210**		38,296,823
Total assets	**$**	**37,881,432**	$	39,332,947
Liabilities and Net Position (Deficit)				
Current liabilities				
Accounts payable	**$**	**176,385**	$	373,912
Accrued payroll		**674,092**		358,526
Current portion of Paycheck Protection Program note payable		**93,472**		-
Current portion of capital lease obligation		**-**		9,976
Total current liabilities		**943,949**		742,414
Long-term liabilities				
Due to the Hospital Service District of the Parish of St. Bernard		**70,863,783**		57,436,017
Paycheck Protection Program note payable		**1,302,428**		-
Total long-term liabilities		**72,166,211**		57,436,017
Total liabilities		**73,110,160**		58,178,431
Net position (deficit)				
Net assets without donor restrictions		**(35,228,728)**		(18,845,484)
Total liabilities and net position	**$**	**37,881,432**	$	39,332,947

The accompanying footnotes are an integral part of these financial statements.

St. Bernard Hospital Foundation, Inc.
Statements of Activities and Changes in Net Assets

For the Years Ended December 31,		**2020**		2019
		Without Donor Restrictions		Without Donor Restrictions
Revenue and Other Support				
Transfer of assets from the Hospital Service District of the Parish of St. Bernard	**$**	**33,527,905**	$	17,208,279
Other operating revenues		**95,611**		65,632
NMTC forgiveness		-		42,143,811
Total revenue and other support		**33,623,516**		59,417,722
Expenses				
Salaries and wages		**7,398,786**		6,818,842
Employee benefits		**1,420,872**		1,229,279
Professional fees		**38,766,612**		8,834,532
Depreciation and amortization		**2,084,826**		2,732,803
Insurance		**276,352**		163,219
Interest expense		**76**		453,668
Other direct expenses		**162,732**		296,815
Total expenses		**50,110,256**		20,529,158
Other Income (Expense)				
Other income		**104,520**		-
Gain (loss) on disposal of property and equipment		**(1,024)**		92,504
Total other income (expense)		**103,496**		**92,504**
Change in net position (deficit)		**(16,383,244)**		38,981,068
Net position (deficit) at beginning of year		**(18,845,484)**		(57,826,552)
Net position (deficit) at end of year	**$**	**(35,228,728)**	$	(18,845,484)

For the Years Ended December 31,	**2020**	2019
Operating Activities		
Changes in net deficit	**$ (16,383,244)**	$ 38,981,068
Adjustments to reconcile changes in net deficit to net cash provided by operating activities:		
Depreciation and amortization	**2,084,826**	2,732,803
Amortization of debt issuance costs	**-**	-
(Gain) loss on disposal of property and equipment	**1,024**	(92,504)
Gain from NMTC forgiveness	**-**	(42,143,811)
Abatement of IRS penalties and interest	**(104,520)**	-
Changes in operating assets and liabilities:		
Prepaid expenses	**(1,762)**	(125,775)
Other current assets	**(2,004)**	-
Accounts payable	**(10,704)**	223,307
Accrued payroll	**315,566**	(63,178)
Due to the District	**13,427,766**	1,378,806
Net cash (used in) provided by operating activities	**(673,052)**	890,716
Investing Activities		
Purchase of property and equipment	**(179,290)**	(275,192)
Proceeds from sale of property and equipment	**2,750**	79,700
Net cash used in investing activities	**(176,540)**	(195,492)
Financing Activities		
Proceeds from Paycheck Protection Program note payable	**1,395,900**	-
Principal payments on capital lease obligation	**(9,976)**	(84,025)
Net cash provided by (used in) financing activities	**1,385,924**	(84,025)
Net change in cash	**536,332**	611,199
Cash and cash equivalents, beginning of year	**910,349**	299,150
Cash and cash equivalents, end of year	**$ 1,446,681**	$ 910,349

(Continued)

For the Years Ended December 31,		**2020**		2019
Supplemental Cash Flows Inforamtion				
Cash paid for interest	**$**	**76**	$	201,023
Schedule of Certain Cash Flow Information				
Non-cash Investing Activities				
Intercompany transfer of property and equipment included in payables	**$**	**10,425**	$	-
Purchase of property and equipment included in payables	**$**	**-**	$	92,728
Non-cash Financing Activities				
Reduction of lease obligation due to lease termination	**$**	**-**	$	134,460

(Concluded)

Note 1: DESCRIPTION OF THE ORGANIZATION

The St. Bernard Hospital Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity that was organized on September 21, 2010, for the purpose of assisting and promoting the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) with the development of the hospital facility and raising of capital for the operation of health care related services to benefit the health and wellness of the residents of the District, particularly the indigent residents of the District. The Foundation is a voluntary, not-for-profit, non-stock membership organization, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The hospital became operational in August of 2012 and the medical office building was completed in January of 2013.

