

**EISNERAMPER**

**SOUTHWEST LOUISIANA HEALTH CARE  
SYSTEM, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**



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## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Southwest Louisiana Health Care System, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Southwest Louisiana Health Care System, Inc. and its affiliates (the "System"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the System as of December 31, 2023, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Prior Period Financial Statements***

The consolidated financial statements of the System for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 14, 2023.

#### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

*EisnerAmper LLP*

EISNERAMPER LLP  
Baton Rouge, Louisiana  
June 28, 2024



**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**

**ASSETS**

<i>(in thousands)</i>	<u>2023</u>	<u>2022</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 78,536	\$ 72,854
Cash and cash equivalents - restricted	1,169	9,312
Patient accounts receivable	41,728	36,336
Assets limited as to use - current portion	8,060	8,162
Inventory	7,785	7,461
Short-term investments	908	96
Other current assets	64,444	23,222
Total current assets	<u>202,630</u>	<u>157,443</u>
 <b><u>ASSETS LIMITED AS TO USE</u></b>		
Held by trustee in accordance with bond indentures	8,819	8,815
Internally designated for malpractice claims	1,951	1,820
Internally designated for the Foundation	2,106	2,891
Total assets whose use is limited	<u>12,876</u>	<u>13,526</u>
Less: amounts required to meet current liabilities	<u>(8,060)</u>	<u>(8,162)</u>
Noncurrent assets limited as to use	<u>4,816</u>	<u>5,364</u>
 <b><u>PROPERTY AND EQUIPMENT, net</u></b>		
Total property and equipment, net	<u>153,963</u>	<u>155,271</u>
 <b><u>RIGHT OF USE ASSETS</u></b>		
Total right of use assets	<u>6,417</u>	<u>18,570</u>
 <b><u>OTHER ASSETS</u></b>		
Total other assets	<u>2,677</u>	<u>2,319</u>
 <b>TOTAL ASSETS</b>		
	<u>\$ 370,503</u>	<u>\$ 338,967</u>

(continued)

The accompanying notes are an integral part of these consolidated statements.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2023 AND 2022**

**LIABILITIES AND NET ASSETS**

<i>(in thousands)</i>	<u>2023</u>	<u>2022</u>
<b><u>CURRENT LIABILITIES</u></b>		
Current portion of long-term debt	\$ 5,817	\$ 6,131
Current portion of lease liability	2,475	1,676
Accrued interest payable	395	407
Accounts payable	21,921	26,114
Accrued compensation and benefits	22,704	24,975
Estimated third-party payor settlements	10,026	9,890
Other accrued expenses	27,689	34,200
Credit balances in patient accounts receivable	867	1,558
Total current liabilities	<u>91,894</u>	<u>104,951</u>
<b><u>LONG-TERM LIABILITIES</u></b>		
Long-term debt, net of current portion	101,904	107,721
Lease liability, net of current portion	4,343	15,690
Total long-term liabilities	<u>106,247</u>	<u>123,411</u>
Total liabilities	<u>198,141</u>	<u>228,362</u>
<b><u>NET ASSETS</u></b>		
Noncontrolling interest	(95)	(21)
Controlling interest - without donor restrictions	171,222	109,504
Controlling interest - with donor restrictions	1,235	1,122
Total net assets	<u>172,362</u>	<u>110,605</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 370,503</u></b>	<b><u>\$ 338,967</u></b>

(concluded)

The accompanying notes are an integral part of these consolidated statements.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022***(in thousands)*

	<u>2023</u>	<u>2022</u>
<b><u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>		
<b><u>OPERATING REVENUES</u></b>		
Patient service revenue	\$ 423,147	\$ 384,166
Other operating revenues	93,188	59,114
Total operating revenues	<u>516,335</u>	<u>443,280</u>
<b><u>OPERATING EXPENSES</u></b>		
Salaries and wages	197,050	186,612
Employee benefits	30,911	28,552
Contract labor	4,777	16,124
Supplies	106,683	99,345
Professional fees	7,504	7,675
Service contracts	11,415	9,715
Purchased services	42,164	37,125
Management fees	5,042	1,986
Depreciation	15,164	15,505
Interest	3,591	4,133
Insurance	7,693	6,832
Other	23,182	20,315
Total operating expenses	<u>455,176</u>	<u>433,919</u>
<b>INCOME FROM OPERATIONS</b>	<u>61,159</u>	<u>9,361</u>
<b><u>NONOPERATING REVENUES</u></b>		
Contributions	262	43
Other revenues - net	20	295
	<u>282</u>	<u>338</u>
<b>REVENUES OVER EXPENSES</b>	61,441	9,699
Change in fair value of investments	84	(244)
Gain (loss) on sales and disposal of property and equipment	296	(19)
Net assets released from restriction	261	109
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>62,082</u>	<u>9,545</u>
<b><u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u></b>		
Contributions	374	630
Net assets released from restriction	(261)	(109)
Total changes in net assets with donor restrictions	<u>113</u>	<u>521</u>
<b>CHANGE IN NET ASSETS</b>	62,195	10,066
Change in net assets - noncontrolling interest	364	502
Change in net assets - controlling interest	<u>\$ 61,831</u>	<u>\$ 9,564</u>

The accompanying notes are an integral part of these consolidated statements.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

<i>(in thousands)</i>	Controlling Interest		Noncontrolling Interest	Total Net Assets
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
<u>Balance at December 31, 2021</u>	\$ 100,461	\$ 601	\$ (83)	\$ 100,979
Cash paid to minority shareholders	-	-	(440)	(440)
Increase in net assets for the year ended December 31, 2022	<u>9,043</u>	<u>521</u>	<u>502</u>	<u>10,066</u>
<u>Balance at December 31, 2022</u>	109,504	1,122	(21)	110,605
Cash paid to minority shareholders	-	-	(438)	(438)
Increase in net assets for the year ended December 31, 2023	<u>61,718</u>	<u>113</u>	<u>364</u>	<u>62,195</u>
<u>Balance at December 31, 2023</u>	<u>\$ 171,222</u>	<u>\$ 1,235</u>	<u>\$ (95)</u>	<u>\$ 172,362</u>

The accompanying notes are an integral part of these consolidated statements.



**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022***(in thousands)*

	<u>2023</u>	<u>2022</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 62,195	\$ 10,066
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,164	15,505
Amortization of bond premium	(725)	(725)
Net unrealized (gain) loss on investments	(84)	244
Loss (gain) on sales and disposal of property and equipment	(296)	19
Lease liability and right of use asset adjustment	1,605	2,549
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,083)	(1,370)
Inventories and other current assets	(41,584)	(6,607)
Other assets	(358)	(452)
Accounts payable and accrued expenses	(13,100)	(32,325)
Third party payor settlements	136	(2,449)
Other liabilities	-	(3,753)
<b>Net cash provided by (used in) operating activities</b>	<u>16,870</u>	<u>(19,298)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Acquisitions of property and equipment	(14,225)	(15,453)
Proceeds from sale of property and equipment	816	-
Sale of investments	628	609
Purchase of investments	(949)	(627)
Change in assets whose use is limited	243	1,769
<b>Net cash used in investing activities</b>	<u>(13,487)</u>	<u>(13,702)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal payments on revenue bonds and notes	(5,406)	(4,371)
Principal payments on lines of credit	-	(905)
Cash paid to minority shareholders	(438)	(440)
<b>Net cash used in financing activities</b>	<u>(5,844)</u>	<u>(5,716)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,461)	(38,716)
Cash and cash equivalents at beginning of year	<u>82,166</u>	<u>120,882</u>
Cash and cash equivalents at end of year	<u>\$ 79,705</u>	<u>\$ 82,166</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u></b>		
Cash paid during the year for interest, net of capitalized interest	<u>\$ 3,613</u>	<u>\$ 4,142</u>
Accounts payable for property and equipment	<u>\$ 195</u>	<u>\$ 44</u>
<b><u>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH REPORTED:</u></b>		
Cash and cash equivalents	\$ 78,536	\$ 72,854
Cash and cash equivalents - restricted	1,169	9,312
Total cash, cash equivalents, and restricted cash reported	<u>\$ 79,705</u>	<u>\$ 82,166</u>

The accompanying notes are an integral part of these consolidated statements.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Summary of significant accounting policies**

Southwest Louisiana Health Care System, Inc. (the System or the Hospital) was organized as a Louisiana non-profit corporation for the purpose of conducting charitable, scientific, and educational activities. The System is designated as the “sole member” of its affiliates with the exception of several joint ventures, and, through the actions of its Board of Trustees, has the power to change or elect the Board of Trustees, approve certain corporate actions, and amend the articles of incorporation of its affiliates, thereby functioning in the capacity of the sole shareholder.

