LOUISIANA HOSPITAL ASSOCIATION

Audits of Consolidated Financial Statements

December 31, 2024 and 2023

LAPORTE

CPAs & BUSINESS ADVISORS

Contents

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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, 2024 and 2023, 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, 2024 and 2023, 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 9, 2025 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.

LaPorte

A Professional Accounting Corporation

Baton Rouge, LA
May 9, 2025

LOUISIANA HOSPITAL ASSOCIATION
Consolidated Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
Assets		
Cash and Cash Equivalents	**$ 11,997,695**	$ 10,273,785
Cash - Restricted for Federal and State Grants and Contracts	**153**	517,236
Accounts Receivable, Net	**751,307**	1,146,375
Federal and State Grants and Contracts Receivable	**105,007**	248,537
Prepaids and Other Assets	**426,317**	339,436
Investment in Affiliate	**132,242**	111,037
Investments	**16,274,156**	15,159,293
Right-of-Use Assets for Operating Leases	**63,488**	89,252
Property and Equipment, Net	**2,357,727**	1,602,797
Total Assets	**$ 32,108,092**	$ 29,487,748
Liabilities		
Accounts Payable	**$ 297,865**	507,314
Treasury Payable	**491,686**	932,515
Deferred Revenue	**2,557,680**	1,342,277
Other Accrued Liabilities	**1,295,236**	1,158,256
Operating Lease Liabilities	**70,803**	99,702
Total Liabilities	**4,713,270**	4,040,064
Net Assets		
Net Assets Without Donor Restrictions	**27,394,822**	25,447,684
Total Net Assets	**27,394,822**	25,447,684
Total Liabilities and Net Assets	**$ 32,108,092**	$ 29,487,748

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, 2024 and 2023

	2024	2023
Revenues, Gains, and Other Support		
Institutional Revenue	**$ 5,044,963**	$ 4,903,025
Non-Institutional Revenue	**318,510**	369,212
Educational Activities	**1,482,722**	1,379,670
Service Revenue	**2,669,807**	2,793,516
Investment Return, Net	**1,248,521**	1,452,147
Federal and State Grants and Contracts	**2,072,429**	1,846,059
Other Revenue	**556,428**	174,156
Total Revenues, Gains, and Other Support	**13,393,380**	12,917,785
Expenses		
Program Expenses		
Member Support	**6,169,772**	5,623,465
Grants and Contracts	**1,956,778**	1,747,629
Supporting Expenses	**3,319,692**	3,638,098
Total Expenses	**11,446,242**	11,009,192
Change in Net Assets	**1,947,138**	1,908,593
Net Assets, Beginning of Year, as Originally Reported	**25,447,684**	23,548,505
Cumulative-Effect Adjustment ASC 326	**-**	(9,414)
Net Assets, Beginning of Year, as Adjusted	**25,447,684**	23,539,091
Net Assets, End of Year	**$ 27,394,822**	$ 25,447,684

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, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in Net Assets	**$ 1,947,138**	$ 1,908,593
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities		
Depreciation	**175,944**	165,753
Amortization of Right-of-Use Assets for Operating Leases	**25,764**	24,934
Equity in Income of Affiliate	**(21,205)**	(15,035)
Net Realized and Unrealized Gains on Investments	**(660,719)**	(1,079,507)
Provision for Credit Losses	**110,524**	139,445
Decrease (Increase) in Operating Assets		
Accounts Receivable	**284,544**	1,145
Federal and State Grants and Contracts Receivable	**143,530**	(64,889)
Prepaid and Other Assets	**(86,881)**	78,388
(Decrease) Increase in Operating Liabilities		
Accounts Payable	**(209,449)**	420,202
Treasury Payable	**(440,829)**	329,223
Deferred Revenue	**1,215,403**	(1,044,925)
Other Accrued Liabilities	**136,980**	207,198
Operating Lease Liabilities	**(28,899)**	(28,069)
Net Cash Provided by Operating Activities	**2,591,845**	1,042,456
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	**8,383,196**	6,931,004
Purchase of Investments	**(8,837,340)**	(7,113,435)
Purchases of Property and Equipment	**(930,874)**	(120,331)
Net Cash Used in Investing Activities	**(1,385,018)**	(302,762)
Increase in Cash and Cash Equivalents	**1,206,827**	739,694
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	**10,791,021**	10,051,327
Cash, Cash Equivalents, and Restricted Cash, End of Year	**$ 11,997,848**	$ 10,791,021
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Taxes	**$ 357,611**	$ 261,203
Cumulative-Effect Adjustment - ASC 326	**$ -**	$ (9,414)
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and Cash Equivalents	**$ 11,997,695**	$ 10,273,785
Cash - Restricted for Federal and State Grants and Contracts	**153**	517,236
Total Cash and Cash Equivalents and Restricted Cash	**$ 11,997,848**	$ 10,791,021