On August 23, 2011, the Foundation entered into a Joint Venture Cooperative Endeavor Agreement (CEA) with the District to construct and operate a hospital facility and provide emergency and other essential hospital services to the citizens of St. Bernard Parish, State of Louisiana. During 2011, the District granted and donated to the Foundation the in-place construction in order for the Foundation to complete construction of the hospital building. See Note 8 for further details.

The Foundation is maintained by private loans, grants, operating revenues, and a joint venture with the District. The Foundation is governed by a Board of Commissioners made up of five members. Four of the Directors are appointed by the Board of the District and one member is appointed by Access Health Louisiana, a Louisiana not-for-profit corporation. Although the Foundation is a legally separate, not-for-profit organization, due to the significance of the relationship with the District pursuant to the CEA, the Foundation is considered a component unit of the District for financial reporting purposes.

In October 2017, the Foundation and District entered into a management agreement with a wholly-owned subsidiary of Ochsner Health System, to provide management, staff, and other assistance to operate the Hospital. This expanded affiliation enables the Hospital to further enhance existing clinical services while simultaneously improving resources, including operational efficiencies (see Note 11).

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 accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. An estimate which is particularly susceptible to significant change in the near term are relates to functional expense classification.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Property and Equipment

Property and equipment are recorded at acquisition cost. It is the Foundation's policy to capitalize expenditures for these items in excess of $1,000. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization of property and equipment is calculated using the straight-line method. One-half year depreciation is taken in the year of acquisition. Equipment under capital lease is amortized using the straight-line method over the shorter of the lease term of the equipment or its useful life. Estimated useful lives used in computing depreciation are as follows:

Hospital building	15 - 40 years
Fixed equipment	3 - 15 years
Machinery and equipment	3 - 15 years
Land and leasehold improvement	2 - 15 years
Software	2 - 3 years

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Foundation first compares the undiscounted future cash flows expected to be generated by the assets to its carrying value. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third party appraisals, as considered necessary. No impairment losses were recorded in the years ended December 31, 2020 or 2019.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paycheck Protection Program

In May, 2020, the Foundation received a loan under the Paycheck Protection Program (PPP) pursuant to the CARES Act administered by the U.S. Small Business Administration (the SBA) (See Note 6). In June 2020, the AICPA issued Technical Questions and Answers 3200.18, *Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program* (the TQA). The TQA addresses accounting for nongovernmental entities that are not not-for-profit's, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the PPP Loan as a deferred income liability. The TQA further indicates that, if such an entity expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may analogize to IAS 20 to account for the PPP loan.

Net Assets

The Foundation reports information regarding its financial position and activities recording to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

There were no net assets (deficit) with donor restrictions as of December 31, 2020 or 2019.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Effective January 1, 2019, the Foundation adopted ASC 606. Revenue is recognized as performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Company recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and other changes in membership equity and the statement of functional expenses. Accordingly, certain costs have been allocated among the program, supporting services, and membership development benefited based on actual or percentage of use.

Income Taxes

Under section 501(c)(3) of the IRC, the Foundation is exempt from taxes on income other than unrelated business income.

The Foundation utilizes the accounting requirements with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Foundation recognized penalties as part of interest expense line in the accompanying statements of activities and changes in net assets. See Note 9 for relevant disclosures. As of December 31, 2020 and 2019, the Foundation had no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2021 and determined there were events that occurred that required disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (*Topic 842*)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases.* Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021 as a delay in adoption was recently approved. Early adoption is permitted. The Foundation is currently evaluating the impact of the adoption of this ASU on its financial statements.