The accounting and reporting policies of the System conform to accounting principles generally accepted in the United States of America and the prevailing practices within the healthcare industry. The significant accounting policies used by the System in preparing and presenting its consolidated financial statements are summarized as follows:

#### **Principles of consolidation**

The consolidated financial statements include the Southwest Louisiana Hospital Association, d/b/a Lake Charles Memorial Hospital (the Hospital), the major operating unit in the System. The Hospital provides a wide range of inpatient and outpatient services through a 313-bed acute care facility, a 52-bed hospital for women, a 42-bed behavioral health hospital, and satellite locations. Also, included in the consolidated financial statements is Memorial Medical Group, LLC, a wholly-owned corporation formed for the purpose of entering into for-profit healthcare ventures, and the Southwest Louisiana Hospital Association Foundation, Inc. Through these entities, the System provides integrated healthcare services in southwest Louisiana. All significant intercompany transactions and balances have been eliminated upon consolidation.

The System owns greater than 50% in Lake Charles Health Plan, which was formed in 1997. The System is also a 51% owner in an MRI joint venture, which began operations in January of 2006. The joint ventures are consolidated in the accompanying financial statements due to the System’s ownership percentage exceeding 50%.

The System established the Southwest Louisiana Hospital Association Foundation, Inc. in 2009. The Foundation is organized as a non-profit corporation established to operate exclusively for the charitable, benevolent, educational and scientific purposes of Lake Charles Memorial Hospital. The Foundation has received exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

During 2013, the System entered into discussions with the LSU System and the State of Louisiana to lease the assets and be responsible for the operations of W.O. Moss Regional Hospital (Moss). A memorandum of understanding (MOU) was approved by the LSU Board of Supervisors, and a cooperative endeavor agreement (CEA) outlining the terms of the agreement was signed on June 24, 2013. W.O. Moss Regional ceased inpatient operations in June 2013 subject to legislative action and the System began operating ambulatory/outpatient clinics at the site effective June 24, 2013. The CEA was amended and restated in October of 2014. MOUs have been signed in 2016, 2017, 2018, and 2019 that modify some of the terms of the CEA. The Moss campus activities are included in the accompanying consolidated financial statements. The Louisiana Department of Health (LDH) and Centers for Medicare and Medicaid Services (CMS) jointly reassessed the hospital reimbursement programs in place. The revised methodologies consider LDH’s priority of maintaining reimbursement levels provided under the CEA between the System and Louisiana State University. These changes were effective July 1, 2022.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Summary of significant accounting policies (continued)**

##### Use of estimates

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

##### Cash and cash equivalents

Cash and cash equivalents includes all checking and savings accounts and certain investments in highly liquid debt instruments which had maturities of three months or less at the time of purchase.

Restricted cash includes local taxes paid as "payments under protest" since April 2011 as it relates to Medicare and Medicaid recipients of medical devices. Medical devices are defined as instruments, apparatus, implants, or pharmaceuticals used to diagnose, prevent, or treat the body. Escrow accounts for the local government which total approximately \$14,895,000 as of December 31, 2022 have been established. This escrow account was set up as a holding account awaiting the outcome of a pending lawsuit with the Calcasieu Parish School Board regarding the decision on whether certain medical devices and pharmaceuticals that are provided to Medicare and Medicaid patients are taxable at the local level. On March 22, 2023, the dispute was settled with the System agreeing to pay \$8,545,000 to the Calcasieu Parish School Board. Therefore, \$6,350,000 was released from restricted cash at December 31, 2022. The escrow account was closed during 2023.

##### Short-term investments

Short-term investments include stock and a certificate of deposit (See Note 5).

##### Investments and investment income

The System follows the provisions of the accounting guidance contained in the Accounting Standards Codification (ASC) for investments in equity securities with readily determinable fair values and all investments in debt securities which requires them to be measured at fair value in the consolidated balance sheets.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in net assets without donor restrictions, unless the use is restricted by the donor or law. Investment income on proceeds of borrowings that are held by a trustee, to the extent not capitalized, are reported as other operating revenues. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

Donated investments are recorded at their market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. These realized gains and losses flow through the System's yearly activities.

##### Assets limited as to use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the System have been reclassified in the consolidated balance sheets.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Summary of significant accounting policies (continued)**

##### Patient accounts receivable

The System provides credit in the normal course of operations to patients located primarily in Southwestern Louisiana and to third-party payors conducting operations in these areas. Due to the Hospital's geographic location, the System also participates in Texas' Medicaid programs to cover patients who are admitted.

Patient accounts receivable are recorded at net realizable value based on certain assumptions determined for each payor. For third-party payors, including Medicare, Medicaid, and Managed Care, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay accounts receivable, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience with consideration of reasonable and supportable forecasts. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries, and any anticipated changes in trends.

Patient accounts receivable can be impacted by the effectiveness of the System's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. The System also continually reviews the net realizable value of accounts receivable by monitoring historical cash collections, as well as by analyzing current period net revenue and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables, and current economic conditions and reasonable and supportable forecasts. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the System has determined that recent historical experience provides the best basis for estimating credit losses. At each reporting date, the estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. Because the System's estimates of patient accounts receivable, adjusted for explicit and implicit price concessions, are expected to be fully collectible, the consolidated financial statements do not include an allowance for credit losses.

The System determines if patient accounts receivable are past-due based on the discharge date; however, the System does not charge interest on past-due accounts but has entered into an agreement with a third-party vendor who charges a monthly administrative fee to the patient on extended payment plans. The System charges off patient accounts receivable if management considers the collection of the outstanding balances to be doubtful.

Contract assets consist of services provided to patients who are still receiving inpatient care at the System's facilities at the balance sheet date. This represents patient charges that have not been billed and which do not meet the conditions of unconditional right to payment at the consolidated balance sheet dates.

##### Inventories

Inventories consist primarily of drugs, medical supplies, and general supplies and are stated at the lower of cost (using the first-in, first-out method) or net realizable value.

# **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Summary of significant accounting policies (continued)**

#### Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its estimated fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives or increase the value of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Depreciation of assets is computed primarily by the use of straight-line methods over the estimated useful lives of the respective assets, as follows:

Building and improvements	25 - 40 years
Furniture and fixtures	5 - 7 years
Office & Medical Equipment	3 -15 years

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gains and losses are recognized in the System's yearly operations.

The System reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the assets. No impairments were recognized for December 31, 2023 or 2022.

#### Other assets

Other assets consist primarily of investments in affiliated entities, including Louisiana Pet Imaging of Lake Charles, LLC (33% ownership) and CHG Hospital Sulphur, LLC, specialty hospital (49% ownership). The System accounts for investments in affiliated entities of which it owns more than 20% but not more than 50%, using the equity method.

#### Leases

The Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)," was issued to increase transparency and comparability among financial statements by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease agreements.

The System determines if an arrangement is a lease at inception of the contract. For leases with terms greater than twelve months, right of use assets and lease liabilities are recognized at contract commencement date based on the present value of lease payments over the lease term. Right of use assets represent the System's right to use the underlying assets for the lease term. Lease liabilities represent the System's obligation to make lease payments arising from these contracts. The System uses the risk-free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

Lease agreements may include rental escalation clauses or renewal options that are factored into management's determination of lease payments, when appropriate. The estimated useful life of assets is limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The System's lease agreements may include payments based on usage while others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in operating expenses but are not included in the right of use asset or lease liability balances. The System's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Summary of significant accounting policies (continued)**

##### Leases (continued)

The System has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. Additionally, the System elected the package of transition provisions available which allowed the carryforward of the System's historical assessments of whether contracts are or contain leases, the lease classification, and the treatment of initial direct costs.

The System reviews the carrying values of right of use assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the right of use assets. No impairments were recognized for December 31, 2023 or 2022.

