

LOUISIANA HOSPITAL ASSOCIATION

Audits of Consolidated Financial Statements

December 31, 2023 and 2022



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Independent Auditor's Report

The Board of Trustees and the
Finance and Oversight Committee
Louisiana Hospital Association

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Hospital Association (the Association), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 Association'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 and the Schedule Compensation, Benefits, and Other Payments to Agency Head are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2024 on our consideration of the Association'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 Association'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 Association's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Baton Rouge, LA
May 15, 2024

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and Cash Equivalents	\$ 10,273,785	\$ 10,018,270
Cash - Restricted for Federal and State Grants and Contracts	517,236	33,057
Accounts Receivable, Net	1,146,375	1,296,379
Federal and State Grants and Contracts Receivable	248,537	183,648
Prepays and Other Assets	339,436	417,824
Investment in Affiliate	111,037	96,002
Investments	15,159,293	13,897,355
Right-of-Use Assets for Operating Leases	89,252	114,186
Property and Equipment, Net	1,602,797	1,648,219
Total Assets	\$ 29,487,748	\$ 27,704,940
Liabilities		
Accounts Payable	\$ 507,314	87,112
Treasury Payable	932,515	603,292
Deferred Revenue	1,342,277	2,387,202
Other Accrued Liabilities	1,158,256	951,058
Operating Lease Liabilities, Current	28,899	28,069
Operating Lease Liabilities, Non-Current	70,803	99,702
Total Liabilities	4,040,064	4,156,435
Net Assets		
Net Assets Without Donor Restrictions	25,447,684	23,548,505
Total Net Assets	25,447,684	23,548,505
Total Liabilities and Net Assets	\$ 29,487,748	\$ 27,704,940

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

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023	2022
Revenues, Gains, and Other Support		
Institutional Revenue	\$ 4,903,025	\$ 4,621,064
Non-Institutional Revenue	369,212	333,871
Educational Activities	1,379,670	1,161,589
Service Revenue	2,793,516	2,889,767
Investment Return, Net	1,452,147	(1,466,843)
Federal and State Grants and Contracts	1,846,059	1,585,297
Other Revenue	174,156	77,215
	<hr/>	<hr/>
Total Revenues, Gains, and Other Support	12,917,785	9,201,960
Expenses		
Program Expenses		
Member Support	5,623,465	5,201,230
Grants and Contracts	1,747,629	1,497,645
Supporting Expenses	3,638,098	3,219,192
	<hr/>	<hr/>
Total Expenses	11,009,192	9,918,067
Change in Net Assets	1,908,593	(716,107)
Net Assets, Beginning of Year, As Originally Reported	23,548,505	24,264,612
Cumulative-Effect Adjustment ASC 326	(9,414)	-
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Net Assets, Beginning of Year, As Adjusted	23,539,091	24,264,612
Net Assets, End of Year	\$ 25,447,684	\$ 23,548,505
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The accompanying notes are an integral part of these consolidated financial statements.

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,908,593	\$ (716,107)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	165,753	141,559
Equity in Income of Affiliate	(15,035)	(2,003)
Net Realized and Unrealized (Gains) Losses on Investments	(1,079,507)	1,752,094
Provision for Credit Losses and Bad Debt Expense	139,445	54,191
(Increase) Decrease in Operating Assets		
Accounts Receivable	1,145	(793,725)
Federal and State Grants and Contracts Receivable	(64,889)	110,287
Prepaid and Other Assets	78,388	(148,663)
Right-of-Use Assets for Operating Leases	24,934	16,359
Increase (Decrease) in Operating Liabilities		
Accounts Payable	420,202	56,628
Treasury Payable	329,223	123,059
Deferred Revenue	(1,044,925)	(845,351)
Other Accrued Liabilities	207,198	(180,136)
Operating Lease Liabilities	(28,069)	(2,774)
Net Cash Provided by (Used in) Operating Activities	1,042,456	(434,582)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	6,931,004	8,795,478
Purchase of Investments	(7,113,435)	(9,075,846)
Proceeds from Distributions of Earnings in SharePort	-	242
Purchases of Property and Equipment	(120,331)	(91,796)
Net Cash Used in Investing Activities	(302,762)	(371,922)
Increase (Decrease) in Cash and Cash Equivalents	739,694	(806,504)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	10,051,327	10,857,831
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 10,791,021	\$ 10,051,327
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Taxes	\$ 173,911	\$ 321,183
Recognition of Right-of-Use Assets for Operating Leases under ASC 842	\$ -	\$ 130,545
Operating Lease Liabilities Arising from Operating Right-of-Use Assets	\$ -	\$ (130,545)
Cumulative-Effect Adjustment - ASC 326	\$ (9,414)	\$ -
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and Cash Equivalents	\$ 10,273,785	\$ 10,018,270
Cash - Restricted for Federal and State Grants and Contracts	517,236	33,057
Total Cash and Cash Equivalents and Restricted Cash	\$ 10,791,021	\$ 10,051,327