Note 3: FINANCIAL ASSET AVAILABILITY

As discussed in Note 8 to the financial statements, the Foundation has a Joint Venture Cooperative Endeavor Agreement (CEA) with the District related to the construction and operation of a hospital facility and to provide related health care services to the citizens of St. Bernard Parish. The CEA includes certain revenue and expense sharing provisions between the District and the Foundation that may not necessarily be indicative of the conditions that would have existed or the results of operations if the Foundation had been operated as an entity unaffiliated with the District.

Since the commencement of operations in August of 2012, the District has experienced delays in billing and collections of net patient service revenue, primarily due to continued software implementation issues and billing/collection management issues within the revenue cycle. In prior periods, the operating performance of the District caused substantial doubt about the Foundation's ability to continue as a going concern as the Foundation receives a significant portion of its support from the District.

On October 3, 2016, the District entered into an interim CEA with Ochsner to provide administrative services and operational support to the District to assist the hospital in providing health services for the St. Bernard Parish Community; the interim CEA was extended through June 30, 2017. Effective July 12, 2017, the District entered into a special services agreement (Agreement) with Ochsner for the purposes of managing, operating and administering the Hospital. This agreement has enabled the Hospital to enhance clinical service delivery while simultaneously improving resources, including operational efficiencies, and obtaining additional cost reductions through vendor purchase discounts on supplies.

Based on the support provided pursuant to the current and prior Agreements with Ochsner, the District has implemented new processes and procedures around the revenue cycle to improve collections. In addition, the District has settled large outstanding payables with vendors and freed up operating cash to continue paying vendors and contractors in a timely manner. These actions have improved the District's operations and resulted in a positive ending net position beginning in 2017.

Note 3: FINANCIAL ASSET AVAILABILITY (Continued)

The District has committed to the Foundation to provide or maintain the necessary financial support to the Foundation to enable the Foundation to meet and discharge its liabilities in the normal course of business through one year after the December 31, 2020 audit report date. The Foundation has no reason to believe that these results will not be achieved.

The Foundation maintains its financial assets primarily in cash to provide liquidity to ensure funds are available as the Foundation's expenditures come due. The following reflects the Foundation's financial assets as of the statement of financial positon date. There were no contractual or donor-imposed restrictions as of December 31, 2020 and 2019 that would reduce financial assets available for general use within one year of the statement of financial positon date.

December 31,	**2020**	2019
Financial assets, at year-end	**$ 1,446,680**	$ 910,349
Financial assets available to meet cash needs for general expenditures within one year	**$ 1,446,680**	$ 910,349

Note 4: PROPERTY AND EQUIPMENT

Property and equipment – net consist of the following:

December 31	**2020**	2019
Hospital Building	**$ 43,798,271**	$ 43,798,270
Fixed equipment	**545,424**	545,424
Machinery and Equipment	**14,907,665**	14,805,866
Land and leasehold improvements	**21,466**	1,466
Software	**19,020**	-
Assets not in service	**17,760**	92,728
Total property and equipment	**59,309,606**	59,243,754
Less: accumulated depreciation	**(23,004,396)**	(20,946,931)
Property and equipment, net	**$ 36,305,210**	$ 38,296,823

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was $2,084,826 and $2,732,803, respectively.

Note 5: CAPITAL LEASES

The Foundation entered into a lease for equipment during 2013. The economic substance of the lease is that the Foundation is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Foundation's assets and liabilities. The lease agreement contains a fair value purchase option at the end of the lease term. The capital lease obligation was to expire in November 2018. The Foundation extended the lease agreement and returned leased equipment in 2019. The Foundation recorded a gain of $61,335 on return of equipment under the capital lease.

The Foundation entered into a lease for equipment during 2015. The economic substance of the lease is that the Foundation is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Foundation's assets and liabilities. The capital lease obligation expired February 2020. The Foundation obtained possession of the asset after final payment of the lease.

Amortization of assets held under the capital leases totaling $10,973 and $65,837 for the years ended December 31, 2020 and 2019, respectively, and is included in depreciation and amortization expense.