##### Costs of borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Financing costs are amortized to interest expense on a straight-line basis over the period that the related obligation is outstanding.

##### Net assets

Net assets, revenues and gains, are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use for any purpose in performing the primary objectives and general operations of the System and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed or grantor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The System did not have any net assets with perpetual donor restrictions at December 31, 2023 or 2022.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

##### Income (loss) from operations

The consolidated statements of operations include the line item entitled "income from operations." Income (loss) from operations includes, but is not limited to, patient revenues, investment income from unrestricted assets, cafeteria revenues, business interruption insurance proceeds, medical office rental revenues, provider relief funds, FEMA funds and other government subsidies. Changes in net assets without donor restrictions which are excluded from income from operations include contributions, unrealized gains (losses) on investments, property and equipment insurance proceeds, loss on disposal of assets, and other non-operating activities.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Summary of significant accounting policies (continued)**

##### **Patient service revenue and third-party settlements**

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

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

Since all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in the FASB Accounting Standards Codification (ASC) FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period that the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to examination. The System has recorded these third-party estimates based on the most likely amount to be realized. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Consequently, there is at least a reasonable possibility that recorded estimates could change by a material amount. The System applied the principles surrounding balance sheet offsetting. Therefore, the third-party receivables and payables are presented separately on the accompanying consolidated balance sheets.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Summary of significant accounting policies (continued)**

##### Patient service revenue and third-party settlements (continued)

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients. Patients who meet the System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The laws and regulations governing the System's operations, along with the terms of participation in various government programs, regulate how the System does business, the services offered and its interactions with patients and the public. These laws and regulations, and their interpretations, are subject to frequent change. Changes in existing laws or regulations, or their interpretations, or the enactment of new laws or regulations could materially and adversely affect the System's operations and financial condition.

The System is subject to various routine and non-routine governmental reviews, audits and investigations. In recent years, federal and state civil and criminal enforcement agencies have heightened and coordinated their oversight efforts related to the health care industry, including referral practices, cost reporting, billing practices, joint ventures and other financial relationships among health care providers. Violation of the laws governing the System's operations, or changes in the interpretation of those laws, could result in the imposition of fines, civil or criminal penalties, and/or termination of the System's rights to participate in federal and state-sponsored programs and suspension or revocation of the System's licenses. The System believes that it is in material compliance with all applicable laws and regulations.

##### Donor-restricted gifts

Unconditional promises to give cash and other assets to the System are reported at their fair values at the date the promises are received. Conditional promises to give and indications of intentions to give are reported at their fair values at the date the gifts are received or become unconditional. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

##### Employee health benefit claims

The provision for accrued and unpaid medical claims includes estimates of claims related to its employees who participate in the group health care benefit plan. Such provisions are estimated by management and include amounts for claims filed and not paid and an estimate of claims incurred but not filed at year end.

##### Professional liability claims

The provision for estimated malpractice claims includes estimates of the ultimate cost for both reported claims, including costs to defend claims, and claims incurred but not reported. The System has not experienced material losses from professional liability claims in the past.

##### Functional allocation of expenses

The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on a square-footage basis. See Note 12.



# **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Summary of significant accounting policies (continued)**

#### Income taxes

The Hospital and certain affiliates are non-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Certain other affiliates are for-profit taxpaying entities. Federal income tax liabilities generated by the System's taxable activities, if any, are insignificant. Accordingly, no provision for income taxes on related income has been included in the consolidated financial statements.

The System applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The System recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The System has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

#### Accounting pronouncement adopted

Effective January 1, 2023, the System adopted FASB ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), as amended. ASU 2016-13 replaces the "incurred loss" credit losses framework with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology which requires management's measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. The System adopted ASU 2016-13 using the modified retrospective method for financial assets measured at amortized cost which consisted of patient accounts receivable. The adoption and application of the standard had no material effect on these consolidated financial statements.

### **2. Current operating environment**

#### Coronavirus pandemic

As a result of the coronavirus (COVID-19) pandemic, legislation on the federal and state level was passed to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency. A primary source of relief for healthcare providers was the CARES Act, an economic stimulus package signed into law on March 27, 2020. The Coronavirus Aid, Relief, and Economic Security (CARES) Act expanded the Medicare Accelerated and Advance Payment Program to increase cash flow to providers impacted by the COVID-19 pandemic. Inpatient acute care hospitals were able to request accelerated payments of up to 100% of their Medicare payment amount for a six-month period. The Medicare Accelerated and Advanced Payment Program payments are advances that providers must repay.

Medicare accelerated payments of approximately \$48,000,000 were received by the System in April 2020. No additional Medicare accelerated payments have been received by the System since such time, including during the twelve months ended December 31, 2023 and 2022, respectively. Effective October 1, 2020, the program was amended such that providers are required to repay accelerated payments beginning one year after the payment was issued. After such one-year period, Medicare payments owed to providers are recouped according to the repayment terms. The repayment terms specify that for the first 11 months after repayment begins, repayment will occur through an automatic recoupment of 25% of Medicare payments otherwise owed to the provider. At the end of the eleven-month period, recoupment increases to 50% for six months. At the end of the six months (or 29 months from the receipt of the initial accelerated payment), Medicare will issue a letter for full repayment of any remaining balance, as applicable.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. Current operating environment (continued)**

In such event, if payment is not received within 30 days, interest will accrue at the annual percentage rate of four percent (4%) from the date the letter was issued and will be assessed for each full 30-day period that the balance remains unpaid. In April 2021, the Centers for Medicare and Medicaid Services (CMS) began recouping Medicare accelerated payments previously received by the System. During the years ended December 31, 2023, and 2022, approximately \$8,000,000 and \$25,000,000 had been recouped from the System by CMS subject to the aforementioned repayment terms. As of December 31, 2023 and 2022, approximately \$0 and \$8,112,000 of Medicare accelerated payments were reflected within other accrued expenses on the balance sheet. On September 13, 2022, the System received a demand letter from CMS requiring repayment in full of the outstanding COVID-19 Accelerated Advance Payment (CAAP) balance within 30 days of the letter to avoid the assessment of an annual interest rate at 4%. Congress established this rate of interest to be applied on CAAP balances due. As previously mentioned, interest is calculated at an annual percentage rate assessed for each full 30-day period that payment is not made on time. The System submitted an Extended Repayment Schedule (ERS) subsequently approved by CMS. The balance was repaid through and ending October 2023 incurring interest at 4%, or approximately \$215,000. As of December 31, 2023, CMS has recouped all Medicare Accelerated and Advanced Payments owed by the System.

The Provider Relief Fund (PRF) supports healthcare providers in the battle against the COVID-19 pandemic. Qualified providers of health care, services, and support may receive PRF payments for healthcare-related expenses or lost revenue due to COVID-19. The System successfully applied for and received approximately \$204,579, and \$10,959,895 of Phase 4 funding in January 2022, and April 2022. These funds are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using these funds to reimburse expenses or losses that other sources are obligated to reimburse. The System does not expect to repay funds received; thus, the amount received is recognized in other operating revenue in the consolidated statements of operations for the year ended December 31, 2022. No PRF funds were received during the year ended December 31, 2023.

#### **Weather related events**

Federal Emergency Management Agency (FEMA) disaster grants have been submitted for the 2020 and 2021 weather related events impacting the System, which include Hurricane Laura, Hurricane Delta, Winter Storm Uri, and the flooding event that occurred on May 17, 2021. FEMA disaster grants are available for pre and post emergency or disaster related projects. These funds support critical recovery initiatives, in addition to innovative research, and many other programs. Grants are the principal funding mechanism FEMA uses to commit and award federal funding to eligible state, local, tribal, territorial, certain private non-profits, individuals, and institutions of higher learning. All grants received and those funds expended are subject to audits in accordance with the Single Audit Act. The System received funds from FEMA grants for Category A (debris removal), Category B (emergency protective measures and sheltering operations), and Category E (permanent buildings). All applicable Category A and Category B projects have been submitted to and are currently being reviewed by FEMA, while the remaining Category E projects and various project versions are either pending project completion, pending the final stages of submission to FEMA, or have been submitted to FEMA for review and approval. The System is working with FEMA and State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) representatives to identify expenditures that might be covered under those claims. FEMA has obligated funds to the System and the System has recognized other operating revenue of approximately \$29,700,000 and \$14,200,000 for these weather related events in the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, receivables from FEMA of approximately \$30,200,000 and \$10,400,000 are included in other current assets in the consolidated balance sheets.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2. Current operating environment (continued)**

In February 2024, the System signed a cooperative endeavor agreement with the State of Louisiana (the State). The State will provide non-federal match funding for FEMA Public Assistance grants to offset the burden of local match requirements for infrastructure repair and rebuilding projects associated with Hurricanes Laura and Delta. The System submitted applications for eligible projects, and those applications have been accepted and approved. Through an executed Cooperative Endeavor Agreement with the Louisiana Office of Community Development, the System will seek additional grant funding to aid with offsetting of weather-related repairs and rebuilding efforts.