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

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Association

Nature of Activities

The accompanying financial statements include the accounts of the following Louisiana not-for-profit entities:

<u>Corporation</u>	<u>Income Tax Status</u>
Louisiana Hospital Association (LHA)	Exempt-Sec. 501(c)(6)
LHA Foundation (Foundation)	Exempt-Sec. 501(c)(3)
Louisiana Alliance for Patient Safety PSO, Inc. (LA PSO)	Exempt-Sec. 501(c)(3)

The financial statements also include the accounts of LHA Management Corporation (LHAMC) and LHA Solutions (formerly ShareCor). LHAMC is organized as a for-profit entity whose income is taxable and is owned 100% by LHA. LHA Solutions is organized as a for-profit, limited liability corporation that is taxed as a partnership, with its members being LHA and LHAMC.

All significant inter-Associational accounts and transactions have been eliminated in the financial statements. All entities are collectively referred to throughout the footnotes as the Association.

LHA represents hospitals and healthcare systems throughout the state. LHA carries out its mission by providing services and resources to members through advocacy, education, research, representation, and communication. It is governed by a board of trustees whose members are elected annually by the assembly of members. LHA bills and collects annual membership fees for itself and for the American Hospital Association (AHA). The AHA compensates LHA for billing and collecting AHA dues from Louisiana members. Compensation from the AHA billing and collection fees and LHA dues are recognized as revenue in the year covered by the membership dues.

The Foundation is organized for educational and research purposes, and in connection therewith to receive and administer funds and property for educational purposes, including, without limitation: (1) the instruction or training of individuals and groups, by means of discussion groups, forums, panels, lectures, or similar programs, and by means of courses of instruction by correspondence, for the purpose of improving or developing capabilities in the field of hospital and related health service institution management and administration; (2) research into the field of hospital and related health service institution management and administration for the purpose of improving the scope and content of such instruction and training and the dissemination to the public generally of information and data obtained as a result of such research and to engage in such activities as may be consistent with the foregoing; and (3) administration and management of externally funded grants which purpose shall benefit hospitals with related health services, and/or public health, including provision or improvement of resources and capabilities of LHA members to execute their missions. Programs include the administration of various grants and contracts. The Foundation's board is comprised mainly of members of the board of trustees of LHA.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Association (Continued)

Nature of Activities (Continued)

LA PSO is organized and operated exclusively for conducting patient safety activities in order to support its members improve patient safety, and the quality of healthcare delivery, fostering the ability of its members to provide patient-centered healthcare that is safe, effective, efficient, and equitable. LA PSO's board is comprised mainly of members of the board of trustees of LHA.

LHAMC sponsors educational programs. The revenue and expenses related to continuing education programs are recognized in the period that the educational programs are offered.