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

Note 1. Association

Nature of Activities

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

Corporation	Income Tax Status
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)

In 2024, the Coalition to Protect and Strengthen Louisiana's Healthcare (CPS LA Healthcare) was formed as a non-profit entity. There was no activity in CPS LA Healthcare during the year ended December 31, 2024, and CPS LA Healthcare has not yet filed for tax exempt status.

The financial statements also include the accounts of LHA Management Corporation (LHAMC) and LHA Solutions. 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.

Note 1. Association (Continued)

Nature of Activities (Continued)

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.

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.

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.

CPS LA Healthcare was created for the purpose of promoting the social welfare of the residents and businesses of the State of Louisiana by providing education and information to members of the public and legislative and administrative bodies about healthcare issues that affect hospitals and other healthcare providers and their patients, and advocating positions on certain issues on their behalf, including by way of grassroots advocacy, advocacy before legislative or administrative bodies and advocacy in connection with ballot initiatives. CPS LA Healthcare will be funded through fundraising efforts, including solicitation of contributions from public or private sources.

The Foundation, LA PSO, LHAMC, and LHA Solutions boards are comprised of members of the finance and oversight committee of LHA.

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 U.S. GAAP 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.

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

The Association recorded investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expense.

The Association evaluates each debt security where the value has declined below amortized cost. If the Association intends to sell or believes it is more likely than not that it will be required to sell the debt security, it is written down to fair value through earnings. For debt securities the Association intends to hold, the Association evaluates the debt securities for expected credit losses, except for debt securities that are guaranteed by the U.S. Treasury, U.S. government agencies or sovereign entities of high credit quality where the Association applies a zero credit loss assumption. For the remaining debt securities, the Association considers qualitative parameters such as internal and external credit ratings on the value of underlying collateral.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

If a debt security fails any of the qualitative parameters, a discounted cash flow analysis is used by the Association to determine if a portion of the unrealized loss is a result of an expected credit loss. The Association will then recognize either credit loss expense or a reversal of credit loss expense in other income for the amount necessary to adjust the debt securities valuation allowance to its current estimate of expected credit losses. Cash flows expected to be collected are estimated using all relevant information available such as remaining payment terms, prepayment speeds, the financial condition of the issuer, expected defaults and the value of the underlying collateral. If any of the decline in fair value is related to market factors, that amount is recognized in the change in net assets. In certain instances, the credit loss may exceed the total decline in fair value, in which case, the allowance recorded is limited to the difference between the amortized cost and the fair value of the asset. At December 31, 2024 and December 31, 2023, there were no expected credit losses recorded on debt securities.

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) Accounting Standards Codification (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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

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.

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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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, 2024 and 2023, all net assets were without donor restrictions.

Revenue Recognition

<u>Membership Dues</u>

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.

<u>Event Admissions and Sponsorships</u>

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.

<u>Service Revenue</u>

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 fulfilment 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The balance of deferred revenue at December 31, 2024 and 2023 are included on the consolidated statements of financial position. The balance of deferred revenue at January 1, 2023 was $2,387,202.