#### Other

The Affordable Care Act provides for significant reductions in the growth of Medicare spending and reductions in Medicare and Medicaid disproportionate share hospital payments. Any shortfalls, now or in the future, whether as a result of economic changes, the expansion of Medicaid coverage under the Affordable Care Act, or otherwise, could result in additional reductions to Medicare or Medicaid payments.

As described in Note 1, the CEA related to the Moss campus provides for reimbursement for indigent patient care and effectively mitigates reductions in Medicaid reimbursements. The CEA was signed in June 2013 and last amended September 2014 and further clarified by MOU's in 2016, 2017, 2018, and 2019, and the CEA continues to remain in effect. On July 1, 2022, the funding for indigent patient care changed to the Direct Payment Program. Overall, the Hospital received approximately \$18,500,000 in funding for indigent patient care during 2022 and \$66,900,000 during 2023. The outstanding receivable relating to this program was approximately \$0 and \$1,068,000 at December 31, 2023 and 2022, respectively. This amount is included in net patient service revenue in the consolidated statements of operations.

The System recognized approximately \$7,000,000 in Full Medicaid Payment (FMP) revenue during 2023. Additionally, the System recognized approximately \$3,300,000 and \$8,438,000 in Upper Payment Limit revenue related to its clinic operations in 2023 and 2022, respectively. This amount is included in net patient service revenue in the consolidated statements of operations.

On November 2, 2023, CMS announced the release of a final rule regarding underpayments for drugs acquired through the 340B Drug Pricing Program. This rule aims to address the underpayments that occurred between 2018 and 2022. The final rule will go into effect 60 days after it is published in the Federal Register. The rule states that 340B entities affected by the ruling will receive a one-time, lump sum payment for the drugs acquired through the 340B program during the years 2018 to 2022. The 340B Drug Pricing Program is a federal program that allows certain healthcare organizations, known as covered entities, to purchase outpatient prescription drugs at discounted prices. These covered entities include eligible hospitals, clinics, and other healthcare facilities that serve low-income and vulnerable populations. The implementation of this rule ensures healthcare facilities are appropriately reimbursed for the drugs provided to Medicare beneficiaries, while also safeguarding the cost-sharing obligations of the beneficiaries themselves. The System received a 340B settlement payment, which is deemed to be a discount on pharmacy items purchased and is reflected within operating expenses on the consolidated statements of operations. At December 31, 2023, the settlement of approximately \$18,600,000 has not been received by the System and is reported within other current assets in the consolidated balance sheet.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3. Liquidity and availability**

As of December 31, 2023, the System has working capital of \$110,838,000 and average days (based on normal operating expenditures) cash on hand of 65 days. As of December 31, 2022, the System had a working capital of \$52,492,000 and average days cash on hand of 64 days.

Financial assets at December 31 are as follows (in thousands):

	2023	2022
Cash and cash equivalents - unrestricted	\$ 78,536	\$ 72,854
Patient accounts receivable	41,728	36,336
Short-term investments	908	96
Assets limited to use:		
Internally designated	4,057	4,711
Funds held by trustee	8,819	8,815
<b>Total financial assets</b>	<b>134,048</b>	<b>122,812</b>
Less amounts not available to be used within one year:		
Internally designated and donor restricted	(4,965)	(4,801)
Funds held by trustee	(8,819)	(8,815)
<b>Financial assets not available to be used within one year</b>	<b>(13,784)</b>	<b>(13,616)</b>
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 120,264</b>	<b>\$ 109,196</b>

The System has other assets limited as to use for donor-restricted purposes, debt service, and for malpractice claims. These assets limited as to use, which are more fully described in Note 5, are not available for general expenditure within the next year. However, the internally designated amounts could be made available, if necessary.

Additionally, the System maintains a \$10,000,000 line of credit, as discussed in more detail in Note 7.

#### **4. Patient service revenue and receivables**

The System's patient revenues generally relate to contracts with patients in which the performance obligations are to provide health care services to patients and the System records revenues as performance obligations are satisfied. The performance obligations for inpatient services are generally satisfied over periods that average approximately four days, and revenues are recognized based on charges incurred in relation to total expected charges. The performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans, and commercial insurance companies, including plans offered through the health insurance exchanges).

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **4. Patient service revenue and receivables (continued)**

The estimates for implicit price concessions are based upon management's assessment of historical write offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write offs and collections (the "hindsight analysis") as a primary source of information in estimating the collectability of accounts receivable.

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

- Medicare - Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.
- Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per day, or per occasion of service.
- Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

For the years ended December 31, 2023, and 2022, the System recorded approximately \$1,253,760,000 and \$1,102,740,000, respectively, of implicit and explicit price concessions as a direct reduction of net operating revenues.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Estimated settlement liabilities were \$10,026,000 and \$9,890,000 at December 31, 2023 and 2022, respectively.

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **4. Patient service revenue and receivables (continued)**

Net patient service revenue decreased approximately \$654,000 in 2023 and decreased approximately \$218,000 in 2022 due to prior-year retroactive adjustments in excess of amounts previously estimated.

The Emergency Medical Treatment and Labor Act (“EMTALA”) requires any hospital participating in the Medicare program to conduct an appropriate medical screening examination of every person who presents to the hospital’s emergency room for treatment and, if the individual is suffering from an emergency medical condition, to either stabilize the condition or make an appropriate transfer of the individual to a facility able to handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of an individual’s ability to pay for treatment. Federal and state laws and regulations require, and the System’s commitment to providing quality patient care encourages, the System to provide services to patients who are financially unable to pay for the health care services they receive. The System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

The System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. For the year ended December 31, the System’s patient revenue was comprised of:

	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Inpatient	30.24%	30.99%
Outpatient	64.56%	65.29%
Other	5.20%	3.72%
Total	<u>100.00%</u>	<u>100.00%</u>

The composition of net patient care service revenue by primary payor for the years ended December 31 is as follows (in thousands):

	<b>Years Ended December 31,</b>			
	<b>2023</b>	<b>Ratio</b>	<b>2022</b>	<b>Ratio</b>
Medicare	\$ 156,730	37%	\$ 147,800	38%
Medicaid	64,812	15%	60,709	16%
Managed care	181,764	43%	145,604	38%
Self-pay patients	<u>19,841</u>	<u>5%</u>	<u>30,053</u>	<u>8%</u>
Total Net Revenues	<u>\$ 423,147</u>	<u>100%</u>	<u>\$ 384,166</u>	<u>100%</u>

## SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4. Patient service revenue and receivables (continued)

Assets from contracts with patients and governments are as follows (in thousands):

	At December 31		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Accounts Receivable from Contracts:</u>			
Patient Accounts Receivable	\$ <u>41,728</u>	\$ <u>36,336</u>	\$ <u>34,440</u>
Contract Assets included	\$ <u>15,010</u>	\$ <u>12,004</u>	\$ <u>8,784</u>

#### 5. Investments/Assets limited as to use

The composition of assets limited as to use at December 31, 2023 and 2022 is set forth in the following tables. Investments are stated at fair value (in thousands).