The net book value of assets recorded under capital leases as of December 31, 2020 and 2019 consists of the following:

December 31,		**2020**		2019
Equipment	**$**	**329,186**	$	329,186
Less: accumulated amortization		**(329,186)**		(323,699)
Capital lease equipment, net	**$**	**-**	$	5,487

Note 6: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In May 2020, the Foundation received a loan in the amount of $1,395,900 under the Payroll Protection Program (PPP Loan). The loan accrues interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Foundation and the lender. Payments are deferred during the deferral period, as defined in the agreement. The deferral period is the period beginning on the date of this note, May 2020, and ending ten (10) months after the last day of the covered period (Deferral Expiration Date). Any amounts not forgiven under the Program will be payable in equal installments of principal plus any interest owed on the payment date from the Deferral Expiration Date through the maturity date, as defined in the agreement. Additionally, any accrued interest that is not forgiven under the Program will be due on the first payment date, which is the 15th of the month following the month in which the Deferral Expiration Date occurs.

Note 6: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE (Continued)

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act, 2021, proceeds may only be used for the Foundation's eligible payroll costs (with salary capped at $100,000 on an annualized basis for each employee), or other eligible costs related to rent, mortgage interest, utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, in each case paid during the 24-week period following disbursement. The PPP Loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP Loan would be reduced in accordance with the regulations that were issued by the SBA. The Foundation is of the opinion that all of the proceeds of the PPP Loan were used by the Foundation to pay eligible payroll costs and the Foundation maintained its headcount and otherwise complied with the terms of the PPP Loan.

Future minimum principal payments under this note for the next five years:

Year ending December 31,		Amount
2021	$	93,472
2022		376,232
2023		380,011
2024		383,829
2025		162,356
Total	$	1,395,900

While the Foundation believes that it has acted in compliance with the program and will seek forgiveness of the PPP Loan, no assurance can be provided that the Foundation will obtain forgiveness of the PPP Loan in whole or in part. The balance on this PPP loan was $1,395,900 of December 31, 2020 and has been classified as current and non-current based on the contractual repayment terms.

Note 7: NMTC FORGIVENESS

On August 23, 2011, the Foundation issued a note payable (Facility A) to SBP Redevelopment II, LLC. The note was subject to credit and loan agreements executed by the Foundation (as borrower), St. Bernard Parish Redevelopment, LLC as the community development entity (CDE) under the New Markets Tax Credit Program, and SBP Redevelopment II, LLC (Lender). The agreement contained certain financial and non-financial covenants.

Note 7: NMTC FORGIVENESS (Continued)

The Facility A note, issued for $33,028,779, was secured under the aforementioned credit and loan agreements. The outstanding principle of the note was to be paid in 33 annual installments ranging from $439,177 to $1,193,669 beginning June 30, 2019, with the final installment due June 30, 2051. The Foundation could not prepay this note in full or in part any time prior to the expiration of the NMTC compliance period. The note borne interest at a rate per annum equal to 1.00%. The Foundation paid interest only on this note semi-annually in arrears on June 30th and December 31st of each year, commencing December 31, 2011, and continued until September 2019. Effective September 2019, the Foundation exercised a put option and paid a purchase price in the amount of $1,000.

On September 14, 2012, the Facility B note (subordinate note) was issued for $11,671,221 to SBP Redevelopment II, LLC, after all of the Facility A note funds had been expended and the certificate of occupancy for the hospital facility was issued. The note was secured under the same aforementioned credit and loan agreements executed by the Foundation for the Facility A note. The terms of the Facility B note were similar to those of the Facility A note. The outstanding principal of the note was to be paid in 33 annual installments ranging from $155,190 to $421,801 beginning June 30, 2019, with the final installment due August 22, 2051. The Foundation could not prepay this note in full or in part any time prior to the expiration of the NMTC compliance period. The note borne interest at a rate per annum equal to 1.00%. The Foundation paid interest only on this note semi-annually in arrears on June 30 and December 31 of each year commencing December 31, 2012, and continued until September 2019. Effective September 2019, the Foundation exercised a put option and paid a purchase price in the amount of $1,000.

During the year ended December 31, 2019, the Foundation exercised a put option on both the Facility Notes A and B for $1,000 whereby the outstanding principle on the notes were forgiven. The result of the transaction less expenses related to the transaction including the unamortized debt issuance costs resulted in a gain on the forgiveness of the debt of $42,143,811.