LHA Solutions is a shared services company that provides opportunities through negotiated contracts for services, including group purchasing arrangements, for participating hospitals located throughout the state of Louisiana. Its principal purpose is to improve the financial viability of Louisiana hospitals through cost effective and innovative programs and services. LHA Solutions operates the Louisiana Health Information Network, which creates statewide access to healthcare data programs. This data enables research on a broad range of health policy issues; including cost and quality of health services, medical practice patterns, access to health care programs, and outcomes of medical treatments.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) involving the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates and such differences may be material to the consolidated financial statements.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Association adopted ASU 2016-13 and all subsequent ASUs that modified ASU 2016-13, which have been codified under Accounting Standards Codification (ASC) 326, *Financial Instruments - Credit Losses*. The Association adopted this guidance using the modified retrospective approach, as required, and has not adjusted prior period comparative information and will continue to disclose prior period financial information in accordance with previous accounting guidance. On January 1, 2023 the Association recognized a cumulative-effect adjustment, reducing opening accounts receivable and net assets by \$9,414, to record its estimate of the allowance for credit losses upon adoption.

Cash and Cash Equivalents

For purposes of the consolidated statements of financial position and the consolidated statements of cash flows, the Association considers all short-term cash deposits with maturities of three months or less to be cash and cash equivalents. This, however, excludes money market accounts within its investment portfolio that are to be reinvested, as well as amounts restricted for federal and state grants and contracts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. The unrealized gain or loss on investments is reflected in the consolidated statements of activities as a component of investment return, net.

Fair Values of Financial Instruments

The carrying values of the Association's financial instruments approximate fair value. The Association follows the provisions of the Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurement*. Under FASB ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820 establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 Valuations based on based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities, or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The fair values are typically determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs (see Note 7).

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity Securities: The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Fixed Income Investments: The fair value of the bond portfolio is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

Alternative Investments: Limited partnership investments within alternative investments are valued based on the NAV per share, without further adjustment. NAV per share is based upon the fair value of the underlying investments. Other alternative investments are valued using the NAV reported by the portfolio funds, which management believes approximates fair value. These NAVs are the prices used to execute trades with these portfolio funds.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and Equipment

Property and equipment are presented in the consolidated statements of financial position on the basis of cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	35 - 39 Years
Furniture and Office Equipment	3 - 15 Years

Additions, improvements, renewals, and expenditures for maintenance that add materially to the productive capacity or extend the lives of assets are capitalized. Other expenditures for maintenance and repairs are charged against income. Upon retirement or disposal of an asset, the asset cost and related accumulated depreciation is removed, and any gain or loss on such a transaction is recorded as other income or expense.

Leases

The Association determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is, or contains, a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Association obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Association also considers whether its service arrangements include the right to control the use of an asset.

The Association recognizes most leases on its consolidated statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the consolidated statements of activities.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The Association made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842, *Leases*). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

To determine the present value of lease payments, the Association made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). To determine the present value of lease payments, the Association made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions include those net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are those net assets subject to donor-imposed 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 that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2023 and 2022 all net assets were without donor restrictions.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Membership Dues

Membership dues are comprised of an exchange element based on the benefits provided over a period of time. The Association recognizes membership dues revenue over the one-year membership period. Payments are required at the start of the membership period. Amounts received in advance of the membership period are deferred to the applicable period.

Event Admissions and Sponsorships

The Association recognizes revenue from ticket sales for event admission at a point in time when the event takes place. The Association records event sponsorships equal to the fair value of conditional direct benefits to donors at a point in time when the event takes place. Payments are required at the time the event takes place.

Service Revenue

The Association derives revenue from shared service contracts and statewide healthcare program data, for which the point of recognition is dependent upon the contract terms, the transfer of risks and rewards and the transfer of control generally coincides with the fulfillment of performance obligations under the terms of the contract over the subscription period. Payments are required quarterly over the subscription period. Amounts received in advance of the subscription period are deferred to the applicable period.

The balance of deferred revenue at December 31, 2023 and 2022 are included on the consolidated statements of financial position. The balance of deferred revenue at January 1, 2022 was \$4,937,234.

Accounts receivable are carried at original invoice amount, net of an allowance for doubtful accounts. The balance of deferred revenue at December 31, 2023 and 2022 are included on the consolidated statements of financial position. The balance of accounts receivable at January 1, 2022 was \$2,261,526.

For 2022, management determined the allowance for doubtful accounts based upon prior experience and its assessment of the collectability of specific accounts. At December 31, 2022, management determined that there was no allowance for doubtful accounts necessary.