	<u>2023</u>	<u>2022</u>
Assets held by the trustee in accordance with bond indenture agreements:		
Cash and cash equivalents	\$ 8,819	\$ 8,815
Less: amount classified as current	<u>(8,060)</u>	<u>(8,162)</u>
	<u>759</u>	<u>653</u>
Assets internally designated by the Board of Trustees for professional liability claims and the Foundation:		
Cash and cash equivalents	2,309	3,114
Equity mutual funds	404	346
U.S. Government agencies	<u>1,344</u>	<u>1,251</u>
	<u>4,057</u>	<u>4,711</u>
Total non-current assets limited as to use	\$ <u>4,816</u>	\$ <u>5,364</u>

Use of the above funds is limited by trust indentures as well as internal designations. Bond trust funds of \$8,819,000 and \$8,815,000 in 2023 and 2022, respectively, are generally limited to payment of debt service, maintenance of reserve funds, and security for bondholders. Use of the professional liability funds of \$1,950,000 and \$1,820,000 at 2023 and 2022, respectively, is limited by the Board of Trustees for the payment of professional liability claims and related expenses. Funds totaling \$2,107,000 and \$2,891,000, in 2023 and 2022, respectively are designated for the Hospital's foundation.

Included in short-term investments is an investment in stock which totaled approximately \$508,000 and \$90,000 as of December 31, 2023 and 2022, respectively. Also included in short-term investments at December 31, 2023 are certificates of deposit totaling \$400,000.

## SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 6. Property and equipment

Property and equipment at December 31, 2023 and 2022 consisted of the following (in thousands):

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 18,121	\$ 19,041
Buildings and improvements	228,150	226,126
Equipment, furniture, and fixtures	193,092	187,694
	<u>439,363</u>	<u>432,861</u>
Less: accumulated depreciation	<u>(292,378)</u>	<u>(280,537)</u>
	146,985	152,324
Construction-in-progress	6,978	2,947
Property and equipment, net	<u>\$ 153,963</u>	<u>\$ 155,271</u>

Depreciation expense amounted to approximately \$15,164,000 and \$15,505,000 during the years ended December 31, 2023 and 2022, respectively.

The Board has approved a series of construction, renovation, and rebuilding projects throughout the System. Several of those projects were in progress in 2023 and 2022 and will continue into future years. See Note 15 regarding these construction commitments outstanding on December 31, 2023.

#### 7. Long-term liabilities

A summary of long-term debt at December 31 is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Promissory note of up to \$3,600,000, due in monthly installments through December 5, 2024, at a prime rate, 5.59% at December 31, 2023 and 2022 (secured by Oak Park Blvd property, Floors 2 & 3).	\$ 675	\$ 1,125
Promissory note of up to \$2,000,000, due in monthly installments through December 1, 2023, at 0% (secured by obligations of the lender to the System)	-	611
Promissory note of up to \$4,815,000, due in monthly installments through July 30, 2026, at a rate of 3.8%. (secured by 1717 Oak Park Blvd, 4345 Nelson Rd. 133 Sid Lane, and 217 Sam Houston Jones Pkwy properties).	2,598	3,538
Hospital Revenue Bonds (Series 2019); term bonds due at various dates through December 1, 2039, at rates ranging from 4% to 5%.	<u>93,095</u>	<u>96,500</u>
	96,368	101,774
Less: current portion of long-term liabilities	(5,817)	(6,131)
Less: unamortized debt issuance costs	(1,441)	(1,533)
Add: unamortized bond premium	12,794	13,611
Long-term liabilities, net	<u>\$ 101,904</u>	<u>\$ 107,721</u>



## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **7. Long-term liabilities (continued)**

The System has a line of credit of \$10,000,000, secured by medical equipment at December 31, 2023 and 2022. The line of credit has an interest rate based on the Wall Street Journal (WSJ) Prime rate (8.50% and 7.50% at December 31, 2023 and 2022, respectively). The \$10,000,000 line matures on May 20, 2024. As amounts are drawn on the line, they convert to promissory notes and are included in the above notes payable summary. The amount of unused line of credit was \$10,000,000 for both years at December 31, 2023 and 2022.

The System capitalized interest expense of \$204,000 and \$387,000 in 2023 and 2022, respectively, in connection with its construction-in-progress projects.

The System is required to maintain certain deposits in accordance with bond agreements, and such deposits are included with assets limited as to use (see Note 5). The revenue bond indentures also place limits on the incurrence of additional borrowings, place limits on the amount of assets that can be disposed of outside the normal course of business and require the restricted group to satisfy measures of financial performance as long as the bonds are outstanding. The System was in compliance with these covenants at December 31, 2023.

The long-term debt obligations are scheduled to mature as follows (in thousands):

<u>Year ending December 31st,</u>	<u>Bonds &amp; Notes Payable</u>
2024	\$ 5,092
2025	5,171
2026	4,976
2027	4,580
2028	4,810
Thereafter	<u>71,739</u>
	96,368
Plus: unamortized bond premium	12,794
Less: unamortized debt issuance costs	<u>(1,441)</u>
Total long-term debt	<u>\$ 107,721</u>

#### **Hospital Revenue Bonds (Series 2019):**

During September of 2019, the Hospital completed an offering of \$104,935,000 of hospital revenue and refunding bonds. The Series 2019 bonds include \$38,270,000 in serial bonds with rates ranging from 4.0% to 5.0%, and \$66,665,000 in fixed rate term bonds with a 5.0% interest rate. The bonds are scheduled to mature at various times through December 1, 2039. The bonds are collateralized by the Hospital's gross receipts and a collateral mortgage on System property. The proceeds of the Series 2019 bonds were used, along with other available funds, to advance refund previous bond issues and to provide funds for new capital improvements.

#### **8. Insurance programs**

Any exposure under \$100,000 per claim for professional liability is covered by the System. Additional professional liability coverage is provided by the Louisiana Patient's Compensation Fund up to the present statutory maximum of \$500,000 per claim (exclusive of additional amounts for future medical expense provided by law). The preceding policies are on an occurrence basis. The System has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims.

The System is self-insured for group health insurance and pays all claims up to \$275,000 per person. A stop loss policy pays claims in excess of this amount. The System is also self-insured for workers' compensation liability up to the deductible of its excess workers' compensation policy of \$750,000 per claim.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**8. Insurance programs (continued)**

The System also maintains various other insurance programs typical of the industry.

The System has reflected its estimate of the ultimate liability for known and incurred, but not reported, claims in the accompanying consolidated financial statements.

**9. Retirement plans**

The Hospital has a defined contribution plan under IRS Code Section 401(a) that covers substantially all full-time employees who are over the age of twenty-one and who have met eligibility requirements. Discretionary contributions by the Hospital include matching contributions to the employee 401(a) plan up to certain limits of compensation. Total contributions were approximately \$4,757,000 and \$4,111,000 for the years ended December 31, 2023 and 2022, respectively.

The Hospital also maintains a pretax retirement plan under code Section 403(b) in which substantially all of the employees of the System can participate. All contributions to the 403(b) are made by employees through tax deferred contributions and the employees are 100% vested in these amounts from the inception of their participation.

**10. Business and credit concentrations**

Financial instruments which potentially subject the System to concentrations of credit risk consist principally of unsecured accounts receivable and temporary cash investments.

The System maintains its cash investments with several financial institutions operating primarily in southern Louisiana. The balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

The System grants credit to patients, substantially all of whom are regional residents. The System generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, and commercial insurance policies).

The mix of receivables from patients and third-party payors at December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	20.41%	22.01%
Medicaid	25.33%	29.73%
Commercial insurance and managed care organizations	44.74%	36.56%
Self-pay patients and other	9.52%	11.70%
	<u>100.00%</u>	<u>100.00%</u>

## SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 11. Leases

The System has no financing leases at December 31, 2023 or 2022. The following table presents the components of the right-of-use assets and liabilities related to operating leases in the System's consolidated balance sheets at December 31, 2023 and 2022 (in thousands):

<u>Assets:</u>	<u>2023</u>	<u>2022</u>
Operating lease assets	\$ 6,417	\$ 18,570
Total leased assets	<u>\$ 6,417</u>	<u>\$ 18,570</u>
 <u>Liabilities:</u>		
Operating lease liabilities:		
Current	\$ 2,475	\$ 1,676
Long-term	<u>4,343</u>	<u>15,690</u>
Total lease liabilities	<u>\$ 6,818</u>	<u>\$ 17,366</u>

Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The right of use assets and lease liabilities were recognized based on the present value of lease payments over the lease term at commencement date or adoption of FASB ASC 2016-02 at January 1, 2019.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**11. Leases (continued)**

Lease costs included in the consolidated statement of operations were approximately \$3,805,000 and \$4,694,000, for the years ended December 31, 2023 and 2022, including short-term lease expense of approximately \$183,000 and \$135,000, respectively, related to equipment rentals, finance lease rent, and the operating lease rent as described below.