Note 8: JOINT VENTURE

As mentioned in Note 1, on August 23, 2011, the District and the Foundation entered into a Joint Venture Cooperative Endeavor Agreement (Agreement) to engage in a joint venture to construct and operate a hospital facility and provide emergency and other essential and specialized hospital services to the citizens of St. Bernard Parish, State of Louisiana. This agreement was to facilitate the NMTC transaction. On this date, the District transferred all construction in progress associated with the hospital to the Foundation. During 2012, the Foundation used the proceeds of the NMTC Notes (Facility A and B) to complete the construction of the hospital building, acquire essential equipment, materials and supplies necessary for the operation of the hospital, and employed health professionals, administrative staff and other needed personnel and contracted with physicians and other health professionals required for the operation of the hospital.

Note 8: JOINT VENTURE (Continued)

Under the terms of the Agreement, the District is obligated to make the land that the District owns, including all of the District's rights, privileges, appurtenances, and amenities, available to itself and the Foundation for the operation of the hospital building which was constructed on this land. This agreement will terminate on June 30, 2051, unless sooner terminated as permitted.

Pursuant to the Agreement, there are certain revenue and expense sharing provisions between the District and the Foundation. Amounts due to the District totaled $70,863,783 and $57,436,017 as of December 31, 2020 and 2019, respectively, and represent the net balance of transactions with the District. The following is a summary of the significant transactions that occurred in 2020: 1) cash transfers to fund operations in excess of the revenue sharing agreement totaling $27,205,737, 2) Foundation expenses per the Agreement paid by the District totaling $40,633,503 relating to professional fees, insurance, and maintenance and repairs.

The following is a summary of the significant transactions that occurred in 2019: 1) cash transfers to fund operations in excess of the revenue sharing agreement totaling $9,096,322, 2) Foundation expenses per the Agreement paid by the District totaling $10,475,128 relating to professional fees, insurance, and maintenance and repairs. Amounts due at December 31, 2020 and 2019 were classified as long-term based on the commitment from the District not to demand repayment within one year. Amounts due to the District are non-interest bearing, unsecured and have no scheduled repayment terms.

In accordance with the revenue sharing provisions of the Agreement with the District, amounts transferred from the District to the Foundation are recognized as unrestricted revenue and other support. These amounts totaled $33,527,905 and $17,208,379 for the years ended December 31, 2020 and 2019, respectively.

Note 9: FUNCTIONAL CLASSIFICATION OF EXPENSES

Any costs related to program administration are functionally classified as supporting services expenses. Any costs related to activities that constitute direct conduct or direct supervision of program activities are program expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Interest expense and depreciation expense have been allocated based on time and effort. Salaries and wages, employee benefits, professional fees, insurance and other direct expenses have been allocated based on the actual direct expenditures. There were no fundraising expenses for the years ended December 31, 2020 and 2019.

Note 9: FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

The table below present expenses by both their nature and function for the year ended December 31, 2020:

	2020		
	Program Activities	Support Activities	Total
Salaries and wages	$ 7,398,786	$ -	**$ 7,398,786**
Employee benefits	1,420,872	-	**1,420,872**
Professional fees	38,707,482	59,130	**38,766,612**
Depreciation and amortization	2,084,458	368	**2,084,826**
Insurance	276,352	-	**276,352**
Interest expense	76	-	**76**
Other direct expenses	290	162,442	**162,732**
Total expenses	$ 49,888,316	$ 221,940	**$ 50,110,256**

The table below present expenses by both their nature and function for the year ended December 31, 2019:

	2019		
	Program Activities	Support Activities	Total
Salaries and wages	$ 6,818,842	$ -	$ 6,818,842
Employee benefits	1,229,279	-	1,229,279
Professional fees	8,799,536	34,996	8,834,532
Depreciation and amortization	2,732,435	368	2,732,803
Insurance	163,219	-	163,219
Interest expense	453,668	-	453,668
Other direct expenses	125	296,690	296,815
Total expenses	$ 20,197,104	$ 332,054	$ 20,529,158

Note 10: CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Foundation has cash deposits with financial institutions at December 31, 2020 in excess of federally insured limits of $903,629. There were no cash deposits in excess of federally insured limits at December 31, 2019.