After adoption of FASB ASC 326-20, *Financial Instruments - Credit Losses* on January 1, 2023, management determines the allowance using an estimate of expected credit losses, applied to customer groupings with similar risk characteristics, based on historical experience, current economic conditions and certain forward-looking information. Account balances are written-off against the established allowance when management determines it is probable the receivable will not be collected. As of December 31, 2023, the total allowance recorded for credit losses was \$11,706.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Federal and State Grants and Contracts Revenue Recognition

A portion of the Association's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as treasury payable in the consolidated statements of financial position.

Functional Allocation of Expenses

The costs of providing various program and supporting activities, which include fundraising and general and administrative activities, have been summarized on a functional basis in the consolidated financial statements. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Payroll expenses are allocated on the basis of time and effort. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association. All other expenses are specifically identified to the applicable functional expense category.

Income Taxes

As mentioned in Note 1, the consolidated financial statements include LHAMC, which is a taxable for-profit entity. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which whose temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Association recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in expenses.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year balances in order to comply with current year presentation.

Note 3. Restricted Cash

Approximately \$517,000 and \$33,000 of cash was restricted as of December 31, 2023 and 2022, respectively, relating to federal and state grants and contracts awarded. Corresponding liabilities are included in total within treasury payable on the consolidated statements of financial position.

Note 4. Allowance for Credit Losses

The following table presents an analysis of the activity in the allowance for credit losses:

Allowance at December 31, 2022	\$ -
Cumulative Effect of the Adoption of ASC 326	<u>9,414</u>
Allowance at January 1, 2023	9,414
Charge-Offs	83,437
Recoveries	<u>(81,145)</u>
Net Charge-Offs	2,292
Provision for Credit Losses	<u>56,008</u>
Allowance at December 31, 2023	<u><u>\$ 67,714</u></u>

Note 5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Land	\$ 389,406	\$ 389,406
Buildings	2,676,760	2,628,740
Furniture and Office Equipment	1,616,354	1,544,043
	<u>4,682,520</u>	<u>4,562,189</u>
Less: Allowance for Depreciation and Amortization	3,079,723	2,913,970
Property and Equipment, Net	<u><u>\$ 1,602,797</u></u>	<u><u>\$ 1,648,219</u></u>

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 5. Property and Equipment (Continued)

Depreciation expense was approximately \$166,000 and \$142,000 for the years ended December 31, 2023 and 2022, respectively.

Note 6. Investments

Investments are comprised of the following at December 31, 2023 and 2022:

	2023	2022
Alternative Investments	\$ 41,123	\$ 100,313
Cash / Money Market	1,040,733	399,583
Equities	6,895,768	5,950,235
Fixed Income	7,181,669	7,447,224
Total	\$ 15,159,293	\$ 13,897,355

Note 7. Fair Value Measurements

The Association's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the provisions of FASB ASC 820, *Fair Value Measurement*. See Note 2 for a description of the Association's policies and valuation techniques.

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2023 and 2022 are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Cash / Money Market	1,040,733	-	-	1,040,733
Equities	6,895,768	-	-	6,895,768
Fixed Income	4,175,033	3,006,637	-	7,181,669
Investments at NAV per Share	-	-	-	41,123
Total	\$ 12,111,534	\$ 3,006,637	\$ -	\$ 15,159,293

Assets	Level 1	Level 2	Level 3	Net Balance
Alternative Investments	\$ 47,988	\$ -	\$ -	\$ 47,988
Cash / Money Market	399,583	-	-	399,583
Equities	5,950,235	-	-	5,950,235
Fixed Income	4,562,534	2,884,690	-	7,447,224
Investments at NAV per Share	-	-	-	52,325
Total	\$ 10,960,340	\$ 2,884,690	\$ -	\$ 13,897,355

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements (Continued)

As of December 31, 2023 and 2022, there were no assets measured at fair value on a non-recurring basis.

Gains and losses (realized and unrealized) included in changes in net assets for the periods above are reported in investment return, net in the consolidated statements of activities.

Note 8. Leases

Operating Leases

The Association has an operating lease for two copiers with Xerox. The lease term expires on April 30, 2027, and the lease payments are approximately \$2,600 per month plus variable lease payments related to print charges.