The System's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices, as well as medical and office equipment. Other information related to operating leases is as follows (in thousands, except lease term and discount rate) as of December 31 (in thousands):

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term (years)		
Operating leases	4.43	6.01
Weighted average discount rate		
Operating leases	3.45%	2.90%
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 3,247	\$ 4,047
Cash paid for amounts included in the measurement of operating lease liabilities	3,090	3,800
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 726	\$ 6,065

As lessee, operating lease liabilities under non-cancellable leases (excluding short-term leases) are as follows (in thousands):

<u>Year ending December 31st,</u>	<u>Operating Lease Liabilities</u>
2023	\$ 2,475
2024	1,906
2025	1,665
2026	969
2027	675
Thereafter	233
Total lease payments(a)	7,923
Less: Interest	(1,105)
Present value of lease liabilities	<u>\$ 6,818</u>

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12. Functional allocation of expenses**

The following table approximates the functional allocation of operating expenses incurred during the year ended December 31, 2023 (in thousands):

	Health Care Services				Support Services		
	Acute	Ambulatory	Physician	Post-Acute	MG&A	Fundraising	Total
Salaries and wages	\$ 53,458	\$ 10,929	\$ 79,259	\$ 10,200	\$ 42,827	\$ 377	\$197,050
Employee benefits	11,022	2,391	6,660	2,092	8,746	-	30,911
Contract labor	1,392	398	196	92	2,699	-	4,777
Supplies	90,838	2,381	4,022	358	9,078	6	106,683
Professional fees	1,800	1,121	3,133	(25)	1,475	-	7,504
Service contracts	3,828	1,465	287	36	5,799	-	11,415
Purchased services	9,395	2,106	1,849	170	28,613	31	42,164
Management fees	2,176	63	1,309	48	1,446	-	5,042
Depreciation	6,231	2,182	327	456	5,968	-	15,164
Interest expense	1,498	470	79	110	1,434	-	3,591
Insurance	-	3	2,676	-	5,014	-	7,693
Other	6,766	2,213	2,847	478	10,236	642	23,182
	<u>\$188,404</u>	<u>\$ 25,722</u>	<u>\$102,644</u>	<u>\$ 14,015</u>	<u>\$ 123,335</u>	<u>\$ 1,056</u>	<u>\$455,176</u>

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12. Functional allocation of expenses (continued)**

The following table approximates the functional allocation of operating expenses incurred during the year ended December 31, 2022 (in thousands):

	Health Care Services				Support Services		
	Acute	Ambulatory	Physician	Post-Acute	MG&A	Fundraising	Total
Salaries and wages	\$ 50,717	\$ 11,044	\$ 74,543	\$ 9,677	\$ 40,631	\$ -	\$186,612
Employee benefits	10,181	2,216	6,152	1,933	8,070	-	28,552
Contract labor	4,698	1,303	697	312	9,114	-	16,124
Supplies	84,077	2,893	3,270	345	8,740	20	99,345
Professional fees	1,841	2,311	2,039	-	1,484	-	7,675
Service contracts	3,258	1,247	245	31	4,934	-	9,715
Purchased services	8,218	1,158	2,327	150	25,212	60	37,125
Management fees	857	25	515	19	570	-	1,986
Depreciation	6,371	2,231	334	466	6,103	-	15,505
Interest expense	1,724	541	90	126	1,652	-	4,133
Insurance	-	2	2,377	-	4,453	-	6,832
Other	5,896	1,932	2,849	410	8,643	585	20,315
	<u>\$177,838</u>	<u>\$ 26,903</u>	<u>\$ 95,438</u>	<u>\$ 13,469</u>	<u>\$ 119,606</u>	<u>\$ 665</u>	<u>\$433,919</u>

## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **13. Disclosures about the fair value of financial instruments**

In Accordance with the *Fair Value Measurements and Disclosure* topic of the FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the System.

The fair value guidance provides a consistent definition of fair value. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

#### **Fair Value Hierarchy**

In accordance with this guidance, the System groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the System in estimating its fair value disclosures for financial instruments:

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Disclosures about the fair value of financial instruments (continued)**

*Cash and cash equivalents* - the carrying amounts approximate fair values because of the short maturity of these instruments.

*Assets limited as to use and short-term investments* - the carrying amounts reported on the consolidated balance sheets for assets limited as to use and stocks included in short-term investments are fair values based on quoted market prices. The carrying amounts reported on the consolidated balance sheets for certificates of deposit included in short-term investments is cost, which is deemed to approximate fair value because these assets are highly liquid.

*Long-term liabilities* - the fair value of the Hospital's revenue bonds is estimated based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The System's financial instruments whose estimated fair value differs from its carrying amount are summarized as follows at December 31<sup>st</sup>:

	2023		2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Bonds Payable				
(in thousands)	\$ <u>105,889</u>	\$ <u>98,928</u>	\$ <u>110,111</u>	\$ <u>112,667</u>

For remaining long-term debt, the carrying value estimates fair value at December 31, 2023 and 2022.

*Limitations* - fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table presents for each fair-value hierarchy level the System's financial assets that are measured at fair value on a recurring basis as of (in thousands).

	Level 1	Level 2	Total
<u>December 31, 2023</u>			
Cash and Cash Equivalents	\$ 11,129	\$ -	\$ 11,129
Mutual Fund Shares	2,255	-	2,255
Certificates of Deposit	-	400	400
Total	\$ <u>13,384</u>	\$ <u>400</u>	\$ <u>13,784</u>
<u>December 31, 2022</u>			
Cash and Cash Equivalents	\$ 11,929	\$ -	\$ 11,929
Mutual Fund Shares	1,693	-	1,693
Total	\$ <u>13,622</u>	\$ <u>-</u>	\$ <u>13,622</u>



## **SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **14. Related party transactions**

The System has transactions with related parties, in the normal course of business, for which the System believes the terms and conditions are comparable to terms that would have been available from a third party that was unaffiliated with the System.

#### **15. Commitments and contingencies**

The provision of health care services entails an inherent risk of liability. Participants in the health care industry are subject to lawsuits alleging malpractice, violations of false claims acts, product liability, or related legal theories, many of which involve large claims and significant defense costs. Like many other companies engaged in the health care industry in the United States, the System has the potential for liability claims, disputes and legal actions for professional liability and other related issues. It is expected that the System will continue to be subject to such suits as a result of the nature of the services provided. Further, as with all health care providers, the System is periodically subject to regulatory actions seeking fines and penalties for alleged violations of health care laws and are potentially subject to the increased scrutiny of regulators for issues related to compliance with health care fraud and abuse laws and with respect to the quality of care provided to patients.

Like other health care providers, in the ordinary course of business, the System is also subject to claims made by employees and other disputes and litigation arising from the conduct of business.

The ultimate resolution of these matters is not ascertainable at this time; however, management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material effect upon the financial position of the System.

The System has disputes related to claims filed by two vendors. The claims by these two vendors are related to emergency mitigation for Hurricane Laura. As of the date of this report, liens have been filed against the System. On June 5, 2023, the System executed a redacted settlement agreement between all parties. The System has accrued what is owed to the vendors. It was the desire of all parties to avoid the necessity, expense, inconvenience, and uncertainty of litigation. All matters between the parties, including all claims, causes of action, and counterclaims are included in the settlement. As a result, the liens previously filed against the System will remain until the System completes installed payments through fiscal year 2024.

As referred to in Note 6, the Hospital has begun a series of construction and renovation projects. Contracts related to these projects totaled approximately \$13,652,000 at December 31, 2023. Approximately \$3,175,000 has been paid on these contracts as of December 31, 2023, with approximately \$10,477,000 to be completed in future years. Additionally, in 2023, the System approved approximately \$38 million in capital outlay toward designing and implementing EPIC, an electronic health record (EHR) platform intended to modernize antiquated applications, improve various business processes, and enhance patient experience. The System expects to complete this implementation in fiscal year 2024.

The System identified suspicious activity on its network on October 21, 2022, subsequently determined to be an attempted ransomware attack. The System is working with outside legal counsel, Baker & Hostetler LLP, to investigate this incident and determine any legal obligations arising from such incident. There have been multiple class action lawsuits filed in relation to this event. The outcome of these lawsuits cannot be determined as of the date of this report.