Accounts receivable are carried at original invoice amount, net of an allowance for credit losses. The balance of accounts receivable at December 31, 2024 and 2023 are included on the consolidated statements of financial position. The balance of accounts receivable at January 1, 2023 was $1,296,379.

Management determines the allowance for credit losses on accounts receivable 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, 2024 and 2023, the total allowance recorded for credit losses was $-0- and $11,706, respectively.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 those 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.

Reclassifications

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

Note 3. Restricted Cash

Approximately $150 and $517,000 of cash was restricted as of December 31, 2024 and 2023, 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 for the year ended December 31, 2024 and 2023:

	2024	2023
Allowance, January 1, 2023		$ -
Cumulative Effect of the Adoption of ASC 326		9,414
Allowance, Beginning Balance	**$ 67,714**	$ 9,414
Charge-Offs	**(178,238)**	(81,145)
Recoveries	**-**	-
Net Charge-Offs	**(178,238)**	(81,145)
Provision for Credit Losses	**110,524**	139,445
Allowance, Ending Balance	**$ -**	$ 67,714

Note 5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2024 and 2023:

	2024	2023
Land	**$ 389,406**	$ 389,406
Buildings	**3,453,611**	2,676,760
Furniture and Office Equipment	**1,770,377**	1,616,354
	5,613,394	4,682,520
Less: Allowance for Depreciation	**3,255,667**	3,079,723
Property and Equipment, Net	**$ 2,357,727**	$ 1,602,797

Depreciation expense was approximately $176,000 and $166,000 for the years ended December 31, 2024 and 2023, respectively.

Note 6. Investments

Investments are comprised of the following at December 31, 2024 and 2023:

	2024	2023
Alternative Investments	**$ 5,241**	$ 41,123
Cash / Money Market	**296,636**	1,040,733
Equities	**7,222,194**	6,895,768
Fixed Income	**8,750,085**	7,181,669
Total	**$ 16,274,156**	$ 15,159,293

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, 2024 and 2023 are as follows:

Assets	**Level 1**	**Level 2**	**Level 3**	**Net Balance**
Cash / Money Market	**296,636**	**-**	**-**	**296,636**
Equities	**7,222,194**	**-**	**-**	**7,222,194**
Fixed Income	**4,832,746**	**3,917,338**	**-**	**8,750,085**
Investments at NAV per Share	**-**	**-**	**-**	**5,241**
Total	**$ 12,351,576**	**$ 3,917,338**	**$ -**	**$ 16,274,156**

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	3,006,636	-	7,181,669
Investments at NAV per Share	-	-	-	41,123
Total	$ 12,111,534	$ 3,006,636	$ -	$ 15,159,293

As of December 31, 2024 and 2023, there were no assets measured at fair value on a non-recurring basis.

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, 2024 and 2023:

	2024	2023
Lease Cost		
Operating Lease Cost	**$ 28,215**	$ 28,215
Variable Lease Cost	**26,618**	20,016
Total Lease Cost	**$ 54,833**	$ 48,231
Other Information		
Weighted-Average Remaining Lease Term (in Years):		
Operating Leases	**2.3**	3.3
Weighted-Average Discount Rate Applied (%):		
Operating Leases	**2.9**	2.9

Future undiscounted cash flows for each of the next three years and a reconciliation to the lease liabilities recognized on the consolidated statements of financial position are as follows as of December 31, 2024:

Years Ending December 31,	**Operating Leases**
2025	$ 31,350
2026	31,350
2027	10,450
Total Lease Payments	73,150
Less: Imputed Interest	(2,347)
Lease Liabilities	$ 70,803

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, 2024 and 2023. The Association expensed approximately $267,000 and $235,000 related to its contributions to the 401(k) retirement plan in 2024 and 2023, respectively.

The Association has a paid time off (PTO) policy, which provides PTO benefits to employees based on classification and length of service. During 2023 and 2024, 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 $214,000 and $173,000 as of December 31, 2024 and 2023, 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, 2024 and 2023, respectively. These benefits are not payable upon termination or retirement, and therefore are not accrued in accordance with FASB ASC 710.