Quantitative Disclosures

The components of lease cost and other required information are as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Lease Cost		
Operating Lease Cost	\$ 28,215	\$ 19,163
Short-Term Lease Cost	-	9,082
Variable Lease Cost	<u>20,016</u>	<u>5,647</u>
Total Lease Cost	<u>\$ 48,231</u>	<u>\$ 33,892</u>
Other Information		
Weighted-Average Remaining Lease Term (in Years):		
Operating Leases	3.3	4.3
Weighted-Average Discount Rate Applied (%):		
Operating Leases	2.9	2.9

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 8. Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the consolidated statements of financial position are as follows as of December 31, 2023:

Years Ending December 31,	Operating Leases
2024	\$ 31,350
2025	31,350
2026	31,350
2027	<u>10,450</u>
Total Lease Payments	104,500
Less: Imputed Interest	(4,798)
Less: Lease Liabilities, Current Portion	<u>(28,899)</u>
Lease Liabilities, Net of Current Portion	<u>\$ 70,803</u>

Note 9. Employee Benefit Plan and Other Employee Benefits

The Association sponsors a 401(k) retirement plan. The Association contributed up to 8.5% of each employee's compensation to the 401(k) retirement plan for the years ended December 31, 2023 and 2022. The Association expensed approximately \$235,000 and \$207,000 related to its contributions to the 401(k) retirement plan in 2023 and 2022, respectively.

The Association has a paid time off (PTO) policy, which provides PTO benefits to employees based on classification and length of service. During 2022 and 2023, employees were allowed to carry over a maximum of seventy-five percent of the total current annual PTO earnings. Upon termination of employment or retirement, the unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. The Association has accrued approximately \$173,000 and \$182,000 as of December 31, 2023 and 2022, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of other accrued liabilities on the consolidated statements of financial position.

The Association provides extended illness benefits to employees based on a predetermined accrued hourly amount per pay period. An extended illness benefit is defined as an absence in excess of five (5) consecutive days for medical reasons. Employees were allowed a maximum accumulation of 120 days of extended illness benefits for the years ended December 31, 2023 and 2022, respectively. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 10. Related-Party Transactions

The Association performs services, conducts educational programs and conferences, and administers grants and contracts. Substantially all of the revenue, related expenses, accounts receivable, and accounts payable from these activities results from transactions with its owner-members.

Note 11. Income Taxes and Deferred Income Taxes

For the years ended December 31, 2023 and 2022, LHAMC's federal and state income estimated tax expenses totaled approximately \$190,000 and \$177,000, respectively, which is included within other expenses on the consolidated statements of activities. At December 31, 2023 and 2022, the net deferred tax liability totaled approximately \$61,000 and is included within other accrued liabilities on the consolidated statements of financial position.

LHAMC's effective tax rate is different from what would be expected if the statutory rates were applied to net income before income taxes primarily because of timing differences related to how property and equipment are depreciated for tax purposes as compared to U.S. GAAP, as well as permanent differences related to the non-deductibility of contributions.

Note 12. Risk Concentration

The Association periodically maintains cash deposits in accounts with a major financial institution in excess of federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per company per financial institution. At December 31, 2023 and 2022, the Association had approximately \$3,077,000 and \$3,015,000, respectively, in excess of the FDIC insured limit. The Association has not experienced any losses and does not believe that a significant credit risk exists as a result of this practice.

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 13. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	2023	2022
Cash and Cash Equivalents	\$ 10,273,785	\$ 10,018,270
Accounts Receivable, Net	1,146,375	1,296,379
Federal and State Grants and Contracts Receivable	248,537	183,648
Investments	15,159,293	13,897,355
Total	\$ 26,827,990	\$ 25,395,652

As part of the Association's liquidity management plan, the Association maintains balances in excess of daily requirements in money market accounts, equities, fixed income, mutual funds, and alternative investments.