#### **16. Subsequent events**

Management has evaluated events through the date that the consolidated financial statements were available to be issued, April 29, 2024, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

## SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 17. Community service (unaudited)

As a non-profit, community based health system, the Hospital provides significant programs and health-related services for the indigent and medically underserved in Southwest Louisiana, which represents the Hospital's financial commitment to those in the community with inadequate resources or who are uninsured or underinsured. In addition, the Hospital operates an emergency room which is open to the public, 24 hours a day and seven days a week.

Charity Care represents the cost of free or discounted health related services for those who cannot afford to pay for those services and who meet the Hospital's criteria for financial assistance. Under the Hospital's criteria for determining assistance, the Hospital provides full charity care for those whose income levels are at or below 200.99% of the Federal Poverty Guidelines (FPG). Discounted services are available to those people whose income is above 201% of the FPG up to and including to 500% of the FPG. Charity Care services provided to these people are reported as income in the consolidated statements of operations to the extent of the estimated cost recovery allowed under the Moss Cooperative Endeavor Agreement (Moss CEA). The Hospital also provides some services at a reduced rate that does not cover the costs. For example, the Hospital provides free or significantly discounted vaccinations for children and elderly patients. The unreimbursed Medicaid Costs reported below have been reduced by funds received that approximate the difference between Medicaid payments and the costs allowed under the Moss CEA.

Additionally, the Hospital provides the clinical and financial resources for the Memorial/LSUHSC Family Practice Residency Program, through an affiliation agreement with the Louisiana State University Health Sciences Center – New Orleans. The Hospital also provides the clinical and financial resources for a Radiology Technology and Medical Technology program in affiliation with other state universities. The Hospital is also involved in providing services to the community at large by supplementing professional medical staffing at community clinics and through the provision of support groups, community health education classes, staffing support at McNeese State University School of Nursing, and cash donations to local non-profit organizations.

The Hospital continues to fulfill its obligations under Internal Revenue Service guidelines to participate in Community Health Needs Assessment (CHNA) and has updated its CHNA in 2019. The Hospital has provided a CHNA update in 2020. This report is available on its website at [www.lcmh.com](http://www.lcmh.com).

The following is a summary of the Hospital's estimated costs of community benefits (in thousands):

	2023	2022
Programs for the Poor and Underserved:		
Charity Care, at cost	\$ 10,558	\$ 10,554
Direct Offsetting Revenue	(11,097)	(10,416)
Charity Care	<u>(539)</u>	<u>138</u>
Medicaid Patient Care, at cost	92,693	88,485
Direct Offsetting Revenue	(94,683)	(87,970)
Unreimbursed Medicaid	<u>(1,990)</u>	<u>515</u>
Community services for the community at large		
Education and research	3,818	5,529
Other	761	799
Total	<u>\$ 2,050</u>	<u>\$ 6,981</u>

**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 Trustees  
Southwest Louisiana Health Care System, Inc.

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 consolidated financial statements of Southwest Louisiana Health Care System, Inc. and its affiliates (the System) (a not for profit organization), as of and for the year ended December 31, 2023 which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2024.

**Report on Internal Control Over Financial Reporting**

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*EisnerAmper LLP*

EISNERAMPER LLP  
Baton Rouge, Louisiana  
June 28, 2024

EISNERAMPER  
LLP



**EISNERAMPER**

**SOUTHWEST LOUISIANA HEALTH  
CARE SYSTEM, INC**

**UNIFORM GUIDANCE REPORT ON INTERNAL  
CONTROL AND ON COMPLIANCE  
AND OTHER MATTERS**

**DECEMBER 31, 2023**



**Southwest Louisiana Health Care System, Inc.**

**December 31, 2023**

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Trustees  
Southwest Louisiana Health Care System, Inc.

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Southwest Louisiana Health Care System, Inc.'s (the "System") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2023. The System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

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

## ***Auditors' Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

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





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

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

We have audited the financial statements of the System as of and for the year ended December 31, 2023, and have issued our report thereon dated June 28, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*EisnerAmper LLP*

EISNERAMPER LLP  
Baton Rouge, Louisiana  
July 1, 2024

EISNERAMPER  
LLP



**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Federal Grantor/Pass-Through Program Title/Grant Name</b>	<b>Federal Assistance Listing Number</b>	<b>Identifying Number</b>	<b>Federal Expenditure</b>
<b>U.S. Department of Health and Human Services (HHS):</b>			
<u>Direct Program</u>			
COVID-19: Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	\$ <u>10,959,895</u>
Total Department of Health and Human Services			<u>10,959,895</u>
<b>U.S. Department of Homeland Security</b>			
<u>Passed Through the Louisiana Governor's Office of Homeland Security and Emergency Preparedness</u>			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4559-DR FEMA-4570-DR FEMA-4590-DR	<u>29,753,469</u>
Total Department of Homeland Security			<u>29,753,469</u>
<b>Total Federal Assistance Expended</b>			<b><u>\$ 40,713,364</u></b>

The System did not pass through any amounts to sub-recipients.

See accompanying notes to the schedule of expenditures of federal awards.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Southwest Louisiana Health Care System, Inc. and its affiliates (the System) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the System. The System's reporting entity is defined in Note 1 to the financial statements for the year ended December 31, 2023.

**2. Summary of Significant Accounting Policies**

Except as noted in Note 3, expenditures on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the System's financial statements for the year ended December 31, 2023. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

**3. Relationship to Financial Statements**

For the HHS awards related to the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution program, the HHS has indicated the amounts on the Schedule be reported corresponding to reporting requirements of the PRF Reporting Portal. Payments from HHS for PRF are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability).

Provider Relief Funds (PRF) of \$10,959,895 were received during the period of January 1, 2022 to June 30, 2022. Such amounts were recognized as revenue in the System's financial statements in other operating revenue for the year ended December 31, 2022. Provider Relief Funds are required to be reported on Southwest's Schedule for the year ended December 31, 2023, based on guidance in the 2023 OMB Compliance Supplement.

FEMA funds obligated were \$29,753,469 during the period of January 1, 2023 to December 31, 2023. Such amounts were recognized as revenue in the System's financial statements in other operating revenue for the year ended December 31, 2023.

**4. De Minimis Cost Rate**

During the year ended December 31, 2023, the System did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**(1) Summary of Independent Auditors' Results**

*Financial Statements*

The type of report issued on the financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to the financial statements noted? No

*Federal Awards*

Internal controls over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings which are required to be reported under the Uniform Guidance? No

Identification of major programs:

- 93.498 – Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution
- 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,221,401

Auditee qualified as a low-risk auditee under Section 530 of The Uniform Guidance: No

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Findings– Financial Statements**

- None noted.

**Findings and Questioned Costs – Major Federal Awards Programs**

- None noted.

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Findings– Financial Statements**

- None noted.

**Findings and Questioned Costs – Major Federal Awards Programs**

**2022-001 Timely Reporting**

*Condition:* During the assessment of compliance over the reporting requirement, we identified non-compliance over the timely submission of quarterly performance reports. In one out of seven reports tested a report was not filed within the 30 day period following the end of the quarter as is required in the applicable compliance supplement.

*Effect:* The system was non-compliant in one reporting period by 16 days.

*Status:* This finding is considered resolved. During 2023, the System was notified that quarterly reporting is no longer required related to this program.

**EISNERAMPER**

**SOUTHWEST LOUISIANA HEALTH  
CARE SYSTEM, INC.**

**REPORT ON STATEWIDE  
AGREED-UPON PROCEDURES ON COMPLIANCE  
AND CONTROL AREAS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**



**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**

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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Trustees of Southwest Louisiana Health Care System, Inc.  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Southwest Louisiana Health Care System's (the System) management is responsible for those C/C areas identified in the SAUPs.

The System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by The System to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of the System for the fiscal period January 1, 2023 through December 31, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



EISNERAMPER LLP  
Baton Rouge, Louisiana  
June 28, 2024

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule A**

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*” or for step 13 “*we performed the procedure and discussed the results with management.*” If not, then a description of the exception ensues.