Note 10. Related-Party Transactions

The Association performs services and conducts educational programs and conferences. Substantially all of the revenue and accounts receivable from these activities result from transactions with its owner-members. The Association also administers grants and contracts. Substantially all related disbursements to subrecipients or subcontractors from these activities result from transactions with its owner-members.

Note 11. Income Taxes and Deferred Income Taxes

For the years ended December 31, 2024 and 2023, LHAMC's federal and state income estimated tax expenses totaled approximately $202,000 and $190,000, respectively, which is included within other expenses on the consolidated statements of activities. At December 31, 2024 and 2023, the net deferred tax liability totaled approximately $61,000 and is included within other accrued liabilities on the consolidated statements of financial position.

Note 11. Income Taxes and Deferred Income Taxes (Continued)

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.

The Association is subject to unrelated business income tax (UBIT) on income derived from activities that are not substantially related to its exempt purpose. For the years ended December 31, 2024 and 2023, the Association's estimated UBIT expenses resulting from service revenue to non-member entities totaled approximately $144,000 and $155,000, respectively, which is included within other expenses on the consolidated statements of activities.

Note 12. Risk Concentrations

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, 2024 and 2023, the Association had approximately $2,168,000 and $3,077,000, 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.

During 2024, payments made to one of the Association's vendors made up approximately 11% of all payments disbursed. Approximately 57% of accounts payable were owed to this vendor at December 31, 2024. There were no vendor concentrations in 2023.

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:

	2024	2023
Cash and Cash Equivalents	**$ 11,997,695**	$ 10,273,785
Accounts Receivable, Net	**751,307**	1,146,375
Federal and State Grants and Contracts Receivable	**105,007**	248,537
Investments	**16,274,156**	15,159,293
Total	**$ 29,128,165**	$ 26,827,990

Note 13. Liquidity and Availability (Continued)

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, and alternative investments.

Note 14. Functional Expenses

For the year ended December 31, 2024 and 2023, expenses related to providing these services are as follows:

	Program				
	Member Support	**Grants and Contracts**	**Program Total**	**Support**	**Total Expenses**
Salaries and Benefits	**$ 5,394,044**	**$ 401,330**	**$ 5,795,374**	**$ 106,400**	**$ 5,901,774**
Grants and Contracts	**5,000**	**989,450**	**994,450**	**552,306**	**1,546,756**
Professional	**-**	**547,727**	**547,727**	**-**	**547,727**
Education	**770,728**	**18,271**	**788,999**	**-**	**788,999**
General and Administrative	**-**	**-**	**-**	**1,881,892**	**1,881,892**
Building, Office, and Equipment	**-**	**-**	**-**	**603,150**	**603,150**
Depreciation	**-**	**-**	**-**	**175,944**	**175,944**
Total	**$ 6,169,772**	**$ 1,956,778**	**$ 8,126,550**	**$ 3,319,692**	**$ 11,446,242**

	Program				
	Member Support	Grants and Contracts	Program Total	Support	Total 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

Note 15. Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were available to be issued, May 9, 2025, 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, 2024

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.

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

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, 2024, 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 9, 2025.

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 Statue 24:573, this report is distributed by the legislative auditor as public document.

LaPorte

A Professional Accounting Corporation

Baton Rouge, LA
May 9, 2025

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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, 2024. 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, 2024.

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.

LaPorte

A Professional Accounting Corporation

Baton Rouge, LA
May 9, 2025

LOUISIANA HOSPITAL ASSOCIATION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

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		$ 726,401	$ 789,058
Passed Through State of Louisiana Department of Health				
National Bioterrorism Hospital Preparedness Program	93.889	2000683583	1,396,717	2,052,852
Total Expenditures			$ 2,123,118	$ 2,841,910

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

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, 2024. 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.

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 Number	Name of Federal Program or Cluster
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.

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

None.