Note 14. Functional Expenses

For the year ended December 31, 2023 and 2022, expenses related to providing these services are as follows:

	Support	Contracts	Total	Support	Expenses
Salaries and Benefits	\$ 4,959,537	\$ 371,923	\$ 5,331,460	\$ 133,185	\$ 5,464,645
Grants and Contracts	5,000	804,730	809,730	498,265	1,307,995
Professional	-	553,071	553,071	-	553,071
Education	658,928	17,905	676,833	-	676,833
General and Administrative	-	-	-	2,296,632	2,296,632
Building, Office, and Equipment	-	-	-	544,263	544,263
Depreciation	-	-	-	165,753	165,753
Total	\$ 5,623,465	\$ 1,747,629	\$ 7,371,094	\$ 3,638,098	\$ 11,009,192

	Program			Support	Total Expenses
	Member Support	Grants and Contracts	Program Total		
Salaries and Benefits	\$ 4,534,652	\$ 357,932	\$ 4,892,584	\$ 97,126	\$ 4,989,710
Grants and Contracts	5,000	634,283	639,283	440,701	1,079,984
Professional	-	443,806	443,806	-	443,806
Education	661,578	61,624	723,202	-	723,202
General and Administrative	-	-	-	1,970,629	1,970,629
Building, Office, and Equipment	-	-	-	569,177	569,177
Depreciation	-	-	-	141,559	141,559
Total	\$ 5,201,230	\$ 1,497,645	\$ 6,698,875	\$ 3,219,192	\$ 9,918,067

LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 15. Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were available to be issued, May 15, 2024, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA HOSPITAL ASSOCIATION
Schedule of Compensation, Benefits, and Other Payments to
Agency Head
For the Year Ended December 31, 2023

Agency Head

Paul Salles, President and Chief Executive Officer

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

* No compensation, reimbursements nor benefits were paid to the agency head from public funds.

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

The Board of Trustees and the
Finance and Oversight Committee
Louisiana Hospital Association

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 Louisiana Hospital Association (the Association), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 15, 2024

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidated 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 consolidated 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:573, this report is distributed by the legislative auditor as public document.



A Professional Accounting Corporation

Baton Rouge, LA
May 15, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees and the
Finance and Oversight Committee
Louisiana Hospital Association

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Louisiana Hospital Association's (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2023. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Auditor's Responsibility 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 Association'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Association'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 Association'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance 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.



A Professional Accounting Corporation

Baton Rouge, LA
May 15, 2024

LOUISIANA HOSPITAL ASSOCIATION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Pass Through Number	Passed Through to Subrecipients	Total Expenditures
U.S. Department of Health and Human Services				
COVID-19: National Bioterrorism Hospital Preparedness Program	93.889		\$ 436,553	\$ 526,288
<i>Passed Through State of Louisiana Department of Health</i>				
National Bioterrorism Hospital Preparedness Program	93.889	2000683583	1,662,248	2,330,009
Total Expenditures			<u>\$ 2,098,801</u>	<u>\$ 2,856,297</u>

See independent auditor's report and notes to schedule of expenditures of federal awards.

LOUISIANA HOSPITAL ASSOCIATION

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2023

Note 1. Basis of Presentation and Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Louisiana Hospital Association (the Association) 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 Award* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Association.

Expenditures reported on the schedule are reported on the accrual basis of accounting and the cost accounting principles contained in Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursements. Expenditures for loan disbursements are recognized when paid.

Note 2. Indirect Cost Rate

The Association has elected not to use the 10% de minimis indirect cost rate as provided for in Section 200.414 of the Uniform Guidance.

LOUISIANA HOSPITAL ASSOCIATION
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Part I - Summary of Auditor's Results

Financial Statements

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified not considered to
to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|----|---|------------|
| 1. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified not considered to
to be a material weakness? | No |
| 2. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in
accordance with Uniform Guidance: | No |

4. Identification of major programs:

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
93.889	National Bioterrorism Hospital Preparedness Program

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. | Auditee qualified as low-risk auditee? | No |

Part II - Financial Statement Findings

None.

Part III - Findings and Questioned Costs for Federal Awards

None

See independent auditor's report.

LOUISIANA HOSPITAL ASSOCIATION

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023**

None.

See independent auditor's report.