Note 11: COMMITMENTS AND CONTINGENCIES

Low Income and Needy Care Collaboration Agreement

In April of 2012, the Foundation entered into a Low Income and Needy Care Collaboration Agreement (LINCCA Agreement) with certain participating private hospitals primarily to improve access and provide low income and needy care services in the community it serves by the participating hospitals. The agreement was effective when the District became operational with an initial term through December 31, 2013 and may be renewed annually unless other party provides notice to terminate. Expenses incurred under this agreement totaled $32,575,912 and $8,231,096 for the years ended December 31, 2020 and 2019, respectively. These expenses are included as professional fees in the accompanying financial statements.

Full Medicaid Payment Program

As part of the Foundation's continuing support of the State of Louisiana's Medicaid Program, the Hospital has, throughout the period, made intergovernmental transfers (IGTs) amounts to the State of Louisiana (State) restricted for use in support of the Medicaid Program to provide additional payments to Managed Medicaid providers to approximate Medicaid reimbursement (Full Medicaid Payment). For the years ended December 31, 2020 and 2019 the Foundation expensed IGTs of $6,131,558 and $580,689 respectively, to the State for Full Medicaid Payment. These expenses are included as professional fees in the accompanying financial statements.

During the year ended December 31, 2019, the Foundation filed 2016 and 2017 tax forms required by the Affordable Care Act after the due date as required by the IRS. Penalties of $252,644 were accrued by the Foundation and included in accounts payable and interest expense on the accompanying statements of financial position and statements of activities and changes in net assets as of December 31, 2019. Penalties of $104,520 were forgiven by the IRS and were recognized as other income on the statements of activities and changes in net assets as of December 31, 2020. The remaining amount of $148,124 was included in accounts payable on the accompanying statements of financial position as of December 31, 2020. The Foundation is currently appealing the assessment of penalties and interest with the IRS.

Note 12: FOUNDATION MANAGEMENT CONTRACT

As mentioned in Note 1, effective October 2017 the Foundation along with the District are managed by St. Bernard Operational Management Company, LLC (SBOMC), a wholly owned subsidiary of Ochsner Health System. The District pays a monthly management fee to SBOMC in exchange for management, staff, and other assistance to operate.

In addition to the management fee referred to above, the District provides other payments to SBOMC for supplies purchased, professional services provided outside of the management agreement, and other miscellaneous items received or services provided throughout the year.

During years ended December 31, 2020 and 2019, there were no transactions between SBOMC and the Foundation, all transactions occurred at the District level.

Note 13: DEFINED CONTRIBUTION 403(B) PLAN

The Foundation sponsors a defined contribution plan whereby all new full-time employees are immediately eligible to join the defined contribution 403(b) plan, St. Bernard Parish Hospital Retirement Savings Plan (Plan) established on November 1, 2012. Participants make pre-tax contributions to the Plan and receive employer matching contributions equal to 50% of each participant's contribution up to 1% of the participant's annual compensation. Employer contributions to the 403(b) plan totaled $21,877and $22,791 for the years ended December 31, 2020 and 2019, respectively. To vest in the employer annual non-discretionary contribution, employees must complete at least 3 years of service.

Note 14: UNCERTANTIES

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

SUPPLEMENTARY INFORMATION

St. Bernard Hospital Foundation, Inc.
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2020

Agency Head Name: Kim Keene, Chief Executive Officer

Note: In 2017, St. Bernard Hospital Foundation, Inc. entered into a Special Services Management Agreement with St. Bernard Operational Management Company, LLC (Ochsner). The Agency Head is Kim Keene, Chief Executive Officer. Kim Keene is an employee of Ochsner. St. Bernard Hospital Foundation, Inc. did not make any payments to or on behalf of the Chief Executive Officer, an individual as the agency head for the year ended December 31, 2020.

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

To the Board of Directors of
St. Bernard Hospital Foundation, Inc.
Chalmette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the St. Bernard Hospital Foundation, Inc. (the Foundation), a component unit of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated June 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 consolidated 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 District'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
Metairie, LA
June 29, 2021

Section I – There were no findings noted related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and Louisiana Revised Statute 24:513.

Section I – There were no findings noted related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and Louisiana Revised Statute 24:513.