**1) Written Policies and Procedures**

---

A. Obtain and inspect the System’s written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the System’s operations):

i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

*No exception noted.*

ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

*No exception noted. Attribute (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes are not applicable, as the System is a nonprofit entity. The other attributes were addressed in the written policies and procedures.*

iii. **Disbursements**, including processing, reviewing, and approving

*No exception noted.*

iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

*No exception noted.*

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule A**

- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*The System has written policies and procedures for contracting. However, the written policies and procedures do not contain attributes (3) regarding legal review. The other attributes were addressed in the written policies and procedures.*

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*No exception noted.*

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

*No exception noted.*

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the System's ethics policy.

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*We reviewed the written policies and procedures and discussed the results with management.*

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Schedule A

**2) Board or Finance Committee**

---

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*No exception noted.*

- ii. For those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the System's collections during the fiscal period.

*This procedure is not applicable, as the System's public funds during the period January 1, 2023 through December 31, 2023 did not comprise more than 10% of the System's collections during the fiscal period. Thus, this procedure was not performed.*

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

*This procedure is not applicable to the System, as the System is not a governmental entity. Thus, this procedure was not performed.*

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

*This procedure is not applicable to the System, as the System did not have audit findings in the prior fiscal period. Thus, this procedure was not performed.*

**3) Bank Reconciliations**

---

A. Obtain a listing of System bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the System's main operating account. Select the System's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

*A listing of bank accounts was provided. Management identified the System's main operating account. No exceptions were noted as a result of performing this procedure. From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ended December 31, 2023, resulting in 5 bank reconciliations obtained and subjected to the below procedures.*

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule A**

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*Exception noted. For the five bank reconciliations tested, the System does not have written documentation supporting the date prepared and the name of the person who prepared each bank reconciliation.*

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*Exception noted. For the five bank reconciliations tested, the System does not have written documentation supporting the date reviewed and the name of the person who reviewed each bank reconciliation.*

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*The bank reconciliations selected for testing did not have reconciling items that have been outstanding for more than 12 months from the statement closing date. Thus, this procedure is not applicable and was not performed.*

**4) Collections (excluding electronic funds transfers)**

---

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- i. Employees responsible for cash collections do not share cash drawers/registers;

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule A**

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- i. Observe that receipts are sequentially pre-numbered.

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule A**

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

- v. Trace the actual deposit per the bank statement to the general ledger.

*This C/C area is not applicable as the System did not receive governmental funds as cash deposits on-site during the fiscal period January 1, 2023 through December 31, 2023. Thus, this procedure was not performed.*

**5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)**

---

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure. From the listing provided, we selected the single location and performed the procedures below.*

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for the single payment processing location selected in procedure #5A was provided. No exceptions were noted as a result of performing this procedure. Review of the System's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

*No exception noted.*

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule A**

- ii. At least two employees are involved in processing and approving payments to vendors;

*No exception noted.*

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

*No exception noted.*

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

*No exception noted.*

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

*No exception noted.*

- C. For each location selected under #5A above, obtain the System's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and

*A listing of non-payroll disbursements for each payment processing location selected in procedures #5A was provided related to the fiscal period. No exceptions noted as a result of performing this procedure. From the listing provided, we randomly selected 5 disbursements and performed the procedures below.*

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the System, and

*No exception noted.*

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

*For one of the five disbursements selected for testing, the employee initiating the purchase request is the same employee who approved the purchase.*

- D. Using the System's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the System's policy, and (b) approved by the required number of authorized signers per the System's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

*A listing of non-payroll disbursements for each payment processing location selected in procedures #3A was provided related to the fiscal period. No exceptions noted as a result of performing this procedure. From each of the listings provided, we randomly selected 5 disbursements and performed the specified procedures. No exception noted.*



**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule A**

**6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)**

---

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*A listing of active cards used during the fiscal period January 1, 2023 through December 31, 2023 was provided. No exceptions were noted as a result of performing this procedure.*

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

*From the listing provided, we randomly selected 5 cards used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures below.*

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

*No exception noted.*

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

*No exception noted.*

- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

*We randomly selected transactions for 5 cards selected in procedure #6B, which resulted in 33 transactions subjected to the specified procedures. Of the 33 transactions selected for testing, 14 transactions did not meet attribute (2) written documentation of the business/public purpose and 1 transaction did not meet attribute (3) documentation of the individuals participating in meals.*

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**7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

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- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure. From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.*

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov));

*No exception noted.*

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

*No exception noted.*

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by "Written Policies and Procedures", procedure #1A(vii); and

*No exception noted*

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exception noted.*

**8) Contracts**

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- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure. From the listing provided, we randomly selected 5 contracts and performed the procedures below.*

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

*This procedure is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

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- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

*This procedure is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

*No exception noted.*

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*We randomly selected 1 payment for each of the 5 contracts selected for testing and performed the specified procedures. No exception noted.*

**9) Payroll and Personnel**

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

*A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure. From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.*

- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

*We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #9A.*

- i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

*No exception noted.*

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

*No exception noted.*

- iii. Observe that any leave accrued or taken during the pay period is reflected in the System's cumulative leave records; and

*No exception noted.*

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- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

*No exception noted.*

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the System's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to System policy.

*No exception noted.*

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*No exception noted.*

**10) Ethics**

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- A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

- ii. Observe whether the System maintains documentation which demonstrates that each employee and official were notified of any changes to the System's ethics policy during the fiscal period, as applicable.

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

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

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

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**11) Debt Service**

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- A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued as required by Article VII, Section 8 of the Louisiana Constitution.

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

*This C/C area is not applicable for the System, as the System is a nonprofit entity. Thus, this procedure was not performed.*

**12) Fraud Notice**

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- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the System reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the System is domiciled as required by R.S. 24:523.

*Management of the System indicated there were no misappropriations of public funds or assets during the fiscal period.*

- B. Observe that the System has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exception noted.*

**13) Information Technology Disaster Recovery/Business Continuity**

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- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- i. Obtain and inspect the System's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

*We performed the procedure and discussed the results with management.*

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- ii. Obtain and inspect the System's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management.*

- iii. Obtain a listing of the System's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management.*

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

*We performed the procedure and discussed the results with management.*

**14) Prevention of Sexual Harassment**

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- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

*This C/C area is not applicable for the System, as it is a nonprofit entity and has not agreed to comply with the provisions of the prevention of sexual harassment law as a condition for the receipt of public funds. Thus, this procedure was not performed.*

- B. Observe that the System has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the System's premises if the System does not have a website).

*This C/C area is not applicable for the System, as it is a nonprofit entity and has not agreed to comply with the provisions of the prevention of sexual harassment law as a condition for the receipt of public funds. Thus, this procedure was not performed.*

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C. Obtain the System's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

*This C/C area is not applicable for the System, as it is a nonprofit entity and has not agreed to comply with the provisions of the prevention of sexual harassment law as a condition for the receipt of public funds. Thus, this procedure was not performed.*

- ii. Number of sexual harassment complaints received by the agency;

*This C/C area is not applicable for the System, as it is a nonprofit entity and has not agreed to comply with the provisions of the prevention of sexual harassment law as a condition for the receipt of public funds. Thus, this procedure was not performed.*

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

*This C/C area is not applicable for the System, as it is a nonprofit entity and has not agreed to comply with the provisions of the prevention of sexual harassment law as a condition for the receipt of public funds. Thus, this procedure was not performed.*

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

*This C/C area is not applicable for the System, as it is a nonprofit entity and has not agreed to comply with the provisions of the prevention of sexual harassment law as a condition for the receipt of public funds. Thus, this procedure was not performed.*

- v. Amount of time it took to resolve each complaint.

*This C/C area is not applicable for the System, as it is a nonprofit entity and has not agreed to comply with the provisions of the prevention of sexual harassment law as a condition for the receipt of public funds. Thus, this procedure was not performed.*

**SOUTHWEST LOUISIANA HEALTH CARE SYSTEM, INC.**  
**MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN**  
**DECEMBER 31, 2023**

**Schedule B**

Southwest Louisiana Health Care System, Inc. (the Entity or the System) provided a response and corrective action plan for the exceptions noted in Schedule A as set forth below:

System management concurs with the exceptions noted in the Statewide Agreed Upon Procedures report. The System will evaluate each exception and implement policies and procedures where appropriate and necessary to strengthen internal controls over financial operations of the System.