AGREED-UPON PROCEDURES REPORT

Louisiana Hospital Association and Subsidiaries

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2023 - December 31, 2023

To the Board of Trustees
Louisiana Hospital Association and Subsidiaries
And the Louisiana Legislative Auditor:

Attention: Patricia Jeter, CFO

We have performed the procedures enumerated below on Louisiana Hospital Association and Subsidiaries' (the Association) control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2023 through December 31, 2023. The Association's management is responsible for those C/C areas identified in the SAUPs.

The Association 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 the LLA's SAUPs for the fiscal year January 1, 2023 through December 31, 2023. Additionally, the 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 and findings are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - 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.

- iii. **Disbursements**, including processing, reviewing, and approving.
- 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).
- 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(s) rate of pay or approval and maintenance of pay rate schedules.
- 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.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- 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 entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.
- 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.

Results: No exceptions were found as a result of this procedure.

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 that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit 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 entity's collections during the fiscal period.*
 - 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.
 - 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.

Results: No exceptions were found as a result of this procedure.

3) Bank Reconciliations

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

Results: No exceptions were found as a result of this procedure.

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).

Results: We obtained from management a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. We noted that all public funds are received by electronic funds transfer.

- 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 (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- i. Employees that are responsible for cash collections do not share cash drawers/registers.
 - ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - 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, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: Procedure not applicable due to all public funds cash collections being electronic fund transfers.

- 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 enforced during the fiscal period.

Results: Procedure not applicable due to all public funds cash collections being electronic fund transfers.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3A under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, 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:

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

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
- 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).
- v. Trace the actual deposit per the bank statement to the general ledger.

Results: Procedures not applicable due to all public funds cash collections being electronic fund transfers.

5) Non-Payroll Disbursements (excluding card purchases/payments, 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).

Results: No exceptions were found as a result of this procedure.

- 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, inquire of employees about their job duties) and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfers (EFT), wire transfer, or some other electronic means.

Results: No exceptions were found as a result of this procedure.

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

- i. Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
- ii. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B as applicable.

Results: No exceptions were found as a result of this procedure.

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

Results: This procedure is not applicable to the Association due to all electronic transactions being payroll related during the year.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

Results: No exceptions were found as a result of 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:
- i. Observe that 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) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of this procedure.

- C. Using the monthly statements or combined statements selected under #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 (i.e., each card should have 10 transactions subject to testing). 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 note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: No exceptions were found as a result of this procedure.

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

- 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, 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:
- 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).
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - 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 policy (procedure #1A(vii)).
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of this procedure.

8) Contracts

- 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. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- i. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

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

Results: No exceptions were found as a result of this procedure.

9) Payroll and Personnel

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

Results: No exceptions were found as a result of this procedure.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii. Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of this procedure.

- 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, obtain related documentation of the hours and pay rates used in management's termination payment calculations, and the entity policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: No exceptions were found as a result of this procedure.

- 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.

Results: No exceptions were found as a result of this procedure.

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: This procedure is not applicable to the Association due to the entity being a not-for-profit organization.

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

Results: This procedure is not applicable to the Association due to the entity being a not-for-profit organization.

11) Debt Service

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

Results: This procedure is not applicable to the Association as the Association carries no debt.

- 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).

Results: This procedure is not applicable to the Association as the Association carries no debt.

12) Fraud Notice

- 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 entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Results: No exceptions were found as a result of this procedure.

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

Results: No exceptions were found as a result of this procedure.

13) Information Technology Disaster Recovery/Business Continuity

- 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 entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: 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.

Results: No exceptions were found as a result of this procedure.

- C. Using the randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267.

Results: This procedure is not applicable to the Association due to the entity being a not-for-profit organization.

14) Prevention of Sexual Harassment

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

Results: This procedure is not applicable to the Association due to the entity being a not-for-profit organization.

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

Results: This procedure is not applicable to the Association due to the entity being a not-for-profit organization.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it 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;
- ii. Number of sexual harassment complaints received by the agency;
- iii. Number of complaints which resulted in a finding that sexual harassment occurred;
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

Results: This procedure is not applicable to the Association due to the entity being a not-for-profit organization.

We were engaged by the Association 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*. 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. 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 Association 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 on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results 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 Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Baton Rouge, LA
May 15, 2024